REDACTED
Press Release

Centene Corporation Completes Acquisition Of U.S. Medical Management

ST. LOUIS, Jan. 7, 2014 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that it has completed the purchase of a majority interest in U.S. Medical Management, LLC, a leading management services organization and provider of in-home health services for high acuity populations, as of January 6, 2014.

As previously announced, the purchase price for Centene's majority interest is approximately $200 million and was funded with a combination of approximately one-third cash and two-thirds Centene stock.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

SOURCE Centene Corporation

Media - Deanne Lane, +1-314-725-4477, OR Investors - Edmund E. Kroll, Jr., +1-212-759-0382
Press Release

Centene To Acquire Specialty Pharmacy Leader AcariaHealth
--Enhances CNC's Comprehensive Pharmacy Solution for Complex Disease Conditions--

ST. LOUIS, Jan. 14, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that it has signed a definitive agreement to acquire Specialty Therapeutic Care Holdings, Inc. (d/b/a AcariaHealth), one of the nation's largest, independent, comprehensive specialty pharmacy companies, from Enhanced Equity Funds and affiliates for $152 million. The transaction consideration is anticipated to be financed through a combination of Centene common stock, cash on hand and existing credit facilities. The acquisition is expected to close in the first quarter of 2013, subject to regulatory approval and other customary conditions. The Company expects the acquisition to be neutral to earnings per share in the first 12 months following the acquisition, excluding one-time transaction costs.

This acquisition is consistent with Centene's strategic plan of capitalizing on new opportunities for growth that complement its current core areas of strength. With this transaction, US Script, Centene's pharmacy benefit manager, will now have a sister company that will expand its specialized pharmacy benefit services for complex diseases, including Hepatitis C, Hemophilia, Multiple Sclerosis, Rheumatoid Arthritis and Oncology.

"AcariaHealth's leading specialty pharmacy platform will be able to maintain the autonomy needed to serve all its current and future clients and will enhance US Script's ability to serve as a stand-alone pharmacy benefit management company, which is a key component to Centene's broader product offerings to its state customers," said Jason Harrold, Executive Vice President, Specialty Companies for Centene. "This integrated approach, particularly with high cost specialty drugs, will allow us to better serve the needs of our members, including the high-acuity populations such as the Aged, Blind or Disabled and Dual Eligibles. We expect to further accelerate growth in these areas through the enhancement of our capabilities resulting from this acquisition."

AcariaHealth provides a national platform with industry leading technology and an experienced management team that is committed to the long-term success of the business. AcariaHealth also brings strong relationships with pharmaceutical companies and expanded access to limited distribution, high cost drugs.

"We are delighted to partner with Centene and US Script, who share our philosophy that patients come first," said Don Howard, President and Chief Executive Officer for AcariaHealth. "This partnership will further enhance our ability to provide our patients with the comprehensive services they need to better manage their complex conditions, as well as provide the AcariaHealth team members with the synergistic opportunities associated with being part of a Fortune 500 company."

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This information provided in this press release contains forward-looking statements about a transaction between Centene and AcariaHealth, including the potential benefits of the transaction and the anticipated timing of the completion of the transaction. Such information involves substantial risks and uncertainties including, among other things, whether and when Centene and AcariaHealth will satisfy the various closing conditions, including without
limitation obtaining the required regulatory approvals; and economic, regulatory, competitive and other factors that may cause the actual benefits to be materially different from those expressed in this press release. Forward-looking statements speak only as of the date of this release and are based on information available at the time those statements are made, as well as management's views and assumptions regarding future events. You should not put undue reliance on any forward-looking statements. Centene does not undertake to update its forward-looking statements, except as required by law.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene's Florida Subsidiary Selected To Serve Long Term Care Members In 10 Regions In Florida

ST. LOUIS, Jan. 16, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) has been notified by the Florida Agency for Health Care Administration (AHCA) that Sunshine State Health Plan, Centene's Florida subsidiary, has been recommended for a contract award in the Medicaid Managed Care Long Term Care program. Upon regulatory approval, enrollment will be rolled out by region, beginning in August 2013 and continuing through March 2014.

The new Medicaid Managed Care Long Term Care program will replace the current Nursing Home Diversion Program (NHDP) and will cover the entire state of Florida, which is divided into 11 regions. Sunshine State Health Plan was selected to serve members in 10 of the 11 regions.

"Centene is pleased to be selected to participate in this expanded long-term care program," said Robert Hitchcock, Executive Vice President of Health Plans for Centene. "Our integrated care model has proven to be successful both in Florida and other markets in improving health outcomes for members with long-term care needs, while saving our state partners money."

The long-term care program covers recipients 18 years or older who have been determined by the state's long term care assessment program (CARES) to meet the nursing facility level of care, including individuals who are dually eligible for Medicaid and Medicare and non-duals (Medicaid-only).

"Centene has been serving Medicaid members in Florida since 2007, and we are pleased to expand our partnership with the state to provide critical long-term care services to eligible members," said Chris Paterson, President and CEO for Sunshine State Health Plan. "We look forward to continuing to partner with providers and important community organizations to offer an individually-centered, personal approach to serve the state's most vulnerable residents."

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SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, or Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Centene Subsidiary Receives Full URAC Accreditation

ST. LOUIS, Oct. 10, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that Nurse Response®, a medical triage and health education outreach company, received full Core and Health Call Center Accreditation from URAC through its parent company NurseWise®, a wholly-owned Centene subsidiary.

The URAC accreditation process demonstrates a commitment to quality services and serves as a framework to improve business processes through benchmarking organizations against nationally recognized standards. The Health Call Center Accreditation assures that registered nurses, physicians or other licensed individuals perform the clinical aspects of triage and other health information services in a manner that is timely, confidential, and includes medically appropriate care and treatment advice.

"We are proud that Nurse Response has received full URAC Accreditation, which reflects the company's dedication to provide quality healthcare services and programs," said Jason M. Harrold, Executive Vice President, Specialty Companies, for Centene Corporation. "We strive to implement business processes that reflect national standards and result in programs that improve healthcare access and empower those we serve to make the best decisions for their health needs."

"By applying for and receiving URAC Accreditation, Nurse Response has demonstrated a commitment to quality healthcare," said William Vandervennet, URAC president and CEO. "Quality healthcare is crucial to our nation's welfare, and it is important to have organizations that are willing to measure themselves against national standards."

URAC, an independent, nonprofit organization, is a leader in promoting healthcare quality through accreditation and certification programs. URAC's standards keep pace with the rapid changes in the healthcare system, and provide a mark of distinction for healthcare organizations to demonstrate their commitment to quality and accountability. Through its broad-based governance structure and an inclusive standards development process, URAC ensures that all stakeholders are represented in setting meaningful standards for the healthcare industry. For more information, visit www.urac.org.

About Centene Corporation

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SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477; Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Subsidiary Initiates Termination Of Medicaid Contract With Commonwealth Of Kentucky

ST. LOUIS, Oct. 17, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that its subsidiary, Kentucky Spirit Health Plan (Kentucky Spirit), has notified the Cabinet for Health and Family Services that it is exercising a contractual right that it believes allows Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. In addition, Kentucky Spirit has filed a formal dispute with the Cabinet for damages incurred under the contract.

"Since the inception of the contract, we have been in discussions with the Cabinet about our concerns with the Medicaid managed care program but have been unable to resolve our differences. Consequently, we do not believe there is a viable path to a sustainable managed care program in Kentucky," said Jesse Hunter, Executive Vice President of Operations for Centene. "As a result, we are in the unfortunate position of having to take steps to terminate the contract and exit the market."

"Kentucky Spirit remains committed to a smooth transition for the members that we currently serve, and we will continue our tradition of quality healthcare during this period," said Jean Rush, Chief Executive Officer and Plan President.

Consistent with the steps taken as mentioned above to terminate the Kentucky contract effective July 5, 2013, Centene anticipates recording a pre-tax premium deficiency reserve ranging from $60 to $70 million related to the Kentucky operations in the quarter ended September 30, 2012.

Third quarter results will be released on October 23, 2012 and operating results, excluding the premium deficiency reserve related to Kentucky, are expected to be in line with the forecast incorporated into the Company’s previously communicated annual guidance. As a reminder, the Company is currently in its “quiet” period until the release of the third quarter results.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, “exchange based” and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, uncertainties in Centene's reserve estimates, provider and state contract changes, including the expiration, termination, cancellation or suspension of Centene's Medicaid Managed Care contracts, uncertainties in Centene's estimates of exit and other costs related to any expiration, termination, cancellation or suspension of such contracts as well as those
factors disclosed in the Company’s publicly filed documents.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Press Release

Centurion Selected To Provide Correctional Healthcare In Minnesota

Makes third contract win in nine months

ST. LOUIS, Oct. 18, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that its subsidiary, Centurion of Minnesota LLC ("Centurion"), has executed an agreement with the Minnesota Department of Corrections (DOC) to provide managed healthcare services to offenders in the state's correctional facilities. Centurion is a joint venture between Centene and MHM Services Inc., a national leader in providing behavioral and other healthcare services to correctional systems.

In Minnesota, Centurion will oversee care for approximately 9,000 offenders at 10 facilities throughout the state.

"The Minnesota DOC's core values emphasize a culture of innovation and continuous improvement. We are excited to offer our innovative programs that are the direct result of Centene and MHM's combined experience, technology, and programs," said Jason M. Harrold, Executive Vice President, Specialty Companies, for Centene.

Centurion was recently awarded two other state-wide contracts to provide comprehensive correctional healthcare services to the states of Massachusetts and Tennessee. This latest award is expected to commence operations in the first quarter of 2014.

About Centene Corporation

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SOURCE Centene Corporation

Media: Deanne Lane, (314) 725-4477 | Investors: Edmund E. Kroll, Jr., (212) 759-0382
Press Release

- Centene Corporation Reports 2013 Third Quarter Earnings Of $0.87 Per Diluted Share -


Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "The quarter and year to date results reflect the efforts and growing capabilities of all our employees who are committed to delivering high quality and lower cost services."

**Third Quarter Highlights**

- Quarter-end at-risk managed care membership of 2,612,500, an increase of 109,500 members, or 4% year over year.
- Premium and service revenues of $2.7 billion, representing 24% growth year over year.
- Health Benefits Ratio of 87.7%, compared to 93.3% in 2012.
- General and Administrative expense ratio of 9.3%, compared to 8.2% in 2012.
- Operating cash flow of $130.7 million for the third quarter of 2013, or 2.7 times net earnings.
- Diluted EPS of $0.87, compared to $0.07 in 2012.

**Other Events**

- In August 2013, our Florida subsidiary, Sunshine State Health Plan, began operating under a contract with the Florida Agency for Health Care Administration to serve members of the Medicaid Managed Care Long Term Care program. Enrollment began in August 2013 and will be implemented by region and continue through March 2014.
- In August 2013, Moody's Investor Service affirmed our senior debt rating of Ba2 and raised the outlook of the Company to stable.
- In September 2013, the Florida Agency for Health Care Administration provided notice of intent to award a contract to our subsidiary, Sunshine State Health Plan, in 9 of 11 regions of the Managed Medical Assistance (MMA) program. The MMA program includes TANF recipients as well as ABD and dual eligible members. The award is subject to challenge and contract readiness periods, with enrollment expected to begin in the second quarter of 2014 and continue through October 2014. In addition, we were recommended as the sole provider under a contract award for the Child Welfare Specialty Plan (Foster Care), expected to commence in the second quarter of 2014.
- In September 2013, we were tentatively awarded a contract with the Massachusetts Executive Office of Health and Human Services to participate in the MassHealth CarePlus program in all five regions, with operations expected to begin in January 2014. Under the contract, our subsidiary, CeltiCare, will provide comprehensive healthcare services for eligible non-pregnant Medicaid adults. Services will include medical, behavioral health, dental, vision, pharmacy, therapies and transportation.
- In September 2013, we were tentatively awarded a contract in Texas from the Texas Health and Human Services Commission to expand our operations and serve STAR+PLUS members in two Medicaid Rural Service Areas. Upon successful negotiations, execution of a contract and regulatory approval, enrollment is expected to begin in the second half of 2014.
- In September 2013, our joint venture subsidiary, Centurion, began operating under a new contract to provide comprehensive healthcare services to individuals incarcerated in Tennessee state correctional facilities.
- In September 2013, we received approval from the Centers for Medicare & Medicaid Services (CMS) to operate health insurance exchanges in Arkansas, Florida, Georgia, Indiana, Mississippi, Ohio and Texas. We also received approval from Massachusetts and Washington to participate in their state-based exchanges. Enrollment began in October 2013 and coverage is expected to commence in January 2014.
- In September 2013, our Wisconsin subsidiary, Managed Health Services, and South Carolina subsidiary, Absolute...
Total Care, both earned Commendable ratings from the National Committee for Quality Assurance (NCQA).

- In October 2013, our joint venture subsidiary, Centurion, executed an agreement with the Minnesota Department of Corrections to provide managed healthcare services to offenders in the state's correctional facilities. Operations are expected to begin in the first quarter of 2014.

The following table sets forth the Company's membership by state for its managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>September 30, 2013</th>
<th>September 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,700</td>
<td>23,800</td>
</tr>
<tr>
<td>Florida</td>
<td>217,800</td>
<td>209,600</td>
</tr>
<tr>
<td>Georgia</td>
<td>314,100</td>
<td>312,400</td>
</tr>
<tr>
<td>Illinois</td>
<td>22,800</td>
<td>17,900</td>
</tr>
<tr>
<td>Indiana</td>
<td>198,400</td>
<td>205,400</td>
</tr>
<tr>
<td>Kansas</td>
<td>137,700</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>—</td>
<td>145,400</td>
</tr>
<tr>
<td>Louisiana</td>
<td>152,600</td>
<td>167,200</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>23,200</td>
<td>28,000</td>
</tr>
<tr>
<td>Mississippi</td>
<td>76,900</td>
<td>30,600</td>
</tr>
<tr>
<td>Missouri</td>
<td>58,200</td>
<td>53,900</td>
</tr>
<tr>
<td>Ohio</td>
<td>170,900</td>
<td>173,800</td>
</tr>
<tr>
<td>South Carolina</td>
<td>89,400</td>
<td>89,400</td>
</tr>
<tr>
<td>Tennessee</td>
<td>20,400</td>
<td>—</td>
</tr>
<tr>
<td>Texas</td>
<td>957,300</td>
<td>930,700</td>
</tr>
<tr>
<td>Washington</td>
<td>77,100</td>
<td>42,000</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,000</td>
<td>72,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,612,500</strong></td>
<td><strong>2,503,000</strong></td>
</tr>
</tbody>
</table>

Membership by line of business:

<table>
<thead>
<tr>
<th>Category</th>
<th>September 30, 2013</th>
<th>September 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>1,953,300</td>
<td>1,939,400</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>274,900</td>
<td>229,600</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>302,000</td>
<td>289,800</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>19,600</td>
<td>35,700</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>31,600</td>
<td>8,500</td>
</tr>
<tr>
<td>Correctional Services</td>
<td>31,100</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,612,500</strong></td>
<td><strong>2,503,000</strong></td>
</tr>
</tbody>
</table>

Dual eligible membership (included in tables above):

<table>
<thead>
<tr>
<th>Category</th>
<th>September 30, 2013</th>
<th>September 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>72,000</td>
<td>69,800</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>19,600</td>
<td>7,800</td>
</tr>
</tbody>
</table>

We have provided additional detail below on our quarterly results to further understand the changes in quarterly earnings per diluted share as compared to the third quarter 2012. During the third quarter 2013, we recorded net earnings of $0.87 per diluted share compared to $0.07 in the corresponding period in 2012 reflecting the following:

- For the third quarter of 2013, Premium and Service Revenues increased 24% to $2.7 billion from $2.2 billion in the third quarter of 2012. The increase was primarily driven as a result of the addition of the Kansas contract on January 1, 2013, increased membership and premium rates in Texas, expansions in Mississippi and Florida and the acquisition of AcariaHealth, partially offset by decreased revenue in Kentucky as a result of our exit.

- Consolidated HBR of 87.7% for the third quarter of 2013 represents a decrease from 93.3% in the comparable period in 2012 and a decrease from 88.8% in the second quarter of 2013. Excluding our Kentucky health plan operations, the third quarter 2012 HBR was 88.7%. The HBR improvement compared to both periods reflects the rate increase in Texas as well as a continued level of moderate utilization.

- The following table compares the results for new business and existing business for the quarters ended September 30:

<table>
<thead>
<tr>
<th>Premium and Service Revenue</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business</td>
<td>14 %</td>
<td>32 %</td>
</tr>
<tr>
<td>Existing business</td>
<td>86 %</td>
<td>68 %</td>
</tr>
</tbody>
</table>

- Total G&A expense ratio for the third quarter of 2013 was 9.3%, compared to 8.2% in the prior year. The year over year increase reflects an increase in performance based compensation expense in 2013 and higher start-up costs, partially offset by the leveraging of expenses over higher revenue in 2013.

- Earnings from operations were $82.2 million in the third quarter of 2013 compared to a loss from operations of $(27.6) million in the third quarter of 2012. Net earnings attributable to Centene Corporation were $49.4 million in the third quarter of 2013, compared to $3.8 million in the third quarter of 2012.

Balance Sheet and Cash Flow

At September 30, 2013, the Company had cash, investments and restricted deposits of $1,721.7 million, including $37.6 million held by its unregulated entities. Medical claims liabilities totaled $1,071.7 million, representing 42.9 days in claims payable. Total debt was $521.0 million which includes no borrowings on the $500 million revolving credit facility at quarter end. Debt to capitalization was 27.4% at September 30, 2013, excluding the $73.4 million non-recourse mortgage note. Cash flow from operations for the three months ended September 30, 2013, was $130.7 million.

A reconciliation of the Company’s change in days in claims payable from the immediately preceding quarter-end is presented below:
Outlook

The table below depicts the Company's annual guidance for 2013.

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenues</td>
<td>$10,600</td>
<td>$10,800</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>2.77</td>
<td>2.87</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>88.5%</td>
<td>89.0%</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>8.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Diluted Shares Outstanding</td>
<td>56,000</td>
<td>56,500</td>
</tr>
</tbody>
</table>

Conference Call

As previously announced, the Company will host a conference call Tuesday, October 22, 2013, at 8:30 A.M. (Eastern Time) to review the financial results for the third quarter ended September 30, 2013, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call. Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section. A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 p.m. (Eastern Time) on Tuesday, October 21, 2014, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Wednesday, October 30, 2013, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10033731.

Other Information

The discussion in the third bullet under the heading "Statement of Operations: Three Months Ended September 30, 2013" contains financial information for new and existing businesses. Existing businesses are primarily state markets or significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets or significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this release as the Company believes that these figures are helpful in allowing individuals to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently. The Company uses the presented non-GAAP financial measures such as internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.
The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company's publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

[Tables Follow]
<table>
<thead>
<tr>
<th>Additional paid-in capital</th>
<th>578,188</th>
<th>450,856</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized (loss) gain on investments, net of tax</td>
<td>(1,845)</td>
<td>5,189</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>678,679</td>
<td>566,820</td>
</tr>
<tr>
<td>Treasury stock, at cost (3,105,247 and 3,009,912 shares, respectively)</td>
<td>(75,541)</td>
<td>(69,864)</td>
</tr>
<tr>
<td>Total Centene stockholders' equity</td>
<td>1,179,539</td>
<td>953,056</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>5,552</td>
<td>711</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>1,185,091</td>
<td>953,767</td>
</tr>
<tr>
<td>Total liabilities and stockholders' equity</td>
<td>$ 3,139,037</td>
<td>$ 2,741,682</td>
</tr>
</tbody>
</table>

**CENTENE CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$ 2,621,651</td>
</tr>
<tr>
<td>Service</td>
<td>112,497</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,734,148</td>
</tr>
<tr>
<td>Premium tax</td>
<td>69,504</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,803,652</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,298,881</td>
</tr>
<tr>
<td>Cost of services</td>
<td>100,479</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>253,608</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>68,453</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,721,421</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>82,231</td>
</tr>
<tr>
<td>Other income (expense):</td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,946</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,603)</td>
</tr>
<tr>
<td>Earnings (loss) before income tax expense (benefit)</td>
<td>80,574</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>31,660</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>48,914</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(459)</td>
</tr>
<tr>
<td>Earnings (loss) attributable to Centene Corporation</td>
<td>$ 49,373</td>
</tr>
<tr>
<td>Net earnings (loss) per common share attributable to Centene Corporation:</td>
<td></td>
</tr>
<tr>
<td>Basic earnings (loss) per common share</td>
<td>$ 0.90</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share</td>
<td>$ 0.87</td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding:</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>54,679,660</td>
</tr>
<tr>
<td>Diluted</td>
<td>56,933,056</td>
</tr>
</tbody>
</table>
### CENTENE CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(In thousands)  
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$ 110,836</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings (loss) to net cash provided by operating activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>50,220</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>27,252</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>—</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>1,626</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(58,587)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(19,133)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(65,397)</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>103,895</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>7,976</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>48,840</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>4,142</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>211,670</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(46,383)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(666,016)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>451,034</td>
</tr>
<tr>
<td>Investments in acquisitions, net of cash acquired</td>
<td>(62,773)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(324,138)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>7,674</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>30,000</td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>(40,842)</td>
</tr>
<tr>
<td>Proceeds from stock offering</td>
<td>15,225</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>1,140</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>(5,677)</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>5,864</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>(3,587)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>9,797</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>(102,671)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of period</strong></td>
<td>843,952</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of period</strong></td>
<td>$ 741,281</td>
</tr>
</tbody>
</table>

### Supplemental disclosures of cash flow information

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$ 16,738</td>
<td>$ 12,127</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>40,921</td>
<td>34,001</td>
</tr>
<tr>
<td>Equity issued in connection with acquisition</td>
<td>75,425</td>
<td>—</td>
</tr>
</tbody>
</table>

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http://phx.corporate-ir.net/phoenix.zhtml?c=130443&amp;p=irol-newsArticle_Print&am... 12/19/2013
### AT-RISK MEMBERSHIP

**Managed Care:**

<table>
<thead>
<tr>
<th></th>
<th>Q3 2013</th>
<th>Q2 2013</th>
<th>Q1 2013</th>
<th>Q4 2012</th>
<th>Q3 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,700</td>
<td>23,200</td>
<td>23,300</td>
<td>23,500</td>
<td>23,800</td>
</tr>
<tr>
<td>Florida</td>
<td>217,800</td>
<td>216,200</td>
<td>214,600</td>
<td>214,000</td>
<td>209,600</td>
</tr>
<tr>
<td>Georgia</td>
<td>314,100</td>
<td>316,600</td>
<td>314,000</td>
<td>313,700</td>
<td>312,400</td>
</tr>
<tr>
<td>Illinois</td>
<td>22,800</td>
<td>18,000</td>
<td>18,000</td>
<td>18,000</td>
<td>17,900</td>
</tr>
<tr>
<td>Indiana</td>
<td>198,400</td>
<td>200,000</td>
<td>202,400</td>
<td>204,000</td>
<td>205,400</td>
</tr>
<tr>
<td>Kansas</td>
<td>137,700</td>
<td>137,500</td>
<td>133,700</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>—</td>
<td>133,500</td>
<td>132,700</td>
<td>135,800</td>
<td>145,400</td>
</tr>
<tr>
<td>Louisiana</td>
<td>152,600</td>
<td>153,700</td>
<td>162,900</td>
<td>165,600</td>
<td>167,200</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>23,200</td>
<td>15,200</td>
<td>17,300</td>
<td>21,500</td>
<td>28,000</td>
</tr>
<tr>
<td>Missouri</td>
<td>76,900</td>
<td>77,300</td>
<td>77,000</td>
<td>77,200</td>
<td>30,600</td>
</tr>
<tr>
<td>Ohio</td>
<td>58,200</td>
<td>58,800</td>
<td>57,900</td>
<td>59,600</td>
<td>53,900</td>
</tr>
<tr>
<td>South Carolina</td>
<td>170,900</td>
<td>156,700</td>
<td>157,700</td>
<td>157,800</td>
<td>173,800</td>
</tr>
<tr>
<td>Tennessee</td>
<td>89,400</td>
<td>88,800</td>
<td>90,100</td>
<td>90,100</td>
<td>89,400</td>
</tr>
<tr>
<td>Texas</td>
<td>20,400</td>
<td>960,400</td>
<td>948,400</td>
<td>949,900</td>
<td>930,700</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>77,100</td>
<td>67,600</td>
<td>63,500</td>
<td>57,200</td>
<td>42,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>72,000</td>
<td>73,400</td>
<td>72,600</td>
<td>72,400</td>
<td>72,900</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>160,700</td>
<td>157,100</td>
</tr>
<tr>
<td>Kansas</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>160,700</td>
<td>157,100</td>
</tr>
</tbody>
</table>

(a) Includes external membership only.

**REVENUE PER MEMBER PER MONTH**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2012</td>
<td></td>
<td></td>
<td></td>
<td>Q3 2012</td>
</tr>
<tr>
<td></td>
<td>$ 292</td>
<td>$ 283</td>
<td>$ 292</td>
<td>$ 283</td>
<td></td>
</tr>
</tbody>
</table>

**CLAIMS**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Period-end inventory</td>
<td>706,100</td>
<td>752,800</td>
<td>1,020,100</td>
<td>641,000</td>
</tr>
<tr>
<td></td>
<td>Average inventory</td>
<td>526,000</td>
<td>539,800</td>
<td>587,800</td>
<td>555,200</td>
</tr>
<tr>
<td></td>
<td>Period-end inventory per member</td>
<td>0.27</td>
<td>0.28</td>
<td>0.38</td>
<td>0.25</td>
</tr>
</tbody>
</table>

(b) Revenue per member and claims information are presented for the Managed Care at-risk members.

**NUMBER OF EMPLOYEES**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,200</td>
<td>7,900</td>
<td>7,100</td>
<td>6,800</td>
<td>6,400</td>
</tr>
</tbody>
</table>

---

(a) Includes external membership only.

**REVENUE PER MEMBER PER MONTH**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 327</td>
<td>$ 305</td>
<td>$ 304</td>
<td>$ 292</td>
<td>$ 283</td>
</tr>
</tbody>
</table>

**CLAIMS**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Period-end inventory</td>
<td>706,100</td>
<td>752,800</td>
<td>1,020,100</td>
<td>641,000</td>
</tr>
<tr>
<td></td>
<td>Average inventory</td>
<td>526,000</td>
<td>539,800</td>
<td>587,800</td>
<td>555,200</td>
</tr>
<tr>
<td></td>
<td>Period-end inventory per member</td>
<td>0.27</td>
<td>0.28</td>
<td>0.38</td>
<td>0.25</td>
</tr>
</tbody>
</table>

(b) Revenue per member and claims information are presented for the Managed Care at-risk members.
Operating Ratios:

The changes in medical claims liability are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Health Benefits Ratios:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid and CHIP</td>
<td>84.5 %</td>
<td>91.4 %</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>92.2</td>
<td>97.5</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>86.8</td>
<td>87.2</td>
</tr>
<tr>
<td>Total</td>
<td>87.7</td>
<td>93.3</td>
</tr>
<tr>
<td>Total General &amp; Administrative Expense Ratio</td>
<td>9.3 %</td>
<td>8.2 %</td>
</tr>
</tbody>
</table>

MEDICAL CLAIMS LIABILITY (In thousands)

The changes in medical claims liability are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, September 30, 2012</td>
<td>$ 919,032</td>
<td></td>
</tr>
<tr>
<td>Incurred related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>8,937,162</td>
<td></td>
</tr>
<tr>
<td>Prior period</td>
<td>(50,313)</td>
<td></td>
</tr>
<tr>
<td>Total incurred</td>
<td>8,886,849</td>
<td></td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>7,888,462</td>
<td></td>
</tr>
<tr>
<td>Prior period</td>
<td>845,747</td>
<td></td>
</tr>
<tr>
<td>Total paid</td>
<td>8,734,209</td>
<td></td>
</tr>
<tr>
<td>Less: Premium Deficiency Reserve</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Balance, September 30, 2013</td>
<td>$ 1,071,672</td>
<td></td>
</tr>
</tbody>
</table>

Centene's claims reserve process utilizes a consistent actuarial methodology to estimate Centene's ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. Centene believes it has consistently applied its claims reserving
methodology in each of the periods presented.

The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to September 30, 2012.

SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Senior Vice President, Finance & Investor Relations, +1-212-759-0382, or Media Inquiries, Deanne Lane, Vice President, Media Affairs, +1-314-725-4477.
Press Release

Centene Corporation Reports 2012 Third Quarter Results


During the third quarter of 2012, we recorded net earnings of $0.07 per diluted share reflecting the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings excluding Kentucky operations</td>
<td>$ 0.78</td>
</tr>
<tr>
<td>Third quarter loss from Kentucky operations</td>
<td>(0.31)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>0.47</strong></td>
</tr>
<tr>
<td>Kentucky premium deficiency reserve</td>
<td>(0.69)</td>
</tr>
<tr>
<td>Gains on sales of investments</td>
<td>0.21</td>
</tr>
<tr>
<td>State tax benefit</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>Net earnings per diluted share</strong></td>
<td><strong>$ 0.07</strong></td>
</tr>
</tbody>
</table>

During the third quarter of 2012, we recorded a $63.0 million pre-tax premium deficiency reserve for our Kentucky health plan contract covering the period from October 1, 2012 through July 5, 2013, or $0.69 per diluted share. We recorded a $17.9 million pre-tax gain on the sale of an investment in a convertible note and $1.5 million in gains on the sale of investments in our Georgia health plan, or $0.21 per diluted share during the third quarter of 2012. We also recorded a $4.6 million tax benefit, or $0.08 per diluted share, associated with the clarification by a state regarding the items included in the state income tax calculation.

Third Quarter Highlights

- Quarter-end at-risk managed care membership of 2,503,000, an increase of 887,300 members, or 55% year over year.
- Premium and service revenues of $2.2 billion, representing 75% growth year over year.
- Health Benefits Ratio of 93.3%, compared to 85.0% in 2011. Excluding our Kentucky operations, the HBR was 88.7% for the third quarter of 2012.
- General and Administrative expense ratio of 8.2%, compared to 11.3% in 2011.
- Operating cash flow of $317.2 million for the third quarter of 2012.

Other Events

- In July 2012, the Company began operating under a new contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state, initially operating as Coordinated Care.
- In July 2012, the Company’s subsidiary, Home State Health Plan, began operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.
- In August 2012, we were notified by the Ohio Department of Job and Family Services that Buckeye Community Health Plan, our Ohio subsidiary, was selected to serve Medicaid members in a dual-eligible demonstration program in three of Ohio’s pre-determined seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton). This three-year program, which is part of the state of Ohio’s Integrated Care Delivery System expansion, will serve those who have both Medicare and Medicaid eligibility. Enrollment is expected to begin in the second half of 2013.
- In October 2012, we announced that our subsidiary, Kentucky Spirit Health Plan (Kentucky Spirit), notified the Cabinet for Health and Family Services that it is exercising a contractual right that it believes allows Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. We have also filed a formal dispute with the Cabinet for damages incurred under the contract. In addition, we have filed a lawsuit in Franklin Circuit Court against the Commonwealth of Kentucky seeking declaratory relief as a result of the Commonwealth’s failure to completely and accurately
disclose material information.

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "The third quarter results demonstrate our commitment to addressing issues identified in the second quarter. While progress has been made, there is more work to be done to achieve and sustain our targeted margins."

The following table sets forth the Company's membership by state for its managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,800</td>
<td>22,800</td>
</tr>
<tr>
<td>Florida</td>
<td>209,600</td>
<td>188,600</td>
</tr>
<tr>
<td>Georgia</td>
<td>312,400</td>
<td>298,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>17,900</td>
<td>13,600</td>
</tr>
<tr>
<td>Indiana</td>
<td>205,400</td>
<td>205,300</td>
</tr>
<tr>
<td>Kentucky</td>
<td>145,400</td>
<td>—</td>
</tr>
<tr>
<td>Louisiana</td>
<td>167,200</td>
<td>—</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>28,000</td>
<td>34,700</td>
</tr>
<tr>
<td>Mississippi</td>
<td>30,600</td>
<td>30,600</td>
</tr>
<tr>
<td>Missouri</td>
<td>53,900</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>173,800</td>
<td>162,200</td>
</tr>
<tr>
<td>South Carolina</td>
<td>89,400</td>
<td>86,500</td>
</tr>
<tr>
<td>Texas</td>
<td>930,700</td>
<td>494,500</td>
</tr>
<tr>
<td>Washington</td>
<td>42,000</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,900</td>
<td>78,900</td>
</tr>
<tr>
<td><strong>Total at-risk membership</strong></td>
<td>2,503,000</td>
<td>1,615,700</td>
</tr>
<tr>
<td><strong>Non-risk membership</strong></td>
<td>—</td>
<td>10,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,503,000</td>
<td>1,626,300</td>
</tr>
</tbody>
</table>

The following table sets forth our membership by line of business:

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>1,939,400</td>
<td>1,189,900</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>229,600</td>
<td>210,600</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>289,800</td>
<td>171,700</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>35,700</td>
<td>38,400</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>8,500</td>
<td>5,100</td>
</tr>
<tr>
<td><strong>Total at-risk membership</strong></td>
<td>2,503,000</td>
<td>1,615,700</td>
</tr>
<tr>
<td><strong>Non-risk membership</strong></td>
<td>—</td>
<td>10,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,503,000</td>
<td>1,626,300</td>
</tr>
</tbody>
</table>

The following table identifies the Company's dual eligible membership by line of business. The membership tables above include these members.

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>76,900</td>
<td>34,000</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>7,800</td>
<td>4,700</td>
</tr>
<tr>
<td>Medicare</td>
<td>4,000</td>
<td>3,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>88,700</td>
<td>41,800</td>
</tr>
</tbody>
</table>


- For the third quarter of 2012, Premium and Service Revenues increased 75% to $2.2 billion from $1.3 billion in the third quarter of 2011. The increase was primarily driven by the Texas and Arizona expansions, pharmacy carve-ins in Texas and Ohio, the additions between years of Kentucky, Louisiana, Missouri and Washington contracts and membership growth.
- Consolidated HRR of 93.3% for the third quarter of 2012 represents an increase from 85.0% in the
comparable period in 2011 and 92.9% from the second quarter of 2012. The increase compared to last year primarily reflects the recognition of a $63.0 million premium deficiency reserve for our Kentucky contract as well as increased medical costs in Kentucky. Excluding the Kentucky health plan operations, the third quarter 2012 HBR was 88.7%.

- Consolidated G&A expense ratio for the third quarter of 2012 was 8.2%, compared to 11.3% in the prior year. The year over year decrease reflects the leveraging of expenses over higher revenues and a reduction in performance based compensation expense which lowered the ratio by 50 basis points.
- Earnings from operations were $(27.6) million in the third quarter 2012 compared to $48.5 million in the third quarter 2011. Net earnings attributable to Centene Corporation were $3.8 million in the third quarter 2012, compared to $29.0 million in the third quarter of 2011.
- Earnings per diluted share were $0.07 in the third quarter of 2012 compared to $0.55 in the prior year.

Balance Sheet and Cash Flow

At September 30, 2012, the Company had cash, investments and restricted deposits of $1,529.8 million, including $36.0 million held by its unregulated entities. Medical claims liabilities totaled $919.0 million, representing 42.8 days in claims payable excluding the expense and liability for the Kentucky premium deficiency reserve. Total debt was $395.3 million which includes $40.0 million drawn on the $350 million revolving credit facility at quarter end. Debt to capitalization was 25.0% at September 30, 2012, excluding the $76.0 million non-recourse mortgage note. Cash flow from operations for the three months ended September 30, 2012 was $317.2 million.

A reconciliation of the Company’s change in days in claims payable from the immediately preceding quarter-end is presented below:

<table>
<thead>
<tr>
<th>Days in claims payable, June 30, 2012</th>
<th>41.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing of claim payments</td>
<td>0.9</td>
</tr>
<tr>
<td>Impact of new business</td>
<td>0.5</td>
</tr>
<tr>
<td>Days in claims payable, September 30, 2012</td>
<td>42.8</td>
</tr>
</tbody>
</table>

Outlook

The table below depicts the Company’s annual guidance for 2012.

<table>
<thead>
<tr>
<th>Premium and Service Revenues (in millions)</th>
<th>$ 8,100</th>
<th>$ 8,300</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted EPS</td>
<td>$ 0.56</td>
<td>$ 0.66</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>90.0 %</td>
<td>91.0 %</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>8.5 %</td>
<td>8.8 %</td>
</tr>
<tr>
<td>Diluted Shares Outstanding (in thousands)</td>
<td>53,600</td>
<td>53,800</td>
</tr>
</tbody>
</table>

The Company’s updated guidance reflect business expansion costs of $0.12 to $0.15 per diluted share in the fourth quarter, including business expansion costs for Kansas which is expected to commence in January 2013.

Conference Call

As previously announced, the Company will host a conference call Tuesday, October 23, 2012, at 8:30 A.M. (Eastern Time) to review the financial results for the third quarter ended September 30, 2012, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call. Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company’s website at www.centene.com, under the Investors section. A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 p.m. (Eastern Time) on Tuesday, October 22, 2013, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Tuesday, October 30, 2012, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10018806.

Non-GAAP Financial Presentation
The Company is providing certain non-GAAP financial measures in this release as the Company believes that these figures are helpful in allowing individuals to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently. The Company uses the presented non-GAAP financial measures internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company's publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

[Tables Follow]
<table>
<thead>
<tr>
<th>Category</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>2,184,06</td>
<td>1,239,46</td>
<td>5,853,46</td>
<td>3,640,82</td>
</tr>
<tr>
<td>Service</td>
<td>28,403</td>
<td>25,817</td>
<td>84,062</td>
<td>81,629</td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,036,999</td>
<td>1,053,320</td>
<td>5,370,080</td>
<td>3,091,007</td>
</tr>
<tr>
<td>Cost of services</td>
<td>21,744</td>
<td>20,229</td>
<td>66,897</td>
<td>60,717</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>181,073</td>
<td>142,934</td>
<td>512,322</td>
<td>427,067</td>
</tr>
<tr>
<td>Premium tax expenses</td>
<td>235,946</td>
<td>37,005</td>
<td>333,872</td>
<td>111,668</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,448,121</td>
<td>1,302,035</td>
<td>6,271,015</td>
<td>3,833,406</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium tax expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,475,762</td>
<td>1,253,488</td>
<td>6,311,204</td>
<td>3,690,459</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>(27,641)</td>
<td>48,547</td>
<td>(40,189)</td>
<td>142,947</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>23,244</td>
<td>2,697</td>
<td>32,580</td>
<td>9,379</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(4,855)</td>
<td>(4,572)</td>
<td>(14,393)</td>
<td>(15,523)</td>
</tr>
<tr>
<td>Earnings (loss) from operations before income tax expense</td>
<td>(9,252)</td>
<td>46,672</td>
<td>(22,002)</td>
<td>128,315</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>(9,547)</td>
<td>18,459</td>
<td>(6,068)</td>
<td>49,216</td>
</tr>
</tbody>
</table>
### CENTENE CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

**(In thousands)**

**(Unaudited)**

<table>
<thead>
<tr>
<th>Nine Months Ended September 30, 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$(15,934)</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings (loss) to net cash provided by operating activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$ 49,892</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>$ 18,417</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>$ 28,033</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>$(17,880)</td>
</tr>
<tr>
<td>Gain on sale of investments, net</td>
<td>$(1,460)</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>$(19,318)</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>$(139,414)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>$(23,487)</td>
</tr>
<tr>
<td>Other assets</td>
<td>$ 1,918</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>$ 374,046</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>$ 122,077</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$(59,872)</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>$(9,736)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$ 307,282</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$(70,601)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>$(501,958)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>$ 434,009</td>
</tr>
<tr>
<td>Investments in acquisitions, net of cash acquired</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$(138,550)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>$ 11,666</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>$ 215,000</td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>$(177,422)</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>$ 6,049</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>$(2,154)</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>$ 1,032</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>—</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>$ 54,191</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>$ 222,923</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of period</strong></td>
<td>$ 573,698</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of period</strong></td>
<td>$ 796,621</td>
</tr>
</tbody>
</table>

#### Supplemental disclosures of cash flow information:

**Interest paid**

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 12,127</td>
<td>$ 16,097</td>
</tr>
</tbody>
</table>
## Income taxes paid

<table>
<thead>
<tr>
<th></th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$34,001</td>
<td>$49,996</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## CENTENE CORPORATION
### SUPPLEMENTAL FINANCIAL DATA

<table>
<thead>
<tr>
<th></th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEMBERSHIP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arizona</td>
<td>23,800</td>
<td>24,000</td>
<td>23,100</td>
<td>23,700</td>
<td>22,800</td>
</tr>
<tr>
<td>Florida</td>
<td>209,600</td>
<td>204,100</td>
<td>199,500</td>
<td>198,300</td>
<td>188,600</td>
</tr>
<tr>
<td>Georgia</td>
<td>312,400</td>
<td>313,300</td>
<td>306,000</td>
<td>298,200</td>
<td>298,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>17,900</td>
<td>17,800</td>
<td>17,400</td>
<td>16,300</td>
<td>13,600</td>
</tr>
<tr>
<td>Indiana</td>
<td>205,400</td>
<td>205,000</td>
<td>206,300</td>
<td>206,900</td>
<td>205,300</td>
</tr>
<tr>
<td>Kentucky</td>
<td>145,400</td>
<td>143,500</td>
<td>145,700</td>
<td>180,700</td>
<td></td>
</tr>
<tr>
<td>Louisiana</td>
<td>167,200</td>
<td>168,700</td>
<td>51,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Massachusetts</td>
<td>28,000</td>
<td>41,400</td>
<td>36,000</td>
<td>35,700</td>
<td>34,700</td>
</tr>
<tr>
<td>Mississippi</td>
<td>30,600</td>
<td>30,100</td>
<td>29,500</td>
<td>31,600</td>
<td>30,600</td>
</tr>
<tr>
<td>Missouri</td>
<td>53,900</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>173,800</td>
<td>166,800</td>
<td>161,000</td>
<td>159,900</td>
<td>162,200</td>
</tr>
<tr>
<td>South Carolina</td>
<td>89,400</td>
<td>87,800</td>
<td>86,700</td>
<td>82,900</td>
<td>86,500</td>
</tr>
<tr>
<td>Texas</td>
<td>930,700</td>
<td>919,200</td>
<td>811,000</td>
<td>503,800</td>
<td>494,500</td>
</tr>
<tr>
<td>Washington</td>
<td>42,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,900</td>
<td>75,800</td>
<td>76,000</td>
<td>78,000</td>
<td>78,900</td>
</tr>
<tr>
<td>Total membership</td>
<td>2,503,000</td>
<td>2,397,500</td>
<td>2,149,500</td>
<td>1,820,900</td>
<td>1,626,300</td>
</tr>
<tr>
<td>Non-risk membership</td>
<td></td>
<td></td>
<td></td>
<td>4,900</td>
<td>10,600</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,503,000</td>
<td>2,397,500</td>
<td>2,149,500</td>
<td>1,820,900</td>
<td>1,626,300</td>
</tr>
</tbody>
</table>

| CHIP & Foster Care | 1,934,000 | 1,848,500 | 1,634,800 | 1,336,800 | 1,189,900 |
| ABD & Medicare | 229,600 | 222,600 | 218,800 | 213,900 | 210,600 |
| Hybrid Programs | 289,800 | 269,900 | 247,400 | 218,000 | 171,700 |
| Long-term Care | 35,700 | 48,100 | 41,500 | 40,500 | 38,400 |

| Specialty Services | 2,503,000 | 2,397,500 | 2,149,500 | 1,820,900 | 1,626,300 |
| Cenpatico Behavioral Health | | | | | |
| Arizona | 162,000 | 162,100 | 168,900 | 175,500 | |
| Kansas | 48,500 | 46,000 | 46,200 | 45,600 | |
| TOTAL | 210,500 | 208,100 | 215,100 | 221,100 | |

*(a) Includes external membership only.*

### REVENUE PER MEMBER

<table>
<thead>
<tr>
<th></th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$283</td>
<td>$279</td>
<td>$269</td>
<td>$262</td>
<td>$245</td>
</tr>
</tbody>
</table>

### CLAIMS

<table>
<thead>
<tr>
<th></th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period-end inventory</td>
<td>826,804</td>
<td>1,195,000</td>
<td>735,000</td>
<td>495,500</td>
<td>482,900</td>
</tr>
<tr>
<td>Average inventory</td>
<td>547,393</td>
<td>640,600</td>
<td>457,400</td>
<td>367,590</td>
<td>312,400</td>
</tr>
<tr>
<td>Period-end inventory per member</td>
<td>0.33</td>
<td>0.50</td>
<td>0.34</td>
<td>0.27</td>
<td>0.30</td>
</tr>
</tbody>
</table>

*(c) Revenue per member and claims information are presented for the Managed Care at-risk members.*

### NUMBER OF EMPLOYEES

<table>
<thead>
<tr>
<th></th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,400</td>
<td>6,200</td>
<td>5,700</td>
<td>5,300</td>
<td>5,000</td>
</tr>
</tbody>
</table>

### DAYS IN CLAIMS PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42.8</td>
<td>41.4</td>
<td>44.7</td>
<td>45.3</td>
<td>43.6</td>
</tr>
</tbody>
</table>

*(c) Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average claims expense per calendar day for such period, excluding the Kentucky premium deficiency reserve expense and liability.*
CASH AND INVESTMENTS (in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>$1,493.</td>
<td>$1,198.</td>
<td>$1,166.</td>
<td>$1,198.</td>
<td>$1,079.</td>
</tr>
<tr>
<td>Unregulated</td>
<td>$8</td>
<td>$2</td>
<td>$9</td>
<td>$9</td>
<td>$3</td>
</tr>
<tr>
<td>Total</td>
<td>1,529.</td>
<td>1,238.</td>
<td>1,202.</td>
<td>1,237.</td>
<td>1,115.</td>
</tr>
</tbody>
</table>

DEBT TO CAPITALIZATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>29.2 %</td>
<td>30.1 %</td>
<td>26.4 %</td>
<td>27.3 %</td>
<td>28.0 %</td>
</tr>
<tr>
<td>Unregulated</td>
<td>25.0 %</td>
<td>25.9 %</td>
<td>21.8 %</td>
<td>22.6 %</td>
<td>23.2 %</td>
</tr>
</tbody>
</table>

Debt to Capitalization is calculated as follows: total debt divided by (total debt + total equity).

(d) The non-recourse debt represents the Company's mortgage note payable ($76.0 million at September 30, 2012.)

Operating Ratios:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Benefits Ratios:</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Medicaid and CHIP</td>
<td>91.8 %</td>
<td>81.5 %</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>97.3 %</td>
<td>92.0 %</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>89.5 %</td>
<td>87.9 %</td>
</tr>
<tr>
<td>Total</td>
<td>93.3 %</td>
<td>85.0 %</td>
</tr>
<tr>
<td>Total General &amp; Administrative Expense Ratio</td>
<td>8.2 %</td>
<td>11.3 %</td>
</tr>
</tbody>
</table>

MEDICAL CLAIMS LIABILITY (In thousands)

The changes in medical claims liability are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, September 30, 2011</td>
<td>$498,705</td>
<td>$562,404</td>
</tr>
<tr>
<td>Incurred related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>6,659,744</td>
<td>5,684,404</td>
</tr>
<tr>
<td>Prior period</td>
<td>(55,925)</td>
<td>436,088</td>
</tr>
<tr>
<td>Total incurred</td>
<td>6,603,819</td>
<td></td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>5,684,404</td>
<td></td>
</tr>
<tr>
<td>Prior period</td>
<td>436,088</td>
<td></td>
</tr>
<tr>
<td>Total paid</td>
<td>6,120,492</td>
<td></td>
</tr>
<tr>
<td>Less: Premium Deficiency Reserve</td>
<td>$63,000</td>
<td></td>
</tr>
<tr>
<td>Balance, September 30, 2012</td>
<td>$919,032</td>
<td></td>
</tr>
</tbody>
</table>

Centene's claims reserving process utilizes a consistent actuarial methodology to estimate Centene's ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. Centene believes it has consistently applied its claims reserving methodology in each of the periods presented.
The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to September 30, 2011.

SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Senior Vice President, Finance & Investor Relations, +1-212-759-0382, or Media Inquiries, Deanne Lane, Vice President, Media Affairs, +1-314-725-4477
Press Release

Centene Appoints Robert T. Hitchcock As Executive Vice President Of Health Plan Business Unit

ST. LOUIS, Oct. 24, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that it has appointed Robert T. Hitchcock as Executive Vice President, Health Plan Business Unit, effective immediately. Mr. Hitchcock will oversee operations for all of Centene's health plans and will report to Michael F. Neidorff, Chairman and CEO of Centene.

Mr. Hitchcock has 20 years of healthcare and leadership experience in roles with increasing responsibility. Prior to joining Centene, he worked for Humana Inc., most recently serving as Vice President, Medicare Market Operations, Western Division. In that role, he was responsible for membership growth, financial performance, strategic planning, network development and medical management initiatives.

"We are pleased to welcome Mr. Hitchcock to our senior management team," said Mr. Neidorff. "His depth of experience in leading and growing healthcare market segments will be an incredible asset to our health plan business unit as we continue to expand both geographically and organically within our 18 states."

"I am excited to join Centene, a company I have long admired. The excellent leadership team and the steady leadership provided by Michael has positioned Centene for great success," said Mr. Hitchcock.

Mr. Hitchcock received his bachelor's degree from the University of Utah in Salt Lake City, and a Master of Health Administration from the Medical College of Virginia.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Deanne Lane, Media, +1-314-725-4477; Edmund E. Kroll, Jr., Investors, +1-212-759-0382
Centene Corporation And Cenpatico Partner With Children's National Health System To Fight Bullying

ST. LOUIS, Oct. 30, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) and its subsidiary, Cenpatico, have teamed up with Children's National Health System to put a stop to bullying through education and empowerment. The Anti-bullying Campaign, "No Bullying Zone," will educate students, teachers and parents across the country on how to prevent, identify and appropriately intervene with bullying in school-aged children. The initiative kicked off this month during National Anti-bullying Awareness Month, and the collaboration on these efforts will run for three years.

Bullying has become a significant problem in the United States:

- Every seven minutes a child is bullied.
- Over 3.2 million students are victims of bullying.
- 1 out of 10 students drop out of school because of repeated bullying.
- Harassment and bullying have been linked to 75 percent of school-shooting incidents.

Despite these numbers, few parents, teachers and other authorities are informed or intervene to stop bullying. As a result, children suffer from negative side effects, such as significant drops in grades, increased anxiety, loss of friends and poor social life.

"As a leading national healthcare company, Centene believes in treating the whole person, not just the physical body," said Mary Mason, M.D., Senior Vice President & Chief Medical Officer for Centene. "We are excited about the potential from this partnership with Children's National Health System. The social issue of bullying impacts both physical and mental health, which has detrimental and long-term effects on children and their communities."

"Bullying is a pervasive behavior among children. If we can empower them through this much-needed campaign, we can help kids better understand what bullying is and what its consequences are," said Joseph L. Wright, M.D., M.P.H., Senior Vice President of Community Affairs and the Child Health Advocacy Institute at Children's National Health System. "We are grateful to Centene and Cenpatico for partnering with us on this important initiative."

Dr. Wright is an expert in understanding the effects of bullying on children and how it can impact all aspects of their health and well-being. In addition to his position at the Children's National Health System, Dr. Wright is also a Professor at the George Washington University Schools of Medicine and Public Health and recipient of the 2011 Fellows Achievement Award from the American Academy of Pediatrics for his bullying awareness and youth violence prevention efforts.

"No Bullying Zone" Campaign

Centene, Cenpatico and Dr. Wright worked together with award-winning author Michelle Bain to write a children's book on bullying. The 16-page book tells the story of the character, Splotch the Madpole, being a bully to his classmates, but when he is bullied, he learns the importance of being kind to others.

Through Centene's established Adopt-a-School program, representatives from its local health plans will work with area schools to administer a pre-test about bullying, conduct the book reading with Bain, and issue a post-test about the subject. Students will also receive a copy of the book and a parents' guide on how to deal with bullying. Teachers will receive a lesson plan about the topic.

In addition, students will have the opportunity to add comments and artwork to a special anti-bullying graffiti wall. This wall will travel around the country over the next year as part of the focus on this topic and will ultimately be housed in Washington D.C.

The first stop for this campaign, including the traveling graffiti wall, is scheduled for October 31 at Oak Park Elementary
School in Lake Charles, La. Confirmed attendees include motivational speaker RaShad D. Bristo and the Honorable Randy Roach, Mayor of the City of Lake Charles.

The next stop will be at Friendship Public Charter School's Blow Pierce Junior Academy in Washington D.C. on November 21.

In addition to this current campaign, Cenpatico, Centene’s behavioral health specialty company, has been working on several initiatives across the country to fight bullying. Cenpatico Schools, a Division of Cenpatico, provides private day treatment and special education programming to multiple school districts in central Arizona. Cenpatico Schools Division is a partner in the StopBullyingAZ initiative sponsored by Phoenix's First Lady Nicole Stanton. The mission for the initiative is to end bullying in all its forms by increasing awareness and promoting the tools needed by educators, caregivers and students.

"Cenpatico is working on multiple fronts to address the critical problem of bullying and its impact on children and youth," said Sam Donaldson, Cenpatico's CEO and President. "Kids who act out and bully others are many times victims themselves. Parents, teachers, counselors, all of us need to be aware and intervene when bullying occurs and then address the issues for the bully and the kids being bullied."

About Centene Corporation:
Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management and telehealth services.

About Cenpatico:
Cenpatico's expertise lies in managing benefits for vulnerable populations. Our healthcare specialties include behavioral health, foster care, school-based services, specialty therapy and rehabilitation, community reentry and more. We have managed Medicaid and other public sector benefits since 1994; currently, we serve more than 2.5 million members nationally. Our headquarters are in Austin, Texas and we have local teams across the country in the markets we serve. Cenpatico is a wholly-owned subsidiary of Centene Corporation. We are committed to innovative solutions and designing programs tailored to improving functional outcomes with our members.

About Children's National Health System:
Children's National Health System, based in Washington, DC, has been serving the nation's children since 1870. Children's National's hospital is Magnet® designated, and is consistently ranked among the top pediatric hospitals by U.S. News & World Report and the Leapfrog Group. Home to the Children's Research Institute and the Sheikh Zayed Institute for Pediatric Surgical Innovation, Children's National is one of the nation's top NIH-funded pediatric institutions. With a community-based pediatric network, eight regional outpatient centers, an ambulatory surgery center, two emergency rooms, an acute care hospital, and collaborations throughout the region, Children's National is recognized for its expertise and innovation in pediatric care and as an advocate for all children. For more information, visit ChildrensNational.org, or follow us on Facebook and Twitter.

SOURCE Centene Corporation

Centene Corporation, Deanne Lane, (314) 725-4477, or Children's National Health System, Emily Hartman, (202) 476-5000.
Press Release

Centene Corporation To Present At Credit Suisse 2013 Healthcare Conference

ST. LOUIS, Oct. 31, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today it will present at the Credit Suisse 22nd Annual Healthcare Conference, to be held November 11-14, 2013 at the Phoenician in Scottsdale, Arizona.

Centene's presentation is scheduled for Tuesday, November 12, 2013, at 3:00 p.m. Mountain Standard Time. A live audio webcast of the presentation will be available at: http://cc.talkpoint.com/cred001/111313a_jw/?entity=35_VRYY4P4.

Shortly after the presentation, a webcast replay will be available via the Company's website at www.centene.com under the Investors section.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

IlliniCare Health Plan Selected To Serve Dual-Eligible Members In The Greater Chicago Region

--Part of Illinois Medicare-Medicaid Alignment Initiative--

ST. LOUIS, Nov. 14, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) has been notified by the Illinois Department of Healthcare and Family Services (HFS) that IlliniCare Health Plan (IlliniCare), its Illinois subsidiary, has been selected to serve dual-eligible members in Cook, DuPage, Lake, Kane, Kankakee and Will counties (Greater Chicago region) as part of the Illinois Medicare-Medicaid Alignment Initiative.

A joint venture between the state of Illinois and the Centers for Medicare & Medicaid Services, the initiative, pending federal approval, will provide a voluntary managed care program to an estimated 118,000 enrollees in the Greater Chicago region.

"IlliniCare is pleased to be able to bring our model of integrated care to dually-eligible individuals in Illinois," said Dan Parietti, Senior Vice President, Health Plan Operations, Centene Corporation. "We have worked in partnership with the state of Illinois to coordinate care for Medicaid members with complex conditions and look forward to using that experience to improve outcomes for the dual eligible population."

IlliniCare currently serves approximately 17,900 members as part of the Integrated Care Program for seniors and individuals with disabilities and chronic illnesses in suburban Cook and the surrounding counties. IlliniCare's innovative coordinated care approach engages members, caregivers and providers as active participants in the development of personalized care plans and medical homes.

"We are pleased that Illinois has selected IlliniCare to serve Medicaid members in a dual-eligible demonstration project," said Robert T. Hitchcock, Executive Vice President, Health Plan Business Unit, Centene Corporation. "This is a major contract win in the dual-eligible category and signifies the way in which Centene can position itself for future opportunities in this area."

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind, or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477; or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Makes Senior Leadership Appointments

ST. LOUIS, Nov. 26, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced two key appointments to Executive Vice President.

(Logo: http://photos.prnewswire.com/prnh/20121115/CG13820LOGO)

David Minifie is appointed to Executive Vice President, effective immediately. Mr. Minifie joined the company as Chief Marketing Officer in May 2012. Mr. Minifie will oversee branding and product management. He is also Chairman of the Strategy Unit, driving overall strategy development for the company. Prior to joining Centene, Mr. Minifie was Associate Marketing Director for a division of Proctor & Gamble, where he led all aspects of a $500 million product portfolio, including strategic direction.

In addition, Keith Williamson is appointed to Executive Vice President, Secretary and General Counsel. Mr. Williamson joined Centene as General Counsel in November 2006, overseeing the Legal and Compliance Departments. He is also on the board of PPL Corporation, a Fortune 250 energy and utility holding company based in Allentown, Penn. Prior to Centene, Keith spent 18 years with Pitney Bowes Inc., a leading provider of mail-related solutions, ultimately serving his last seven years as President of its Capital Services Division.

"Mr. Minifie and Mr. Williamson bring extensive and diverse leadership experience to our senior management team," said Michael Neidorff, Centene's Chairman and Chief Executive Officer. "With a strong background in consumer products marketing, Mr. Minifie will strengthen Centene's branding efforts both in our local markets and nationally. Mr. Williamson will continue to guide the complex and expanding legal needs across the company."

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind, or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, or Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Press Release

Absolute Total Care Selected To Serve Dual-Eligible Members In South Carolina
--Part of South Carolina's Pilot Program to Provide Integrated Medicare and Medicaid Services--

ST. LOUIS, Nov. 4, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) has been notified by the South Carolina Department of Health and Human Services (SCDHHS) that Absolute Total Care, its South Carolina subsidiary, has been selected to serve dual-eligible members as part of the state's pilot program to provide integrated and coordinated care for individuals who are eligible for both Medicare and Medicaid.

SCDHHS, which recently signed a Memorandum of Understanding (MOU) with the Centers for Medicare and Medicaid Services (CMS), had received prior federal funding to design the innovative service delivery model, titled Healthy Connections Prime. Enrollment and participation in Healthy Connections Prime is voluntary and participants may opt out at any time. The program is expected to serve approximately 53,600 of the dual-eligible beneficiaries in the state. Beneficiaries can begin selecting a plan July 1, 2014, and those who do not choose a plan will be automatically assigned to a plan on January 1, 2015. Members in the pilot program will be able to receive both Medicare and Medicaid services, plus additional behavioral health and community support services under a new option for dual-eligible individuals.

"We are pleased that South Carolina has selected Absolute Total Care to serve Medicaid members in a dual-eligible demonstration project," said Robert Hitchcock, Executive Vice President, Health Plans, for Centene Corporation. "This is our third major contract win in the dual-eligible category and signifies the way in which Centene can position itself for future opportunities in this area."

Absolute Total Care currently serves 90,000 Medicaid health plan members throughout the state. In September, Absolute Total Care received a Commendable rating from the National Committee for Quality Assurance (NCQA) in recognition of its innovative coordinated care approach.

"Absolute Total Care is pleased to be able to bring our model of integrated care to dual-eligible individuals in South Carolina," said Paul Accardi, Plan President, Absolute Total Care. "We have worked in partnership with the state of South Carolina to coordinate care for Medicaid members with complex conditions and look forward to using that experience to improve outcomes for the dual-eligible population."

About Centene Corporation
Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management and telehealth services. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382.
Centene Corporation To Provide 2014 Financial Guidance And Host Investor Meeting In NYC On December 13, 2013

ST. LOUIS, Nov. 7, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that it plans to release its 2014 financial guidance at approximately 6:00 AM (Eastern Time) on Friday, December 13, 2013, and host an investor meeting, including a question-and-answer session, to discuss the details of its guidance. The meeting will begin promptly at 8:30 AM and end approximately at 11:00 AM (Eastern Time), with breakfast and registration starting at 7:30 AM. Michael F. Neidorff, Chairman and Chief Executive Officer, and William N. Scheffel, Executive Vice President, Chief Financial Officer and Treasurer, of Centene Corporation will host the meeting, which will also be webcast live before an audience of investors at the Convene conference center, 730 Third Avenue, between 45th – 46th Streets, in New York City.

Institutional investors and analysts interested in attending the investor meeting can respond to Libby Abelt in Centene's Investor Relations department either via telephone at 1-212-759-5665 or e-mail at: labelt@centene.com.

Investors and other interested parties who are unable to attend in person are invited to listen to the investor meeting via a live, audio webcast on the Company's website at www.centene.com, under the Investors section.

About Centene Corporation
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SOURCE Centene Corporation

Edmund E. Kroll, Jr., Senior Vice President, Finance and Investor Relations, (212) 759-0382
Press Release

Centene's Behavioral Health Subsidiary Forms Partnership With University Of Arizona Health Network

ST. LOUIS, Dec. 10, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that its wholly-owned behavioral health subsidiary, Cenpatico of Arizona, has entered into formal negotiations for a partnership with the University of Arizona Health Network (UAHN) to seek opportunities to deliver an innovative and highly effective model for whole person healthcare in Arizona.

"Both Centene and UAHN bring together their years of experience in managing these vulnerable populations, and we look forward to participating in the state's procurement in 2014, in which we will articulate the vision for integrated healthcare," said Jason M. Harrold, Executive Vice President of Specialty Business at Centene.

Cenpatico has a strong commitment to Arizona as the Regional Behavioral Health Authority for Cochise, Gila, Graham, Greenlee, La Paz, Pinal, Santa Cruz and Yuma counties. Cenpatico facilitates the delivery of mental health and substance abuse services to behavioral health recipients under a contract with the Arizona Department of Health Services/Division of Behavioral Health. UAHN provides physical health services in 10 counties in Arizona. Together the two organizations will provide an infrastructure that delivers both behavioral health and acute care services in the State of Arizona.

Additional information regarding the partnership will be provided at Centene's investor presentation on Friday, December 13, 2013.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382.
Press Release

Centene Corporation Acquires Majority Interest In U.S. Medical Management
Expands its capabilities in serving high acuity populations

ST. LOUIS, Dec. 12, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that it has signed a definitive agreement to purchase a majority interest in U.S. Medical Management, LLC. U.S. Medical Management, LLC, along with its affiliated entities ("USMM"), is a leading management services organization and provider of in-home health services for high acuity populations. Based in Troy, Michigan, USMM provides an integrated, physician-driven model which coordinates comprehensive care management for complex populations. USMM provides a continuum of in-home services including primary care, health risk assessments, home health, hospice, podiatry, radiology, DME, lab and pharmacy. This investment underscores Centene's commitment to provide integrated care for the Aged, Blind and Disabled (ABD), Long-Term Care (LTC), Dual-Eligible, and Medicare populations. Under the terms of the transaction, Centene will acquire an approximate 68% interest in USMM. Mark Mitchell, the company's Founder and CEO, will continue to lead USMM and retain his existing management team.

"The partnership with USMM is the next step in Centene's strategy to provide a continuum of high quality services that allow us to effectively manage the complex needs of our growing high acuity populations. The integrated, home-based primary care model is a capability expansion for Centene. This will allow us to offer quality healthcare services and programs for an aging population in the comfort of their own homes," said Michael F. Neidorff, Chairman and CEO of Centene. "We believe that there is significant opportunity to enhance access to health services and quality of life for complex populations by removing barriers to receiving care in the home. We are pleased to partner with USMM to assist in the build out of a national platform that will improve quality and reduce medical costs for Centene and USMM's other managed care partners."

In conjunction with the investment in USMM, Centene is announcing the formation of a new healthcare enterprise holding company. This new independent enterprise will connect Centene and other health solution providers while preserving the entrepreneurial spirit and innovation which has led to improved health outcomes, development of a more efficient care model and the facilitation of sales to third party companies.

Mark Mitchell, CEO of USMM said, "USMM has been committed to providing high quality, compassionate and cost-effective in-home care to our patients for over 20 years and will continue to do so. We share Centene's core belief that integrated care models lead to improved quality, enhanced medical outcomes and cost efficient care. We are confident that we will drive meaningful results and enhance care delivery for Centene's growing high acuity population."

USMM is a national leader in house call medicine with comprehensive service offerings and depth of experience serving individuals with complex health needs. USMM, directly or through managed affiliates, conducts over 400,000 physician house calls annually and over 2,500 face-to-face patient interactions with licensed health care professionals on a daily basis. USMM currently operates 39 local offices across 11 states, including seven states in which Centene currently operates. Centene has over 150,000 existing high acuity members in these overlapping markets.

The transaction is expected to close in the first quarter of 2014, subject to customary closing conditions. The purchase price for Centene's majority interest is approximately $200 million and is anticipated to be funded with a combination of approximately one-third cash and two-thirds Centene stock. On an annualized basis, the transaction is expected to add revenue in the range of $220M to $240M. The deal is expected to be accretive to earnings per share by $0.02 to $0.05 in 2014, excluding transaction costs. Centene expects to achieve medical cost savings as the USMM model is deployed across a larger percentage of Centene's high acuity members over time. As a result, Centene expects the transaction to be accretive to earnings per share by $0.20 to $0.25 in 2015.

Additional information regarding the transaction will be provided at Centene's investor presentation on Friday, December 13, 2013.

About Centene Corporation
Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children’s Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

This information provided in this press release contains forward-looking statements about a transaction between Centene and USMM, including the potential benefits of the transaction and the anticipated timing of the completion of the transaction. Such information involves substantial risks and uncertainties including, among other things, whether and when Centene and USMM will satisfy the various closing conditions, including without limitation obtaining the required regulatory approvals; and economic, regulatory, competitive and other factors that may cause the actual benefits to be materially different from those expressed in this press release. Forward-looking statements speak only as of the date of this release and are based on information available at the time those statements are made, as well as management’s views and assumptions regarding future events. You should not put undue reliance on any forward-looking statements. Centene does not undertake to update its forward-looking statements, except as required by law.

SOURCE Centene Corporation

For Media, Deanne Lane, (314) 725-4477, or For Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Corporation Announces 2014 Financial Guidance And Updates 2013 Financial Guidance

ST. LOUIS, Dec. 13, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today its 2014 financial guidance. Premium and service revenues are expected to be $13.5 billion to $14.0 billion, representing growth of 29%. Earnings per diluted share are expected to be $3.50 to $3.80, representing an increase of 29% compared to the updated 2013 guidance range of $2.81 to $2.87.

The Company anticipates its Kentucky operations will be classified as a discontinued operation in 2014. Accordingly, all information presented and included in this release for 2014 is from continuing operations and excludes our Kentucky business. We continue to discuss the Affordable Care Act insurer fee with our State customers. While we expect to be reimbursed for the fee, including any tax consequences, we have excluded the fee from our 2014 guidance numbers to allow better comparison between years. The 2014 guidance below also does not include the impact of the recently announced acquisition of a majority interest in U.S. Medical Management, LLC, expected to close in the first quarter of 2014.

For its 2014 fiscal year, the Company expects the following results from continuing operations:

- Premium and service revenues in the range of $13.5 billion to $14.0 billion.
- Earnings per diluted share of approximately $3.50 to $3.80.
- Consolidated Health Benefits Ratio of approximately 88.5% to 89.0%.
- Consolidated G&A expense ratio in the range of 8.3% to 8.8%.
- Effective tax rate, excluding non-controlling interest, of approximately 40% to 41%.
- Diluted shares outstanding of approximately 57.5 million to 58.0 million.
- Days in claims payable between 37 and 42.

The Company affirms its 2013 revenue guidance in the previously announced range for premium and service revenues of $10.6 billion to $10.8 billion and adjusts its guidance for earnings per diluted share to $2.81 to $2.87. Full year 2013 earnings will be reported on February 4, 2014, at 6:00 AM, with a conference call at 8:30 AM (Eastern Time).

Centene Corporation will host an investor meeting today, including a question-and-answer session, to discuss the details of its guidance. The meeting will begin promptly at 8:30 AM (Eastern Time) and end at approximately 11:00 AM (Eastern Time). Michael F. Neidorff, Chairman and Chief Executive Officer, and William N. Scheffel, Executive Vice President, Chief Financial Officer and Treasurer, of Centene Corporation will host the meeting before an audience of investors at the Convene conference center, 730 Third Avenue, in New York City.

Investors and other interested parties who are unable to attend in person are invited to listen to the investor meeting via a live, audio webcast on the Company’s website at www.centene.com, under the Investors section.

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The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company’s estimates
to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company's publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Jr., Senior Vice President, Finance & Investor Relations, (212) 759-0382; Media Inquiries, Deanne Lane, Vice President, Media Affairs, (314) 725-4477.
Centene Corporation Announces 2013 Financial Guidance And Revises 2012 Financial Guidance

ST. LOUIS, Dec. 14, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today its 2013 financial guidance. For its 2013 fiscal year, the Company expects:

- Premium and Service Revenues in the range of $9.7 billion to $10.0 billion.
- Earnings per diluted share of approximately $2.60 to $2.90.
- Consolidated Health Benefits Ratio of approximately 88.0% to 89.0%.
- Consolidated G&A expense ratio in the range of 9.0% to 9.5%.
- Effective tax rate, excluding non-controlling interest, of approximately 40.0% to 41.0%.
- Diluted shares outstanding of approximately 54.8 million to 55.2 million.
- Days in claims payable between 39 and 44.

Additionally, the Company updated its 2012 guidance as follows:

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<tr>
<td>Premium and Service Revenues</td>
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<tr>
<td>Diluted EPS</td>
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<td>Consolidated Health Benefits Ratio</td>
<td>91.0 %</td>
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<td>General &amp; Administrative expense ratio</td>
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<td>Diluted Shares Outstanding</td>
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The change in 2012 diluted EPS guidance to $0.10 to $0.20 from $0.56 to $0.66 is due to higher medical costs associated with: 1) an earlier and more intensive flu season in our largest markets; 2) an increase to our previously disclosed premium deficiency reserve for Kentucky; and 3) in Texas, the off-cycle transfer of higher acuity members from another health plan and higher than anticipated utilization in our Hidalgo Star and Medicaid Rural Service Areas (MRSA) business.

In regards to the latter, our Texas health plan has been in direct discussions with the State concerning these issues. We received a written confirmation acknowledging the issues including the impact "of the negative effects of one Health Plan’s efforts to shift higher acuity membership to its competitors." The State also confirmed their commitment to rectify the matter as soon as possible. We anticipate any such adjustments will be made in the first quarter of 2013.

Full year 2012 earnings will be reported on February 5, 2013, at 6:00 AM, with the conference call at 8:30 AM (Eastern Time).

Centene Corporation will host an investor meeting today, including a question-and-answer session, to discuss the details of its guidance. The meeting will begin promptly at 8:30 AM (Eastern Time) and end approximately at 11:00 AM (Eastern Time). Michael F. Neidorff, Chairman and Chief Executive Officer, and William N. Scheffel, Executive Vice President, Chief Financial Officer and Treasurer, of Centene Corporation will host the meeting before an audience of investors at The Plaza on East 58th Street in New York City.

Investors and other interested parties who are unable to attend in person are invited to listen to the investor meeting via a live, audio webcast on the Company’s website at www.centene.com, under the Investors section. In addition, questions can be submitted via e-mail at: Questions@centene.com.

About Centene Corporation
Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits.
provided under Medicaid, including the State Children’s Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). Centene’s CeltiCare subsidiary offers states unique, “exchange based” and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company’s estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene’s ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company’s publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Senior Vice President, Finance & Investor Relations, +1-212-759-0382; Media Inquiries, Deanne Lane, Vice President, Media Affairs, +1-314-725-4477
Press Release

Centene Corporation to Acquire Majority Stake in Fidelis SecureCare of Michigan
Enters Michigan market to serve dual-eligibles

ST. LOUIS, Dec. 18, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) ("Centene") announced today that it has signed a definitive agreement to purchase a majority stake in Fidelis SecureCare of Michigan, Inc. ("Fidelis SecureCare"), a subsidiary of Fidelis SeniorCare, Inc. ("Fidelis"). Fidelis SecureCare was recently selected by the Michigan Department of Community Health as one of six health plans to provide integrated healthcare services to members who are dually eligible for Medicare and Medicaid in Macomb and Wayne counties. The program is expected to serve approximately 90,000 of the dual-eligible beneficiaries in the state, with enrollment expected to commence in the fourth quarter of 2014. Fidelis is a leader in the development of Medicare Advantage Special Needs Plans for eligible individuals residing in their own homes, nursing homes and assisted living communities, with extensive knowledge and experience in caring for people with complex chronic conditions.

Under the arrangement, Centene and Fidelis will own and operate the Fidelis SecureCare Michigan health plan. Fidelis' affiliated SecureHome clinics in metropolitan Detroit, which are not part of the acquisition, will continue to provide integrated primary care to plan members according to the care model that was, in part, the basis for Fidelis' award. The SecureHome clinics have demonstrably higher quality and reduced utilization relative to dual-eligible benchmarks, via their high touch, coordinated care model approach to frail and chronically ill patients.

"Centene is pleased to partner with Fidelis to continue their tradition of providing integrated care to frail and chronically ill individuals in Michigan," said Jesse N. Hunter, Executive Vice President and Chief Business Development Officer for Centene. "This announcement marks our entry into a fourth market serving dual-eligible populations. Centene and Fidelis share a common commitment of providing locally-driven, comprehensive care focused on the whole health of the individuals we serve."

"Fidelis is honored to have been one of the awardees in Michigan's Demonstration Program. We are further excited to be partnering with Centene in this effort, as it is a company that shares our commitment to providing high quality care and services to vulnerable populations," said Sam Willcoxon, President and CEO of Fidelis. "Through our SecureHome care model, we will work with Centene to deliver expert clinical care and care coordination to dual eligible beneficiaries in Wayne and Macomb counties."

The transaction is expected to close in the fourth quarter of 2014, subject to certain closing conditions including regulatory approvals, and will involve cash purchase price payments contingent on the performance of the plan over the course of 2015.

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About Fidelis SeniorCare

Fidelis SeniorCare is a private company headquartered in Schaumburg, IL. The Company provides expert clinical care and care coordination services to dual-eligible beneficiaries through its SecureHome clinics. Fidelis SeniorCare operates as a Medicare Advantage Plan ("Fidelis SecureCare") or as a trusted partner to Medicare Advantage Plans, in Michigan and Washington. More information about Fidelis is available at www.fidelissc.com.
This information provided in this press release contains forward-looking statements about a transaction between Centene and Fidelis SeniorCare, including the potential membership, anticipated timing of enrollment, and the anticipated timing of the completion of the transaction. Such information involves substantial risks and uncertainties including, among other things, whether and when Centene and Fidelis SeniorCare will satisfy the various closing conditions, including without limitation obtaining the required regulatory approvals; and economic, regulatory, competitive and other factors that may cause the actual circumstances to be materially different from those expressed in this press release. Forward-looking statements speak only as of the date of this release and are based on information available at the time those statements are made, as well as management's views and assumptions regarding future events. You should not put undue reliance on any forward-looking statements. Centene does not undertake to update its forward-looking statements, except as required by law.

SOURCE Centene Corporation

Deanne Lane, Media, (314) 725-4477, or Edmund E. Kroll, Jr., Investors, (212) 759-0382
Centene Specialty Pharma Subsidiary Receives Full URAC Accreditation

ST. LOUIS, Dec. 3, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that AcariaHealth®, a wholly-owned subsidiary providing specialty pharmacy services, has been awarded Specialty Pharmacy Accreditation from URAC, a Washington, DC-based healthcare accrediting organization that establishes quality standards for the healthcare industry.

The URAC accreditation process demonstrates a commitment to quality services and serves as a framework to improve business processes through benchmarking organizations against nationally recognized standards. The Specialty Pharmacy Accreditation provides an external validation of excellence in Specialty Pharmacy Management and provides Continuous Quality Improvement (CQI) oriented processes that improve operations and enhance compliance. It also helps to assist in preparing for regulatory compliance.

"We are proud to receive URAC Accreditation, which validates our long-standing dedication to provide healthcare solutions for patients, healthcare specialists, payer and pharma clients through a unique brand of specialty pharmacy services," said Jason M. Harrold, Executive Vice President, Specialty Companies, for Centene. "We believe that our experienced team offers innovative ways to improve care and outcomes for patients living with complex diseases. It all starts with a simple premise: the patient comes first."

"We applaud AcariaHealth on achieving URAC Specialty Pharmacy Accreditation," said URAC Chief Operating Officer William Vandervennet. "In today's healthcare market, URAC accreditation provides a mark of distinction for organizations to demonstrate their commitment to quality healthcare."

URAC, an independent, nonprofit organization, is a leader in promoting healthcare quality through accreditation and certification programs. URAC's standards keep pace with the rapid changes in the healthcare system, and provide a mark of distinction for healthcare organizations to demonstrate their commitment to quality and accountability. Through its broad-based governance structure and an inclusive standards development process, URAC ensures that all stakeholders are represented in setting meaningful standards for the healthcare industry. For more information, visit www.urac.org.

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SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Corporation Appoints Executive Vice President, Insurance Group Officer

ST. LOUIS, Dec. 4, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today named K. Rone Baldwin head of the Company’s newly formed insurance group. Mr. Baldwin will oversee commercial and hybrid insurance, products associated with future exchanges and implementation of exchange products.

Mr. Baldwin is also part of Centene’s restructured operations group. He is joined by Jason Harrold, Executive Vice President, Specialty Companies; Rob Hitchcock, Executive Vice President, Health Plans; Jesse Hunter, Executive Vice President, Chief Business Development Officer; Don Imholz, Executive Vice President and Chief Information Officer; Dave Minifie, Executive Vice President and Chief Marketing Officer; and William Scheffel, Executive Vice President and Chief Financial Officer.

“This operational realignment will help to strengthen our overall business as well as future endeavors by building a balanced team of strong general managers,” said Chairman and Chief Executive Officer Michael Neidorff. “As part of the general management development program, each member of the executive partner group will become knowledgeable in all aspects of Centene’s rapidly growing business.”

Mr. Baldwin comes to Centene with over 25 years of experience as a business executive leading a range of domestic and global financial service businesses focused primarily in the life and health insurance sector. He most recently served as Executive Vice President and business leader of Group Insurance business, which included both group health and ancillary product lines, for Guardian Life Insurance Company, which he joined in 2006.

Prior to joining Guardian, Mr. Baldwin held a number of senior executive positions during a 12-year career at Genworth Financial and at GE Capital. He served as President of Genworth’s Employee Benefits Group business, and also served as Senior Vice President, Strategic Development, where he helped lead the IPO spin-off of Genworth Financial. Additionally, he spent five years in Japan, as President of GE Capital Japan, and subsequently as President and CEO of GE Edison Life.

Mr. Baldwin received his BA in Physics from Amherst College and an MBA from Harvard Business School.

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SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Final Reminder Regarding Centene Corporation’s 2014 Guidance And Investor Meeting In New York City

-- RSVP REQUESTED IF NOT PRE-REGISTERED --

ST. LOUIS, Dec. 5, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) issued a final reminder today regarding the previously announced release of its 2014 financial guidance at approximately 6:00 AM (Eastern Time) on Friday, December 13, 2013, and its plans to host an investor meeting, including a question-and-answer session, to discuss the details of its guidance. The meeting will begin promptly at 8:30 AM (Eastern Time) and end approximately at 10:45 AM, with breakfast and registration starting at 7:30 AM. Michael F. Neidorff, Chairman and Chief Executive Officer, and William N. Scheffel, Executive Vice President, Chief Financial Officer and Treasurer, of Centene Corporation will host the meeting, which will also be webcast live before an audience of investors at the Convene conference center, 730 Third Avenue, in New York City.

Institutional investors and analysts who have not already registered and are still interested in attending the investor meeting can respond to Libby Abelt in Centene's Investor Relations department either via telephone at 1-212-759-5665 or e-mail at: labelt@centene.com.

Investors and other interested parties unable to attend in person are invited to listen to the investor meeting via a live, audio webcast on the Company's website at www.centene.com, under the Investors section. Questions can be submitted via e-mail to ekroll@centene.com.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477; Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Corporation Received Notice Of Intent To Award California Medicaid Contract

ST. LOUIS, Feb. 28, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that its subsidiary, California Health and Wellness Plan, has been notified by the California Department of Health Care Services (DHCS) of its intent to award a contract to serve Medicaid beneficiaries in 18 counties, pending regulatory approval.

Under the contract, California Health and Wellness Plan will serve members under the state’s Medi-Cal Managed Care Rural Expansion program. The expansion program covers members eligible for Temporary Assistance for Needy Families (TANF) and Children's Health Insurance Program (CHIP), as well as other populations.

"California is a significant Medicaid managed care market, and we are pleased to be selected to participate in this rural expansion program,” said Jesse Hunter, Executive Vice President and Chief Business Development Officer for Centene. "Centene's long track record of successfully transitioning fee-for-service Medicaid programs to managed care, coupled with our experience in serving members in rural areas in other states, will help us deliver better health outcomes for California residents in a cost-effective manner for the state."

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene’s CeltiCare subsidiary offers states unique, "exchange based” and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media Investors: Deanne Lane +1-314-725-4477; or Edmund E. Kroll, Jr. +1-212-759-0382
Press Release

Centene Corporation Reports 2012 Fourth Quarter And Full Year Results


<table>
<thead>
<tr>
<th>2012 Results</th>
<th>Q4</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenues (in millions)</td>
<td>$2,301.4</td>
<td>$8,238.9</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>91.3 %</td>
<td>91.6 %</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>8.4 %</td>
<td>8.6 %</td>
</tr>
<tr>
<td>Diluted earnings per share (EPS)</td>
<td>$0.17</td>
<td>$0.03</td>
</tr>
<tr>
<td>Cash flow from operations (in millions)</td>
<td>$(28.6)</td>
<td>$278.7</td>
</tr>
</tbody>
</table>

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "While 2012 had its challenges, we continue to make progress on premium rates in Texas and believe we have addressed the issues in Kentucky with our planned exit of the State. In 2012, we delivered on our growth strategy by increasing membership by 41% and revenues by 59% from 2011. We were successful in winning seven new contracts in 2012 and have continued in 2013 with the long-term care program recommendations in Florida. In addition, with the pending acquisition of AcariaHealth, we will expand our ability to manage the costs of specialized pharmacy benefit services for complex diseases. We believe with these awards and initiatives we are very well positioned to drive margins and earnings growth in 2013 and beyond."

Fourth Quarter Highlights

- Quarter-end at-risk managed care membership of 2,560,300, an increase of 744,300 members, or 41% year over year.
- Premium and service revenues of $2.3 billion, representing 58% growth year over year.
- Health Benefits Ratio of 91.3%, compared to 85.9% in 2011.
- General and Administrative expense ratio of 8.4%, compared to 11.0% in 2011.
- Diluted EPS of $0.17, including medical costs associated with flu of $0.30 higher than experienced in 2011.
- Employees increased from 5,300 at December 31, 2011 to 6,800 at December 31, 2012, reflecting our continued business expansions.

Other Events

- In November 2012, pursuant to a shelf registration statement, we issued an additional $175 million of non-callable 5.75% Senior Notes due June 1, 2017 at a premium to yield 4.29%.
- In November 2012, our Illinois subsidiary, IlliniCare Health Plan, was selected to serve dual-eligible members in Cook, DuPage, Lake, Kane, Kankakee and Will counties (Greater Chicago region) as part of the Illinois Medicare-Medicaid Alignment Initiative. Enrollment is expected to begin in late 2013.
- In January 2013, our Kansas subsidiary, Sunflower State Health Plan, began operating under a statewide contract to serve members in the state's KanCare program, which includes TANF, ABD (dual and non-dual), foster care, long-term care and CHIP beneficiaries.
- In January 2013, our Florida subsidiary, Sunshine State Health Plan, was notified by the Florida Agency for Health Care Administration it has been recommended for a contract award in 10 of 11 regions of the Medicaid Managed Care Long Term Care program. Upon execution of a contract and regulatory approval, enrollment will be implemented by region, beginning in August 2013 and continuing through March 2014.
- In January 2013, we signed a definitive agreement to acquire AcariaHealth, a comprehensive specialty pharmacy company, for $152.0 million. The transaction consideration is anticipated to be financed through a combination of Centene common stock, cash on hand and existing credit facilities. The acquisition is expected to close in the first quarter of 2013 subject to regulatory approval and other customary
conditions.

- In October 2012, we were awarded the Platinum Award at the 2012 URAC Best Practices in Health Care Consumer Empowerment and Protection Awards for our Asthma Solutions for a Managed Medicaid Population.

The following table sets forth the Company's membership by state for its managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,500</td>
<td>23,700</td>
</tr>
<tr>
<td>Florida</td>
<td>214,000</td>
<td>198,300</td>
</tr>
<tr>
<td>Georgia</td>
<td>313,700</td>
<td>298,200</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>16,300</td>
</tr>
<tr>
<td>Indiana</td>
<td>204,000</td>
<td>206,900</td>
</tr>
<tr>
<td>Kentucky</td>
<td>135,800</td>
<td>180,700</td>
</tr>
<tr>
<td>Louisiana</td>
<td>165,600</td>
<td>—</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>21,500</td>
<td>35,700</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,200</td>
<td>31,600</td>
</tr>
<tr>
<td>Missouri</td>
<td>59,600</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>157,800</td>
<td>159,900</td>
</tr>
<tr>
<td>South Carolina</td>
<td>90,100</td>
<td>82,900</td>
</tr>
<tr>
<td>Texas</td>
<td>949,900</td>
<td>503,800</td>
</tr>
<tr>
<td>Washington</td>
<td>57,200</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,400</td>
<td>78,000</td>
</tr>
<tr>
<td><strong>Total at-risk membership</strong></td>
<td><strong>2,560,300</strong></td>
<td><strong>1,816,000</strong></td>
</tr>
<tr>
<td><strong>Non-risk membership</strong></td>
<td>—</td>
<td>4,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,560,300</strong></td>
<td><strong>1,820,900</strong></td>
</tr>
</tbody>
</table>

The following table sets forth our membership by line of business:

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>1,977,200</td>
<td>1,336,800</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>237,700</td>
<td>213,900</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>307,800</td>
<td>218,000</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>29,100</td>
<td>40,500</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>8,500</td>
<td>6,800</td>
</tr>
<tr>
<td><strong>Total at-risk membership</strong></td>
<td><strong>2,560,300</strong></td>
<td><strong>1,816,000</strong></td>
</tr>
<tr>
<td><strong>Non-risk membership</strong></td>
<td>—</td>
<td>4,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,560,300</strong></td>
<td><strong>1,820,900</strong></td>
</tr>
</tbody>
</table>

The following table identifies the Company's dual eligible membership by line of business. The membership tables above include these members.

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>72,800</td>
<td>45,400</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>7,700</td>
<td>6,200</td>
</tr>
<tr>
<td>Medicare</td>
<td>5,100</td>
<td>3,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85,600</strong></td>
<td><strong>54,800</strong></td>
</tr>
</tbody>
</table>


- For the fourth quarter of 2012, Premium and Service Revenues increased 58% to $2.3 billion from $1.5 billion in the fourth quarter of 2011. The increase was primarily driven by the Texas expansion, pharmacy carve-in in Texas, the additions between years of Kentucky, Louisiana, Missouri and Washington contracts and membership growth.
Consolidated HBR of 91.3% for the fourth quarter of 2012 represents an increase from 85.9% in the comparable period in 2011 and a decrease from 93.3% in the third quarter of 2012. The increase compared to last year primarily reflects an increase in medical costs associated with flu of $0.30 per diluted share as well as increased medical costs in our Kentucky and Texas health plans. Excluding the Kentucky health plan operations, the fourth quarter 2012 HBR was 90.7%.

The following table compares the results for new business and existing business for the quarter ended December 31:

<table>
<thead>
<tr>
<th>Premium and Service Revenue</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business</td>
<td>35 %</td>
<td>16 %</td>
</tr>
<tr>
<td>Existing business</td>
<td>65 %</td>
<td>84 %</td>
</tr>
<tr>
<td>HBR</td>
<td>96.7 %</td>
<td>93.1 %</td>
</tr>
<tr>
<td>New business</td>
<td>88.5 %</td>
<td>94.6 %</td>
</tr>
<tr>
<td>Existing business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>91.3 %</td>
<td>85.9 %</td>
</tr>
</tbody>
</table>

Consolidated G&A expense ratio for the fourth quarter of 2012 was 8.4%, compared to 11.0% in the prior year. The year over year decrease reflects the leveraging of expenses over higher revenues and a reduction in performance based compensation expense which lowered the ratio by 60 basis points.

Earnings from operations were $13.1 million in the fourth quarter 2012 compared to $47.4 million in the fourth quarter 2011. Net earnings attributable to Centene Corporation were $9.1 million in the fourth quarter 2012, compared to $30.1 million in the fourth quarter of 2011.

Diluted EPS was $0.17 in the fourth quarter of 2012 compared to $0.57 in the prior year.


For the year ended December 31, 2012, Premium and Service Revenues increased 59.0% to $8.2 billion over the corresponding period in 2011 as a result of the additional revenue between years from our Illinois, Kentucky, Louisiana, Missouri and Washington contracts, Texas and Arizona expansions, pharmacy carve-ins in Texas and Ohio, and organic membership growth.

Consolidated HBR of 91.6% for 2012, compared to 85.2% in 2011. The increase compared to last year primarily reflects (1) the continued high level of medical costs in Kentucky including a $41.5 million premium deficiency reserve for the contract period January 1, 2013 through July 5, 2013, (2) a high level of medical costs in the March 1, 2012 expansion areas in Texas, (3) a high level of medical costs in our individual health business, especially for policies issued to members who converted in the first quarter of 2012 and (4) a high level of flu costs during the fourth quarter of 2012. Excluding our Kentucky operations, the HBR for the year ended December 31, 2012, was 89.6%.

Consolidated G&A expense ratio for 2012 was 8.6%, compared to 11.3% in 2011. The decrease is primarily due to leveraging our expenses over higher revenues and a reduction in performance based compensation expense which lowered the ratio by 60 basis points.

Diluted EPS of $0.03 in 2012. Included in the year ended December 31, 2012, results are the following items: (1) an operating loss in our Kentucky health plan, including a $41.5 million pre-tax premium deficiency reserve; (2) an impairment loss for the write down of goodwill and intangible assets in the Celtic reporting unit; (3) a gain on the sale of investments; and (4) a state income tax benefit. The impact of these items to diluted EPS is provided below:

<table>
<thead>
<tr>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted EPS $</td>
</tr>
<tr>
<td>Loss from Kentucky operations $1.71</td>
</tr>
<tr>
<td>Celtic impairment loss $0.50</td>
</tr>
<tr>
<td>Investment gains (0.23)</td>
</tr>
<tr>
<td>Tax benefit (0.11)</td>
</tr>
<tr>
<td>Total $1.90</td>
</tr>
</tbody>
</table>

Total operating cash flows of $278.7 million.
Balance Sheet and Cash Flow

At December 31, 2012, the Company had cash, investments and restricted deposits of $1,632.6 million, including $37.3 million held by its unregulated entities. Medical claims liabilities totaled $926.3 million, representing 41.1 days in claims payable excluding the liability for the Kentucky premium deficiency reserve. Total debt was $538.9 million which reflects no borrowings on the $350 million revolving credit facility at year end. Debt to capitalization was 32.7% at December 31, 2012, excluding the $75.4 million non-recourse mortgage note. Cash flow from operations for the year ended December 31, 2012 was $278.7 million.

A reconciliation of the Company's change in days in claims payable from the immediately preceding quarter-end is presented below:

| Days in claims payable, September 30, 2012 | 42.8 |
| Timing of claim payments including pharmacy flu costs | (1.9) |
| Other | 0.2 |
| Days in claims payable, December 31, 2012 | 41.1 |

Outlook

The table below depicts the Company's annual guidance for 2013.

<table>
<thead>
<tr>
<th>Full Year 2013</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenues (in millions)</td>
<td>$ 9,700</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$ 2.60</td>
<td>$ 2.90</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>88.0 %</td>
<td>89.0 %</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>9.0 %</td>
<td>9.5 %</td>
</tr>
<tr>
<td>Diluted Shares Outstanding (in thousands)</td>
<td>54,800</td>
<td>55,200</td>
</tr>
</tbody>
</table>

The guidance in the table above does not include the pending acquisition of AcariaHealth or revenue and medical costs of the recently announced long-term care program recommendations in Florida. However, business expansion costs for the Florida long-term care award are incorporated in our guidance.

Conference Call

As previously announced, the Company will host a conference call Tuesday, February 5, 2013, at 8:30 A.M. (Eastern Time) to review the financial results for the fourth quarter and year ended December 31, 2012, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call. Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section. A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 PM (Eastern Time) on Tuesday, February 4, 2014, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 AM Eastern Time on Tuesday, February 12, 2013, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10023301.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this release as the Company believes that these figures are helpful in allowing individuals to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently. The Company uses the presented non-GAAP financial measures internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial
information prepared and presented in accordance with GAAP.

The discussion in the third bullet under the heading "Statement of Operations: Three Months Ended December 31, 2012" contains financial information for new and existing businesses. Existing businesses are primarily state markets, significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets, significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.

About Centene Corporation

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The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene’s or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company's publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

<table>
<thead>
<tr>
<th>CENTENE CORPORATION AND SUBSIDIARIES</th>
<th>CONSOLIDATED BALANCE SHEETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In thousands, except share data)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Unaudited)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>December 31, 2012</td>
<td>December 31, 2011</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>843,952</td>
<td>573,698</td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>263,452</td>
<td>157,450</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>139,118</td>
<td>130,499</td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>127,080</td>
<td>78,363</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,373,602</td>
<td>940,010</td>
<td></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>614,723</td>
<td>506,140</td>
<td></td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>34,793</td>
<td>26,818</td>
<td></td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>377,726</td>
<td>349,622</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>256,286</td>
<td>281,981</td>
<td></td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>20,268</td>
<td>27,430</td>
<td></td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>64,282</td>
<td>58,335</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,741,682</td>
<td>2,190,336</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical claims liability</td>
<td>926,302</td>
<td>607,985</td>
<td></td>
</tr>
<tr>
<td>Premium deficiency reserve</td>
<td>41,475</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>
Accounts payable and accrued expenses  191,343  216,504
Unearned revenue  34,597  9,890
Current portion of long-term debt  3,373  3,234
Total current liabilities  1,197,090  837,613
Long-term debt  535,481  348,344
Other long-term liabilities  55,344  67,960
Total liabilities  1,787,915  1,253,917
Commissions and contingencies
Stockholders' equity:
Common stock, $.001 par value; authorized 100,000,000 shares; 55,339,160 issued and 52,329,248 outstanding at December 31, 2012, and 53,586,726 issued and 50,864,618 outstanding at December 31, 2011  55  54
Additional paid-in capital  450,856  421,981
Accumulated other comprehensive income:
Unrealized gain on investments, net of tax  5,189  5,761
Retained earnings  556,820  564,961
Treasury stock, at cost (3,009,912 and 2,722,108 shares, respectively)  (69,864)  (57,123)
Total Centene stockholders' equity  953,056  935,634
Noncontrolling interest  711  785
Total stockholders' equity  953,767  936,419
Total liabilities and stockholders' equity  $2,741,682  $2,190,336

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$ 2,272,736</td>
<td>$ 1,436,413</td>
<td>$ 8,126,205</td>
<td>$ 5,077,242</td>
</tr>
<tr>
<td>Service</td>
<td>28,680</td>
<td>22,136</td>
<td>112,742</td>
<td>103,765</td>
</tr>
<tr>
<td><strong>Premium and service revenues</strong></td>
<td>2,301,416</td>
<td>1,458,549</td>
<td>8,238,947</td>
<td>5,181,007</td>
</tr>
<tr>
<td>Premium tax</td>
<td>95,181</td>
<td>48,627</td>
<td>428,665</td>
<td>159,575</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>2,396,597</td>
<td>1,507,176</td>
<td>8,667,612</td>
<td>5,340,582</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,075,957</td>
<td>1,233,739</td>
<td>7,446,037</td>
<td>4,324,746</td>
</tr>
<tr>
<td>Cost of services</td>
<td>20,808</td>
<td>17,397</td>
<td>87,705</td>
<td>78,114</td>
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<tr>
<td><strong>Total operating expenses</strong></td>
<td>2,363,529</td>
<td>1,459,799</td>
<td>8,694,733</td>
<td>5,150,258</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>13,068</td>
<td>47,377</td>
<td>(27,121)</td>
<td>190,324</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Investment and other income</td>
<td>3,377</td>
<td>3,990</td>
<td>35,957</td>
<td>13,369</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>—</td>
<td>(8,488)</td>
<td>(8,488)</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(6,067)</td>
<td>(4,797)</td>
<td>(20,460)</td>
<td>(20,320)</td>
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<tr>
<td><strong>Earnings (loss) from operations, before income tax expense</strong></td>
<td>10,378</td>
<td>46,570</td>
<td>(11,624)</td>
<td>174,885</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>5,739</td>
<td>17,306</td>
<td>(329)</td>
<td>66,522</td>
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<tr>
<td><strong>Net earnings (loss)</strong></td>
<td>4,639</td>
<td>29,264</td>
<td>(11,295)</td>
<td>108,363</td>
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<tr>
<td><strong>Noncontrolling interest</strong></td>
<td>(4,422)</td>
<td>(848)</td>
<td>(13,154)</td>
<td>(2,855)</td>
</tr>
</tbody>
</table>
### CENTENE CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

#### (Unaudited)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$ (11,295)</td>
<td>$ 108,363</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>65,866</td>
<td>58,327</td>
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<tr>
<td>Stock compensation expense</td>
<td>25,332</td>
<td>18,171</td>
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<tr>
<td>Impairment loss</td>
<td>28,033</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>(17,880)</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of investments, net</td>
<td>(1,484)</td>
<td>(287)</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>-</td>
<td>8,488</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(14,438)</td>
<td>2,031</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(116,558)</td>
<td>(11,306)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(36,818)</td>
<td>(11,812)</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,825</td>
<td>(2)</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>359,792</td>
<td>149,756</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>24,707</td>
<td>(109,082)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>21,474</td>
<td>38,889</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>(7,917)</td>
<td>10,160</td>
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<tr>
<td>Net cash provided by operating activities</td>
<td>278,691</td>
<td>261,696</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(82,144)</td>
<td>(73,708)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(695,687)</td>
<td>(318,397)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>589,921</td>
<td>267,404</td>
</tr>
<tr>
<td>Investments in acquisitions, net of cash acquired</td>
<td>-</td>
<td>(4,375)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(187,910)</td>
<td>(129,076)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>15,912</td>
<td>15,815</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>400,500</td>
<td>419,183</td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>(218,234)</td>
<td>(416,283)</td>
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<tr>
<td>Excess tax benefits from stock compensation</td>
<td>10,996</td>
<td>4,435</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>(12,741)</td>
<td>(7,809)</td>
</tr>
<tr>
<td>Contribution from (to) noncontrolling interest</td>
<td>1,092</td>
<td>813</td>
</tr>
<tr>
<td>Purchase of noncontrolling interest</td>
<td>(14,429)</td>
<td>-</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>(3,623)</td>
<td>(9,242)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>179,473</td>
<td>6,912</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>270,254</td>
<td>139,532</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of period</strong></td>
<td>573,698</td>
<td>434,166</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of period</strong></td>
<td>$ 843,952</td>
<td>$ 573,698</td>
</tr>
</tbody>
</table>

Supplemental disclosures of cash flow information:
- Interest paid | $ 21,605 | $ 27,383 |
- Income taxes paid | $ 42,877 | $ 50,444 |
**CENTENE CORPORATION**  
**SUPPLEMENTAL FINANCIAL DATA**  

<table>
<thead>
<tr>
<th></th>
<th>Q4 2012</th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEMBERSHIP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arizona</td>
<td>23,500</td>
<td>23,800</td>
<td>24,000</td>
<td>23,100</td>
<td>23,700</td>
</tr>
<tr>
<td>Florida</td>
<td>214,000</td>
<td>209,600</td>
<td>204,100</td>
<td>199,500</td>
<td>198,300</td>
</tr>
<tr>
<td>Georgia</td>
<td>313,700</td>
<td>312,400</td>
<td>313,300</td>
<td>306,000</td>
<td>298,200</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>17,900</td>
<td>17,800</td>
<td>17,400</td>
<td>16,300</td>
</tr>
<tr>
<td>Indiana</td>
<td>204,000</td>
<td>205,400</td>
<td>205,000</td>
<td>206,300</td>
<td>206,900</td>
</tr>
<tr>
<td>Kentucky</td>
<td>135,800</td>
<td>145,400</td>
<td>143,500</td>
<td>145,700</td>
<td>180,700</td>
</tr>
<tr>
<td>Louisiana</td>
<td>165,600</td>
<td>167,200</td>
<td>168,700</td>
<td>51,300</td>
<td>—</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>21,500</td>
<td>28,000</td>
<td>41,400</td>
<td>36,000</td>
<td>35,700</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,200</td>
<td>30,600</td>
<td>30,100</td>
<td>29,500</td>
<td>31,600</td>
</tr>
<tr>
<td>Missouri</td>
<td>59,600</td>
<td>53,900</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>157,800</td>
<td>173,800</td>
<td>166,800</td>
<td>161,000</td>
<td>159,900</td>
</tr>
<tr>
<td>South Carolina</td>
<td>90,100</td>
<td>89,400</td>
<td>87,800</td>
<td>86,700</td>
<td>82,900</td>
</tr>
<tr>
<td>Texas</td>
<td>949,900</td>
<td>930,700</td>
<td>919,200</td>
<td>811,000</td>
<td>503,800</td>
</tr>
<tr>
<td>Washington</td>
<td>57,200</td>
<td>42,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,400</td>
<td>72,900</td>
<td>75,800</td>
<td>76,000</td>
<td>78,000</td>
</tr>
<tr>
<td><strong>Total at-risk membership</strong></td>
<td>2,560,300</td>
<td>2,503,000</td>
<td>2,397,500</td>
<td>2,149,500</td>
<td>1,816,000</td>
</tr>
<tr>
<td>Non-risk membership</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,900</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,560,300</td>
<td>2,503,000</td>
<td>2,397,500</td>
<td>2,149,500</td>
<td>1,820,900</td>
</tr>
<tr>
<td>Medicaid</td>
<td>1,977,200</td>
<td>1,939,400</td>
<td>1,848,500</td>
<td>1,634,800</td>
<td>1,336,800</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>237,700</td>
<td>229,600</td>
<td>222,600</td>
<td>218,800</td>
<td>213,900</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>307,800</td>
<td>289,800</td>
<td>269,900</td>
<td>247,400</td>
<td>218,000</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>29,100</td>
<td>35,700</td>
<td>48,100</td>
<td>41,500</td>
<td>40,500</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>8,500</td>
<td>8,500</td>
<td>8,400</td>
<td>7,000</td>
<td>6,800</td>
</tr>
<tr>
<td><strong>Total at-risk membership</strong></td>
<td>2,560,300</td>
<td>2,503,000</td>
<td>2,397,500</td>
<td>2,149,500</td>
<td>1,816,000</td>
</tr>
<tr>
<td>Non-risk membership</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,900</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,560,300</td>
<td>2,503,000</td>
<td>2,397,500</td>
<td>2,149,500</td>
<td>1,820,900</td>
</tr>
</tbody>
</table>
| Specialty Services<sup>(a)</sup>:  
  Cenpatico Behavioral Health  
  Arizona | 157,900 | 162,000 | 159,900 | 162,100 | 168,900 |
  Kansas  | 49,800  | 48,500  | 44,300  | 46,000  | 46,200  |
| **TOTAL** | 207,700 | 210,500 | 204,200 | 208,100 | 215,100 |

<sup>(a)</sup> Includes external membership only.

**REVENUE PER MEMBER PER MONTH**<sup>(b)</sup>  
$ 292  
$ 283  
$ 279  
$ 269  
$ 262

**CLAIMS**<sup>(b)</sup>  
| Period-end inventory | 641,000 | 826,800 | 1,195,000 | 735,000 | 495,500 |
| Average inventory    | 555,200 | 547,400 | 640,600   | 457,400 | 367,600 |
| Period-end inventory per member | 0.25 | 0.33 | 0.50 | 0.34 | 0.27 |

<sup>(b)</sup> Revenue per member and claims information are presented for the Managed Care at-risk members.

**NUMBER OF EMPLOYEES**  
6,800  
6,400  
6,200  
5,700  
5,300

**DAYS IN CLAIMS PAYABLE**<sup>(c)</sup>  
41.1  
42.8  
41.4  
44.7  
45.3

<sup>(c)</sup> Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average claims expense per calendar day for such period, excluding the Kentucky premium deficiency reserve liability.
CASH AND INVESTMENTS (in millions)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>$5.3</td>
<td>$3.8</td>
<td>$8.2</td>
<td>$6.9</td>
</tr>
<tr>
<td>Unregulated</td>
<td>$37.3</td>
<td>$36.0</td>
<td>$40.6</td>
<td>$35.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$42.6</td>
<td>$39.8</td>
<td>$48.8</td>
<td>$42.4</td>
</tr>
</tbody>
</table>

DEBT TO CAPITALIZATION

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>36.1%</td>
<td>29.2%</td>
<td>30.1%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Unregulated</td>
<td>32.7%</td>
<td>25.0%</td>
<td>25.9%</td>
<td>21.8%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32.7%</td>
<td>25.0%</td>
<td>25.9%</td>
<td>21.8%</td>
</tr>
</tbody>
</table>

DEBT TO CAPITALIZATION EXCLUDING NON-RECURSSE DEBT

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>32.7%</td>
<td>25.0%</td>
<td>25.9%</td>
<td>21.8%</td>
</tr>
<tr>
<td>Unregulated</td>
<td>27.3%</td>
<td>22.6%</td>
<td>22.6%</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

Debt to Capitalization is calculated as follows: total debt divided by (total debt + total equity).

(d) The non-recourse debt represents the Company's mortgage note payable ($75.4 million at December 31, 2012).

Operating Ratios:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31,</td>
<td>December 31,</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Health Benefits Ratios:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid and CHIP</td>
<td>92.4%</td>
<td>82.9%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>89.1%</td>
<td>88.8%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>92.7%</td>
<td>94.0%</td>
</tr>
<tr>
<td>Total</td>
<td>91.3%</td>
<td>85.9%</td>
</tr>
<tr>
<td>Total General &amp; Admin. Expense Ratio</td>
<td>8.4%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

MEDICAL CLAIMS LIABILITY (in thousands)

The changes in medical claims liability are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>$607,985</td>
</tr>
<tr>
<td>Incurred related to:</td>
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</tr>
<tr>
<td>Current period</td>
<td>$7,499,437</td>
</tr>
<tr>
<td>Prior period</td>
<td>(53,400)</td>
</tr>
<tr>
<td>Total incurred</td>
<td>$7,446,037</td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>$6,535,537</td>
</tr>
<tr>
<td>Prior period</td>
<td>550,708</td>
</tr>
<tr>
<td>Total paid</td>
<td>$7,086,245</td>
</tr>
<tr>
<td>Less: Premium Deficiency Reserve</td>
<td>41,475</td>
</tr>
<tr>
<td>Balance, December 31, 2012</td>
<td>$926,302</td>
</tr>
</tbody>
</table>

Centene's claims reserving process utilizes a consistent actuarial methodology to estimate Centene's ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. Centene believes it has consistently applied its claims reserving methodology in each of the periods presented.

The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to December 31, 2011. Excluding the impact of retroactive assignment of members in our Kentucky health plan, the amount of "Incurred related to: Prior period" shown in the table above would have been $61.7 million.
Press Release

Centene Corporation Partners With MHM Services To Serve Massachusetts State Correctional System

ST. LOUIS, March 18, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that a subsidiary of its correctional healthcare joint venture, Centurion LLC ("Centurion"), has been notified by the Department of Correction in Massachusetts that it has been awarded a contract, contingent upon successful completion of contract negotiations.

Centurion is a joint venture between Centene and MHM Services Inc. ("MHM"), a national leader in providing healthcare services to correctional systems. The Centurion partnership leverages Centene's more than 25 years of experience with state-sponsored managed care programs and MHM's unique expertise in providing healthcare services to inmates over the past three decades.

"Centene continues to expand its experience in working with state governments to provide better health outcomes at lower costs," said Jason M. Harrold, Executive Vice President, Specialty Companies, for Centene. "Centurion offers states a unique model for the coordination and delivery of health services to inmates, while working to manage escalating costs for our state partners."

The Massachusetts Partnership for Correctional Health is the Centurion subsidiary that responded to the request for proposal from the Massachusetts Department of Correction. Under this award, Centurion will provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities.

"Under the Centurion partnership, MHM Services is pleased to expand its relationship with the Massachusetts Department of Correction to provide comprehensive medical services," said Michael S. Pinkert, Chairman and Chief Executive Officer for MHM Services. "By joining with Centene, we are able to offer a new and unique approach to inmate healthcare that combines Medicaid managed care techniques with the more traditional approaches to treating inmates."

The award is subject to final negotiations with the state and is contemplated to become effective in the summer of 2013.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, or Investors, Edmund E. Kroll, Jr. +1-212-759-0382
Press Release

Centene Corporation Completes Acquisition Of Specialty Pharmacy Leader AcariaHealth

ST. LOUIS, April 2, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that on April 1, 2013, it completed the purchase of Specialty Therapeutic Care Holdings, Inc. (d/b/a AcariaHealth), one of the nation's largest, independent, comprehensive specialty pharmacy companies, from Enhanced Equity Funds. The transaction was financed through a combination of approximately 1.7 million shares of Centene common stock, cash on hand as well as up to $15.3 million of Centene common stock from an equity offering related to funding the escrow account.

Centene is working closely with AcariaHealth to ensure a seamless transition for customers and other key stakeholders.

The Company expects the acquisition to be neutral to earnings per share in the first 12 months following the acquisition, excluding one-time transaction costs. Additional details will be provided when Centene reports its first quarter financial results on April 23, 2013.

This release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of any shares in any state in which such offer, solicitation or sale would be unlawful prior to registration of qualification under the securities laws of any such state.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Corporation Reports 2013 First Quarter Results

ST. LOUIS, April 23, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced its financial results for the quarter ended March 31, 2013.

| Premium and Service Revenues (in millions) | $2,542.2 |
| Consolidated Health Benefits Ratio | 90.4 % |
| General & Administrative expense ratio | 8.3 % |
| Diluted earnings per share (EPS) | $0.42 |
| Cash flow from operations (in millions) | $43.0 |

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "This quarter is a positive step in our drive to deliver strong earnings while we continue to grow and diversify our sources of revenues. Further, we believe we are well positioned for profitable growth in 2014 and beyond."

First Quarter Highlights

- Quarter-end at-risk managed care membership of 2,686,100, an increase of 536,600 members, or 25% year over year.
- Premium and service revenues of $2.5 billion, representing 53% growth year over year.
- Health Benefits Ratio of 90.4%, compared to 88.2% in 2012.
- General and Administrative expense ratio of 8.3%, compared to 9.8% in 2012.
- Operating cash flow of $43.0 million for the first quarter of 2013.
- Diluted EPS of $0.42, compared to $0.45 in 2012.

Other Events

- In April 2013, we completed the acquisition of AcariaHealth, a specialty pharmacy company, for approximately $146.2 million. The transaction consideration was financed through a combination of approximately 2.1 million shares of Centene common stock and approximately $55.4 million of cash on hand.
- In March 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California Department of Health Care Services of its intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medicaid beneficiaries in 18 rural counties. Under the contract, California Health and Wellness Plan will serve members under the state's Medi-Cal Managed Care Rural Expansion program. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the second half of 2013.
- In March 2013, our joint venture subsidiary, Centurion, was notified by the Department of Corrections in Massachusetts that it had been awarded a contract to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. Centurion is a joint venture between Centene and MHM Services Inc., a national leader in providing healthcare services to correctional systems. Operations are expected to begin in the third quarter of 2013.
- In March 2013, we were notified by the Arizona Health Care Cost Containment System that our Arizona subsidiary, Bridgeway Health Solutions of Arizona, LLC (Bridgeway), was not awarded a contract to serve acute care members in Arizona for the five years beginning October 1, 2013. The current contract termination is effective September 30, 2013. Bridgeway currently serves 16,200 Medicaid acute care members in Yavapai County.
- In March 2013, Standard & Poor's reaffirmed our senior unsecured debt rating of BB and revised its outlook to stable from negative.
The following table sets forth the Company’s membership by state for its managed care organizations:

### Membership by State

<table>
<thead>
<tr>
<th>State</th>
<th>March 31, 2013</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,300</td>
<td>23,100</td>
</tr>
<tr>
<td>Florida</td>
<td>214,600</td>
<td>199,500</td>
</tr>
<tr>
<td>Georgia</td>
<td>314,000</td>
<td>306,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>17,400</td>
</tr>
<tr>
<td>Indiana</td>
<td>202,400</td>
<td>206,300</td>
</tr>
<tr>
<td>Kansas</td>
<td>133,700</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>132,700</td>
<td>145,700</td>
</tr>
<tr>
<td>Louisiana</td>
<td>162,900</td>
<td>51,300</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>17,300</td>
<td>36,000</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,000</td>
<td>29,500</td>
</tr>
<tr>
<td>Missouri</td>
<td>57,900</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>157,700</td>
<td>161,000</td>
</tr>
<tr>
<td>South Carolina</td>
<td>90,100</td>
<td>86,700</td>
</tr>
<tr>
<td>Texas</td>
<td>948,400</td>
<td>811,000</td>
</tr>
<tr>
<td>Washington</td>
<td>63,500</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,600</td>
<td>76,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,686,100</strong></td>
<td><strong>2,149,500</strong></td>
</tr>
</tbody>
</table>

### Membership by Line of Business

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>March 31, 2013</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>2,049,200</td>
<td>1,634,800</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>267,900</td>
<td>218,800</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>320,700</td>
<td>247,400</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>24,600</td>
<td>41,500</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>23,700</td>
<td>7,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,686,100</strong></td>
<td><strong>2,149,500</strong></td>
</tr>
</tbody>
</table>

### Dual Eligible Membership

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>March 31, 2013</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>80,300</td>
<td>60,600</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>16,100</td>
<td>6,400</td>
</tr>
<tr>
<td>Medicare</td>
<td>5,300</td>
<td>3,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>101,700</strong></td>
<td><strong>70,100</strong></td>
</tr>
</tbody>
</table>

### Statement of Operations: Three Months Ended March 31, 2013

- For the first quarter of 2013, Premium and Service Revenues increased 53% to $2.5 billion from $1.7 billion in the first quarter of 2012. The increase was primarily driven by the Texas, Mississippi, and Louisiana expansions, pharmacy carve-in in Texas and Louisiana, and the additions of the Kansas, Missouri and Washington contracts.
- Consolidated HBR of 90.4% for the first quarter of 2013 represents an increase from 88.2% in the comparable period in 2012 and a decrease from 91.3% in the fourth quarter of 2012. The increase compared to last year primarily reflects a higher level of flu costs of approximately $0.20 per diluted share during the first quarter of 2013 as well as a higher level of medical costs in new business.
- The following table compares the results for new business and existing business for the quarter ended March 31:
Premium and Service Revenue

<table>
<thead>
<tr>
<th></th>
<th>New business</th>
<th>Existing business</th>
<th>HBR</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business</td>
<td>35%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Existing business</td>
<td>65%</td>
<td>80%</td>
<td></td>
</tr>
</tbody>
</table>

HBR:

<table>
<thead>
<tr>
<th></th>
<th>New business</th>
<th>Existing business</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business</td>
<td>94.1%</td>
<td>90.7%</td>
<td>90.4%</td>
</tr>
<tr>
<td>Existing business</td>
<td>88.4%</td>
<td>87.6%</td>
<td>88.2%</td>
</tr>
</tbody>
</table>

- Consolidated G&A expense ratio for the first quarter of 2013 was 8.3%, compared to 9.8% in the prior year. The year over year decrease reflects the leveraging of expenses over higher revenues, partially offset by increased performance based compensation.
- Earnings from operations were $40.1 million in the first quarter of 2013 compared to $34.2 million in the first quarter of 2012. Net earnings attributable to Centene Corporation were $23.0 million in the first quarter of 2013, compared to $24.0 million in the first quarter of 2012.
- Diluted EPS was $0.42 in the first quarter of 2013, including medical costs associated with flu of $0.20 higher than experienced in 2012.

Balance Sheet and Cash Flow

At March 31, 2013, the Company had cash, investments and restricted deposits of $1,664.5 million, including $45.5 million held by its unregulated entities. Medical claims liabilities totaled $1,067.0 million, representing 42.4 days in claims payable. Total debt was $536.2 million which reflects no borrowings on the $350 million revolving credit facility at quarter end. Debt to capitalization was 31.9% at March 31, 2013, excluding the $74.7 million non-recourse mortgage note. Cash flow from operations for the three months ended March 31, 2013, was $43.0 million.

A reconciliation of the Company's change in days in claims payable from the immediately preceding quarter-end is presented below:

| Days in claims payable, December 31, 2012 | 41.1 |
| Timing of claim payments                  | 1.3  |
| Days in claims payable, March 31, 2013    | 42.4 |

Outlook

The table below depicts the Company's annual guidance for 2013.

<table>
<thead>
<tr>
<th>Premium and Service Revenues (in millions)</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted EPS</td>
<td>2.60</td>
<td>2.90</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>89.0%</td>
<td>89.0%</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>9.3%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Diluted Shares Outstanding (in thousands)</td>
<td>56,000</td>
<td>56,500</td>
</tr>
</tbody>
</table>

Included in our updated guidance above are the additions of the AcariaHealth acquisition, including the absorption of the associated transaction costs, the long-term care award in Florida, the new Medicaid contract in California, and the Massachusetts contract through our Centurion joint venture subsidiary.

Conference Call

As previously announced, the Company will host a conference call Tuesday, April 23, 2013, at 8:30 A.M. (Eastern Time) to review the financial results for the first quarter ended March 31, 2013, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call. Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company’s website at www.centene.com, under the Investors section. A webcast replay will be available on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 p.m. (Eastern Time) on Tuesday, April 22, 2014, at the aforementioned URI.
addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Wednesday, May 1, 2013, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10026527.

Other Information

The discussion in the third bullet under the heading "Statement of Operations: Three Months Ended March 31, 2013" contains financial information for new and existing businesses. Existing businesses are primarily state markets, significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets, significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.

About Centene Corporation

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The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company's publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

[Tables Follow]

### CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED BALANCE SHEETS
### (In thousands, except share data)
### (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$730,791</td>
<td>$843,952</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>320,371</td>
<td>263,452</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>146,107</td>
<td>139,118</td>
</tr>
<tr>
<td>Other current assets</td>
<td>178,002</td>
<td>127,080</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,375,271</td>
<td>1,373,602</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>748,307</td>
<td>614,723</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>39,344</td>
<td>34,793</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>389,607</td>
<td>389,607</td>
</tr>
<tr>
<td>Goodwill</td>
<td>256,288</td>
<td>256,288</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>19,287</td>
<td>20,287</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>65,807</td>
<td>64,282</td>
</tr>
</tbody>
</table>

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**CENTENE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands, except share data)**

**(Unaudited)**

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<td>19,287</td>
<td>20,287</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>65,807</td>
<td>64,282</td>
</tr>
</tbody>
</table>
Total assets $2,887,157 $2,741,682

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:
- Medical claims liability $1,067,032 $926,302
- Premium deficiency reserve 18,130 41,475
- Accounts payable and accrued expenses 180,338 191,343
- Unearned revenue 38,175 34,597
- Current portion of long-term debt 3,419 3,373
Total current liabilities 1,307,094 1,197,090

Long-term debt 532,734 535,481
Other long-term liabilities 60,799 55,344
Total liabilities 1,900,627 1,787,915

Commitments and contingencies

Stockholders' equity:
- Common stock, $.001 par value; authorized 100,000,000 shares; 55,432,271 issued and 52,410,000 outstanding at March 31, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012 55 55
- Additional paid-in capital 461,360 450,856
- Accumulated other comprehensive income:
  - Unrealized gain on investments, net of tax 4,900 5,189
  - Treasury stock, at cost (3,022,271 and 3,009,912 shares, respectively) (70,429) (69,864)
Total Centene stockholders' equity 985,708 953,056
- Noncontrolling interest 822 711
Total stockholders' equity 986,530 953,767

Total liabilities and stockholders' equity $2,887,157 $2,741,682

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

Three Months Ended March 31,

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$2,509,049</td>
<td>$1,634,850</td>
</tr>
<tr>
<td>Service</td>
<td>33,194</td>
<td>28,618</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,542,234</td>
<td>1,663,468</td>
</tr>
<tr>
<td>Premium tax</td>
<td>103,649</td>
<td>48,680</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,645,892</td>
<td>1,712,148</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,267,400</td>
<td>1,442,676</td>
</tr>
<tr>
<td>Cost of services</td>
<td>25,065</td>
<td>23,337</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>210,348</td>
<td>163,187</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>102,975</td>
<td>48,750</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,605,788</td>
<td>1,677,950</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>40,104</td>
<td>34,198</td>
</tr>
<tr>
<td>Other income (expense):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,471</td>
<td>5,291</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,625)</td>
<td>(4,799)</td>
</tr>
<tr>
<td>Earnings before income tax expense</td>
<td>37,950</td>
<td>34,690</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>15,039</td>
<td>12,087</td>
</tr>
<tr>
<td>Net earnings</td>
<td>22,911</td>
<td>22,603</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(91)</td>
<td>(1,375)</td>
</tr>
<tr>
<td>Net earnings attributable to Centene Corporation</td>
<td>$23,002</td>
<td>$23,978</td>
</tr>
<tr>
<td>Net earnings per common share attributable to Centene Corporation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$0.44</td>
<td>$0.47</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$0.42</td>
<td>$0.45</td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>52,357,119</td>
<td>51,125,674</td>
</tr>
<tr>
<td>Diluted</td>
<td>54,266,928</td>
<td>53,509,243</td>
</tr>
</tbody>
</table>
### CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF CASH FLOWS
#### (In thousands)
#### (Unaudited)

<table>
<thead>
<tr>
<th>Three Months Ended March 31,</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>$22,911</td>
<td>$22,603</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>15,691</td>
<td>16,613</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>8,375</td>
<td>6,375</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>986</td>
<td>5,855</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(56,734)</td>
<td>(120,784)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(50,537)</td>
<td>(10,723)</td>
</tr>
<tr>
<td>Other assets</td>
<td>5</td>
<td>524</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>117,385</td>
<td>100,769</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>3,578</td>
<td>8,576</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(22,745)</td>
<td>(60,826)</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>4,078</td>
<td>(1,078)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>$42,993</td>
<td>$(32,096)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** | | |
| Capital expenditures | (10,654) | (14,980) |
| Purchases of investments | (358,131) | (255,212) |
| Sales and maturities of investments | 212,508 | 149,341 |
| **Net cash used in investing activities** | $(156,277) | $(120,851) |

| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | 1,408 | 9,079 |
| Payment of long-term debt | (776) | (795) |
| Excess tax benefits from stock compensation | 515 | 5,472 |
| Common stock repurchases | (565) | (1,509) |
| Contribution from noncontrolling interest | 202 | — |
| Debt issue costs | (661) | — |
| **Net cash provided by financing activities** | 123 | 12,247 |
| **Net decrease in cash and cash equivalents** | $(113,161) | $(140,700) |

| **Supplemental disclosures of cash flow information:** | | |
| Interest paid | $1,410 | $1,589 |
| Income taxes paid | $2,205 | $20,514 |

### CENTENE CORPORATION
### SUPPLEMENTAL FINANCIAL DATA

<table>
<thead>
<tr>
<th>AT-RISK MEMBERSHIP</th>
<th>Q1 2013</th>
<th>Q4 2012</th>
<th>Q3 2012</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arizona</td>
<td>23,300</td>
<td>23,500</td>
<td>23,800</td>
<td>24,000</td>
<td>23,100</td>
</tr>
<tr>
<td>Florida</td>
<td>214,600</td>
<td>214,000</td>
<td>209,600</td>
<td>204,100</td>
<td>199,500</td>
</tr>
<tr>
<td>Georgia</td>
<td>314,000</td>
<td>313,700</td>
<td>312,400</td>
<td>313,300</td>
<td>306,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>18,000</td>
<td>17,900</td>
<td>17,800</td>
<td>17,400</td>
</tr>
<tr>
<td>Indiana</td>
<td>202,400</td>
<td>204,000</td>
<td>205,400</td>
<td>205,000</td>
<td>206,300</td>
</tr>
<tr>
<td>Kansas</td>
<td>133,700</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>132,700</td>
<td>135,800</td>
<td>145,400</td>
<td>143,500</td>
<td>145,700</td>
</tr>
<tr>
<td>Louisiana</td>
<td>162,900</td>
<td>165,600</td>
<td>167,200</td>
<td>168,700</td>
<td>51,300</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>17,300</td>
<td>21,500</td>
<td>28,000</td>
<td>41,400</td>
<td>36,000</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,000</td>
<td>77,200</td>
<td>30,600</td>
<td>30,100</td>
<td>29,500</td>
</tr>
<tr>
<td>Missouri</td>
<td>57,900</td>
<td>59,600</td>
<td>53,900</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>157,700</td>
<td>157,800</td>
<td>173,800</td>
<td>166,800</td>
<td>161,000</td>
</tr>
<tr>
<td>South Carolina</td>
<td>90,100</td>
<td>90,100</td>
<td>89,400</td>
<td>87,800</td>
<td>86,700</td>
</tr>
<tr>
<td>Texas</td>
<td>948,400</td>
<td>949,900</td>
<td>930,700</td>
<td>919,200</td>
<td>811,000</td>
</tr>
<tr>
<td>Washington</td>
<td>63,500</td>
<td>57,200</td>
<td>42,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,600</td>
<td>72,400</td>
<td>72,900</td>
<td>75,800</td>
<td>76,000</td>
</tr>
<tr>
<td></td>
<td>Q1 2013</td>
<td>Q4 2012</td>
<td>Q3 2012</td>
<td>Q2 2012</td>
<td>Q1 2012</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>DAYS IN CLAIMS PAYABLE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated</td>
<td>42.4</td>
<td>41.1</td>
<td>42.8</td>
<td>41.4</td>
<td>44.7</td>
</tr>
<tr>
<td>Unregulated</td>
<td>45.5</td>
<td>37.3</td>
<td>36.0</td>
<td>40.6</td>
<td>35.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,664</td>
<td>1,632</td>
<td>1,529</td>
<td>1,238</td>
<td>1,202</td>
</tr>
<tr>
<td>DEBT TO CAPITALIZATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>35.2 %</td>
<td>36.1 %</td>
<td>29.2 %</td>
<td>30.1 %</td>
<td>26.4 %</td>
</tr>
<tr>
<td>DEBT TO CAPITALIZATION EXCLUDING NON-RE COURSE DEBT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.9 %</td>
<td>32.7 %</td>
<td>25.0 %</td>
<td>25.9 %</td>
<td>21.8 %</td>
</tr>
</tbody>
</table>

Debt to Capitalization is calculated as follows: total debt divided by (total debt + total equity).

(d) The non-recourse debt represents the Company's mortgage note payable ($74.7 million at March 31, 2013).

**Operating Ratios:**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Health Benefits Ratios:</td>
<td></td>
</tr>
<tr>
<td>Medicaid and CHIP</td>
<td>92.4</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>88.0</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>82.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>90.4</td>
</tr>
<tr>
<td>Total General &amp; Administrative Expense Ratio</td>
<td>9.1%</td>
</tr>
</tbody>
</table>
The changes in medical claims liability are summarized as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, March 31, 2012</td>
<td>$708,754</td>
</tr>
<tr>
<td>Incurred related to:</td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>8,273,161</td>
</tr>
<tr>
<td>Prior period</td>
<td>(2,400)</td>
</tr>
<tr>
<td><strong>Total incurred</strong></td>
<td><strong>8,270,761</strong></td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>7,200,834</td>
</tr>
<tr>
<td>Prior period</td>
<td>693,519</td>
</tr>
<tr>
<td><strong>Total paid</strong></td>
<td><strong>7,894,353</strong></td>
</tr>
<tr>
<td>Less: Premium Deficiency Reserve</td>
<td>18,130</td>
</tr>
<tr>
<td><strong>Balance, March 31, 2013</strong></td>
<td><strong>$1,067,032</strong></td>
</tr>
</tbody>
</table>

Centene's claims reserving process utilizes a consistent actuarial methodology to estimate Centene's ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. Centene believes it has consistently applied its claims reserving methodology in each of the periods presented.

The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to March 31, 2012. Excluding the impact of medical costs related to retroactive assignment of members in our Kentucky health plan, the amount of "Incurred related to: Prior period" shown in the table above would have been favorable development of $14.5 million.

SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Senior Vice President, Finance & Investor Relations, (212) 759-0382, Media Inquiries, Deanne Lane, Vice President, Media Affairs, (314) 725-4477
Press Release

Centene Corporation Awarded Medicaid Contract in New Hampshire

ST. LOUIS, May 10, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today the Governor and Executive Council of New Hampshire have given approval for the Department of Health and Human Services (DHHS) to contract with Granite State Health Plan, a wholly-owned subsidiary of Centene, to serve Medicaid beneficiaries in New Hampshire. Granite State is one of three plans selected. The initial term of the contract will be three years with an optional contract extension for one additional two-year period for a total contract term of five years. Operations are expected to commence in the fourth quarter of 2012.

This contract award marks Centene’s entry into its 17th state. Under the new contract, Granite State Health Plan will provide coordinated healthcare, behavioral health, pharmacy, vision and transportation services to members. The populations covered under the state’s new Care Management Program will include TANF, CHIP, ABD, and voluntary dual eligibles and Foster Care participation in Step One; Step Two will expand coverage to include mandatory dual eligibles and Foster Care, as well as waiver services and long term care services; Step Three includes further expansion to additional eligibles as identified as a result of the Patient Protection and Affordable Care Act.

"We are pleased to be selected as part of a competitive procurement process to work with the state of New Hampshire as it transitions from a fee-for-service delivery system to an integrated care management program," said Jesse Hunter, Executive Vice President of Operations of Centene. "The goals of the state's new Care Management Program closely align with Centene's goals and experience in providing accessible, integrated care at a lower cost.”

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, inflation, provider contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts by state governments would also negatively affect Centene.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477; Investors, Edmund E. Kroll, Jr. +1-212-759-0382
Press Release

Centene Corporation To Receive California Medi-cal Contract To Serve Imperial County

ST. LOUIS, May 10, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that the California Department of Health Care Services (DHCS) and the Imperial County Board of Supervisors have issued a notification of intent to award Centene's subsidiary, California Health and Wellness Plan, a contract to serve approximately 55,000 Medi-Cal beneficiaries in Imperial County, pending finalization of a contract.

"Centene's national experience, coupled with the local knowledge and support of the Imperial County Board of Supervisors, will ensure Medi-Cal members receive locally-delivered healthcare services of the highest quality," said Jesse Hunter, Executive Vice President and Chief Business Development Officer for Centene. "Imperial County represents an important part of our expansion and long-term commitment to California."

Earlier this year, DHCS notified California Health and Wellness Plan of its intent to award a contract for 18 counties under the Medi-Cal Managed Care Rural Expansion program, pending finalization of a contract. Both of these programs are expected to begin in the second half of 2013.

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SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Press Release

Centene Appoints Dave Minifie To New Position As Chief Marketing Officer

ST. LOUIS, May 18, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced the appointment of Dave Minifie to Vice President and Chief Marketing Officer for the Company, effective immediately.

Mr. Minifie, located in Centene's headquarters in St. Louis, will oversee marketing and branding efforts in this newly created position, reporting to Michael Neidorff, Centene's Chairman and Chief Executive Officer. Mr. Minifie brings more than 20 years of leadership experience to Centene, with a strong focus on consumer products marketing. Prior to joining Centene, Mr. Minifie was Associate Marketing Director for a division of Proctor & Gamble, where he led all aspects of a $500 million product portfolio, including strategic direction.

"Mr. Minifie's unique consumer products experience will further Centene's efforts to grow and refine our branding and marketing efforts at both the national and local level," said Mr. Neidorff. "We are delighted to have him join our senior management team."

About Centene Corporation

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SOURCE Centene Corporation

Media Investors Deanne Lane Edmund, +1-314-725-4477, or E. Kroll, Jr., +1-212-759-0382
Press Release

Centene's Kentucky Subsidiary Receives Judgment Ruling

ST. LOUIS, May 31, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that its Kentucky subsidiary, Kentucky Spirit Health Plan (Kentucky Spirit), has received a summary judgment ruling from the Franklin County Circuit Court in Kentucky. The Court ruled that Kentucky Spirit does not have the contractual right to terminate its Medicaid managed care contract with the Commonwealth of Kentucky before the end of the initial term. Kentucky Spirit is analyzing the ruling and evaluating its legal alternatives.

During this process, Kentucky Spirit remains focused on providing our members with access to quality healthcare and minimizing any disruption of services.

About Centene Corporation
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SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477 or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Climbs Higher In 2013 FORTUNE 500 Ranking

ST. LOUIS, May 6, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today its position as #303 in FORTUNE Magazine's recently released annual ranking of America's largest corporations by revenue. Centene, which moved up 150 places from last year's ranking, experienced strong growth in 2012, with total revenues of $8.7 billion, up from $5.3 billion in 2011.

"Centene's position this year illustrates our expanding presence as a national leader in healthcare services," said Centene Chairman and Chief Executive Officer Michael F. Neidorff. "We have continued to advance higher in FORTUNE's annual ranking for the past several years. By offering a diverse array of solutions to improve the health of communities, one person at a time, we will continue to be well positioned to meet our growth objectives over the next several years."

In 2012, Centene was awarded nine new health plan contracts and grew its revenue by 62% over the previous year.

About Centene Corporation

Centene Corporation, a FORTUNE 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care, long-term care, other state-sponsored programs and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique "exchange-based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Moves Higher In FORTUNE 500 2012 Ranking

ST. LOUIS, May 7, 2012 -- Centene Corporation (NYSE: CNC) announced today its position as #453 in FORTUNE Magazine's recently released annual ranking of America's largest companies by revenue. The company's 2011 total revenues of $5.34 billion, as stated in Centene's 2011 10-K, earned a ranking of #453 in the 2012 list, up from #493 last year, placing it in the FORTUNE 500 for the third year in a row.

Companies included in the FORTUNE 500 are ranked by total revenues for their respective fiscal years. Included in the survey are companies that are incorporated and operate in the U.S. and file financial statements with a government agency. This includes private companies and cooperatives that file a 10-K or a comparable financial statement with a government agency, and mutual insurance companies that file with state regulators.

"It is a significant corporate achievement to be included in FORTUNE Magazine's prestigious annual ranking," said Centene Chairman and Chief Executive Officer Michael F. Neidorff. "We are pleased to be recognized in this manner as it illustrates the validity of Centene's business model. We are especially gratified to find ourselves included in the ranking for the third time."

About Centene Corporation
Centene Corporation, a FORTUNE 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care, long-term care, other state-sponsored programs and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique "exchange-based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, or Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Centene Corporation Revises 2012 Earnings Guidance Range

ST. LOUIS, June 11, 2012 -- Centene Corporation (NYSE: CNC) announced today that it is revising its 2012 guidance to $1.45 to $1.65 per diluted share, from the previously announced range of $2.64 to $2.84 per diluted share. The revised guidance range reflects negative financial results in May for our Kentucky Health Plan and the Hidalgo service area in our Texas Health Plan, as well as in the Celtic individual health business. Albeit at lower levels, the above items are anticipated to impact the financial results for the remainder of 2012, and the estimated impact is reflected in the revised guidance for 2012. The balance of Centene's products and markets continue to perform as expected. Centene currently estimates it will report a loss for the second quarter of 2012, but expects the Company to return to profitability in the third quarter of 2012.

Higher than anticipated medical costs became evident at the end of the first week of June as part of the May closing process. For Kentucky, the increase in medical costs primarily resulted from the retroactive assignment of members and a significant volume of non-inpatient claims received in May for dates of service prior to May 2012. For Texas, Centene has experienced a significant increase in certain non-inpatient claims received for the Hidalgo service area. For Celtic, we continue to experience a high level of medical costs for our individual health policies.

The Company is evaluating the goodwill and intangible assets of its Celtic business unit that may result in a non-cash impairment charge of approximately $28.0 million, which is currently not included in the revised guidance given above.

The Company will provide additional detail, including corrective actions for Texas, Kentucky and Celtic, at its previously scheduled Investor Day on June 14, 2012 in New York City. The event will be web cast and a replay will be available at www.centene.com.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind, or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, inflation, provider contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension by state
governments would also negatively affect Centene.

In particular, the problems experienced by the Company in May in Kentucky, Texas and its Celtic unit, might persist longer or in greater magnitudes than currently anticipated, and may not be ameliorated by any corrective actions to the level expected. This could cause the newly revised guidance to be further lowered.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Press Release

Centurion Selected To Provide Correctional Healthcare In Tennessee

ST. LOUIS, June 11, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today Centurion of Tennessee LLC ("Centurion") has been awarded a contract by the Department of Correction in Tennessee. Centurion is a joint venture between Centene and MHM Services Inc., a national leader in providing behavioral and other healthcare services to correctional systems.

In Tennessee, Centurion will oversee care for 20,000 inmates in 11 prisons throughout the state. "This is another innovative model designed to provide healthcare services to inmates while helping the state manage escalating costs," said Jason M. Harrold, Executive Vice President, Specialty Companies, for Centene. "Our partnership with MHM provides us with a unique expertise as we expand our portfolio of services."

Last March, Centurion reached a similar agreement with the Massachusetts Department of Corrections. It will provide services to approximately 11,000 inmates in that state.

This latest award is expected to commence operations in the summer of 2013.

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SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477; Investors, Edmund E. Kroll, Jr. +1-212-759-0382
Press Release

Centene Corporation Awarded Kansas Medicaid Contract

ST. LOUIS, June 27, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that the state of Kansas has awarded its subsidiary, Sunflower State Health Plan, a statewide contract to serve Medicaid beneficiaries in Kansas. Pending regulatory approval, operations are expected to commence on January 1, 2013.

Under the contract, Sunflower State Health Plan will serve members in the state’s KanCare program, which includes Temporary Assistance for Needy Families (TANF), eligible pregnant women, Aged, Blind or Disabled (ABD) and long-term care beneficiaries; and in the Children’s Health Insurance Program (CHIP).

"KanCare is an exciting opportunity that is well aligned with Centene’s philosophy of providing fully integrated care as it encompasses all aspects of health services, including physical, behavioral, pharmacy and long-term care", said Jesse Hunter, Executive Vice President of Operations for Centene. "Kansas is the 18th state in which we have entered. We look forward to creating a partnership with the state and its stakeholders, including providers, advocates and other community organizations that will result in improved health outcomes and quality of life for the state’s most vulnerable residents."

About Centene Corporation

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The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company’s estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene’s ability to accurately predict and effectively manage health benefits and other operating expenses, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company’s publicly filed documents. The expiration, cancellation or suspension of Centene’s Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Press Release

Centene Schedules 2013 Second Quarter Financial Results Conference Call

ST. LOUIS, June 27, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that it will release its 2013 second quarter financial results at approximately 6:00 a.m. (Eastern Time) on Tuesday, July 23, 2013, and host a conference call afterwards at approximately 8:30 a.m. (Eastern Time) to review the results. Michael F. Neidorff, Chairman and Chief Executive Officer, and William N. Scheffel, Executive Vice President, Chief Financial Officer and Treasurer, of Centene Corporation will host the call.

Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section.

A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 p.m. (Eastern Time) on Tuesday, July 22, 2014, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Tuesday, July 30, 2013, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10030660.

In addition, as a reminder, the Company has previously announced that it will release its third quarter 2013 Financial Results at approximately 6:00 a.m. Eastern Time and host a conference call afterwards at 8:30 a.m. Eastern Time on Tuesday, October 22, 2013.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management and telehealth services. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Edmund E. Kroll, Jr., Senior Vice President, Finance and Investor Relations, +1-212- 759-0382
Final Reminder Regarding Centene Corporation’s 2013 Investor Day In New York City
- RSVP REQUESTED IF NOT ALREADY REGISTERED -

ST. LOUIS, June 6, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) issued a final reminder today regarding its previously announced annual Investor Day. The event will be held on Monday, June 17, 2013, at the Pierre Hotel on East 61st Street in New York City. The meeting, which also will be webcast live, will begin promptly at 8:00 a.m. Eastern Time and end approximately at 11:30 a.m. Eastern Time, with breakfast and registration beginning at 7:00 a.m. At the meeting, Centene’s senior management team is expected to make remarks regarding the Company’s performance and future prospects.

Institutional investors and analysts who have not already registered and are still interested in attending the investor meeting can respond to Libby Abelt in Centene’s Investor Relations department either via telephone at 1-212-759-5665 or e-mail at: labelt@centene.com.

Investors and other interested parties unable to attend in person are invited to listen to the investor meeting via a live audio webcast on the Company’s website at www.centene.com, under the Investors section and can submit questions for the question-and-answer segment via e-mail to: ekroll@centene.com.

A webcast replay will be available for on-demand listening shortly after the completion of the event for the next twelve months or until 11:59 p.m. Eastern Time on Tuesday, June 17, 2014, at the aforementioned URL.

About Centene Corporation
Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children’s Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management and telehealth services.

SOURCE Centene Corporation

Deanne Lane, (314) 725-4477; Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Corporation Selected for Ohio Medicaid Contract

ST. LOUIS, June 8, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) has been notified by the Ohio Department of Job and Family Services (ODJFS) that Buckeye Community Health Plan (Buckeye), Centene's Ohio subsidiary, has been selected as one of five health plans to be awarded a contract to serve Medicaid members in Ohio, effective January 2013.

Under the new state contract, Buckeye will operate statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). Coverage for both CFC and ABD recipients has been combined into a single contract for each region.

The ODJFS on April 6, 2012, initially announced five health plans had been selected as part of the state's recent RFA process. Buckeye was not among the plans selected at that time and was one of five plans that filed a formal protest on April 16. After review of applications, the protests, and other correspondences from the applicants and, after a rescoring of the applications, the ODJFS has recommended Buckeye to be awarded a Medicaid contract.

"We have long been committed to carrying out our mission of delivering innovative healthcare solutions that result in healthy outcomes for Ohio's Medicaid recipients, and we are pleased to continue our partnership with the state of Ohio," said Steven White, President and CEO of Buckeye Community Health Plan.

About Centene Corporation

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SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, Investors, Edmund E. Kroll, Jr., +1-212-759-0382, both for Centene Corporation
Centene Subsidiary Receives Favorable Ruling From Kentucky Court of Appeals

ST. LOUIS, July 1, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that its Kentucky subsidiary, Kentucky Spirit Health Plan (Kentucky Spirit), has received a decision from the Kentucky Court of Appeals denying the Commonwealth's emergency motion for a mandatory injunction, thereby allowing Kentucky Spirit to move forward with exiting the Medicaid managed care program.

"Unfortunately, despite numerous opportunities to address the underlying issues of the program, efforts to resolve these matters with the regulatory agencies have been unsuccessful," said Deanne Lane, Vice President Corporate Communications. "We have attempted to engage the Commonwealth in transition planning for months without success. In the interest of our members, we have offered to remain in the Medicaid managed care program up to August 31, 2013 and await the Commonwealth's response."

Kentucky Spirit remains focused on providing a smooth and effective transition for the Medicaid membership and its provider network. A copy of Centene's letter to the Commonwealth is as follows:

July 1, 2013

Richard M. Sullivan, Esq.
Conliffe, Sandmann & Sullivan, PLLC
2000 Waterfront Plaza
325 West Main Street
Louisville, Kentucky 40202

By Hand Delivery and Electronic Mail

Re: Kentucky Spirit Health Plan, Inc. v. Commonwealth of Kentucky, Finance and Administration Cabinet, Case No. 12-CI-1373

Dear Dick:

We write to address transition issues in light of the Court of Appeals' decision today denying the Commonwealth's emergency motion for a mandatory injunction.

In prior correspondence, Kentucky Spirit has pointed out that if the Commonwealth deems Kentucky Spirit to be in default of the Managed Care Contract ("Contract") based on its July 5, 2013 exit from the Kentucky Managed Care program, it has certain remedies available to it under the Contract, including terminating Kentucky Spirit for default and requiring it to remain in the program for an additional two months under Section 39.10. Kentucky Spirit twice has offered to waive any notice periods or requirement for default and breach (without waiving other rights, including its rights with respect to the pending appeal of Judge Wingate's May 31, 2013 order denying Kentucky Spirit's motion for summary judgment, including its position that Kentucky Spirit has a right under Section 39.13 of the Managed Care Contract to terminate the Contract early), so that before July 5, 2013, the Commonwealth may effectuate the Contract's mechanism for requiring Kentucky Spirit to remain in place through August 31, 2013. The Commonwealth rejected the first offer. The renewed offer remains open through 12:01 a.m. July 6, 2013, and Kentucky Spirit continues to be prepared to provide services under Section 39.10 for any period of time beyond July 5, 2013 (up to August 31, 2013) to ensure the effective transition of members.

In the event that the Commonwealth proceeds to reassign Kentucky Spirit's members to other vendors effective 12:01 a.m. July 6, 2013 as described in your e-mail this afternoon -replacing Kentucky Spirit as vendor - the reassignment will constitute a constructive termination under the Contract.
Please advise how the Commonwealth intends to proceed.

Sincerely,
Philip W. Collier

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SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Corporation Reports 2013 Second Quarter Earnings Of $0.70 Per Diluted Share Including $0.07 Of AcariaHealth Transaction Costs


Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "The solid quarterly results reflect the positive momentum of our focus on operations and programs that we see continuing for the balance of this year and into 2014."

Second Quarter Highlights

- Quarter-end at-risk managed care membership of 2,696,900, an increase of 299,400 members, or 12% year over year.
- Premium and service revenues of $2.6 billion, representing 28% growth year over year.
- Health Benefits Ratio of 88.8%, compared to 92.9% in 2012.
- General and Administrative expense ratio of 8.7%, compared to 8.2% in 2012.
- Operating cash flow of $37.9 million for the second quarter of 2013.
- Diluted EPS of $0.70 including AcariaHealth transaction costs of $0.07 per diluted share, compared to $(0.68) in 2012.

Other Events

- In July 2013, our subsidiary, Kentucky Spirit Health Plan, discontinued serving Medicaid members in Kentucky.
- In July 2013, our Ohio subsidiary, Buckeye Community Health Plan (Buckeye), began operating under a new and expanded contract with the Ohio Department of Job and Family Services (ODJFS) to serve Medicaid members in Ohio. Under the new state contract, Buckeye operates statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). Buckeye also began serving members under the ABD Children program in July 2013.
- In July 2013, our joint venture subsidiary, Centurion, began operating under a new contract with the Department of Corrections in Massachusetts to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. Centurion was notified by the Department of Corrections in Tennessee in June 2013 that it had been awarded a contract to provide comprehensive healthcare services to individuals incarcerated in Tennessee state correctional facilities. Operations in Tennessee are expected to begin in the third quarter of 2013. Centurion is a joint venture between Centene and MHM Services Inc.
- In May 2013, we entered into a new unsecured $500 million revolving credit facility and terminated our previous $350 million revolving credit facility. The new $500 million unsecured revolving credit facility increases the borrowing capacity from $350 million to $500 million; increases the expansion provision from $50 million to $100 million; decreases the interest rate for each pricing tier by 100 basis points; and extends the term from January 2016 to June 1, 2018.
- In May 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California Department of Health Care Services and the Imperial County Board of Supervisors of their intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medi-Cal beneficiaries in

| Premium and Service Revenues (in millions) | $2,634.3 |
| Consolidated Health Benefits Ratio | 88.8 % |
| General & Administrative expense ratio | 8.7 % |
| Diluted earnings per share (EPS) | $0.70 |
| Cash flow from operations (in millions) | $37.9 |

Michael F. Neidorff, Centene’s Chairman and Chief Executive Officer, stated, "The solid quarterly results reflect the positive momentum of our focus on operations and programs that we see continuing for the balance of this year and into 2014."
Imperial County. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the fourth quarter of 2013.

- In May 2013, at the Case In Point Platinum Awards, Centene won awards in four categories: Emergency Department, Medicaid Case Management, Pediatric Case Management and Women/Children Case Management.
- In April 2013, we completed the acquisition of AcariaHealth, a specialty pharmacy company, for $146.6 million. The transaction consideration was financed through a combination of Centene common stock and cash on hand.

The following table sets forth the Company's membership by state for its managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,200</td>
<td>24,000</td>
</tr>
<tr>
<td>Florida</td>
<td>216,200</td>
<td>204,100</td>
</tr>
<tr>
<td>Georgia</td>
<td>316,600</td>
<td>313,300</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>17,800</td>
</tr>
<tr>
<td>Indiana</td>
<td>200,000</td>
<td>205,000</td>
</tr>
<tr>
<td>Kansas</td>
<td>137,500</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>133,500</td>
<td>143,500</td>
</tr>
<tr>
<td>Louisiana</td>
<td>153,700</td>
<td>168,700</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>15,200</td>
<td>41,400</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,300</td>
<td>30,100</td>
</tr>
<tr>
<td>Missouri</td>
<td>58,800</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>156,700</td>
<td>166,800</td>
</tr>
<tr>
<td>South Carolina</td>
<td>88,800</td>
<td>87,800</td>
</tr>
<tr>
<td>Texas</td>
<td>960,400</td>
<td>919,200</td>
</tr>
<tr>
<td>Washington</td>
<td>67,600</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>73,400</td>
<td>75,800</td>
</tr>
<tr>
<td>Total</td>
<td>2,696,900,2397,500</td>
<td></td>
</tr>
</tbody>
</table>

Membership by line of business:

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>2,051,700</td>
<td>1,848,500</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>275,900</td>
<td>222,600</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>322,500</td>
<td>269,900</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>22,400</td>
<td>48,100</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>24,400</td>
<td>8,400</td>
</tr>
<tr>
<td>Total</td>
<td>2,696,900,2397,500</td>
<td></td>
</tr>
</tbody>
</table>

Dual eligible membership (included in tables above):

<table>
<thead>
<tr>
<th>June 30,</th>
</tr>
</thead>
</table>
For the second quarter of 2013, Premium and Service Revenues increased 28% to $2.6 billion from $2.1 billion in the second quarter of 2012. The increase was primarily driven as a result of the Mississippi expansion, pharmacy carve-in in Louisiana, the additions of the Kansas, Missouri and Washington contracts, rate increases in several of our markets, increased Texas membership and the acquisition of AcariaHealth.

Consolidated HBR of 88.8% for the second quarter of 2013 represents a decrease from 92.9% in the comparable period in 2012 and a decrease from 90.4% in the first quarter of 2013. The HBR decreased compared to last year primarily as a result of improvements in the performance of the Texas and individual health business from 2012, as well as the effect of the premium deficiency reserve recorded for Kentucky in 2012. The HBR decrease compared to the first quarter of 2013 reflects a higher level of flu costs during the first quarter of 2013.

The following table compares the results for new business and existing business for the quarter ended June 30:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>81,800</td>
<td>62,000</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>16,600</td>
<td>7,600</td>
</tr>
<tr>
<td>Medicare</td>
<td>5,700</td>
<td>3,600</td>
</tr>
<tr>
<td>Total</td>
<td>104,100</td>
<td>73,200</td>
</tr>
</tbody>
</table>

Earnings from operations were $67.0 million in the second quarter of 2013 compared to a loss from operations of $(46.7) million in the second quarter 2012. Net earnings attributable to Centene Corporation were $39.5 million in the second quarter 2013, compared to a net loss of $(35.0) million in the second quarter of 2012.

Diluted EPS was $0.70 in the second quarter of 2013 including AcariaHealth transaction costs of $0.07 per diluted share.

Balance Sheet and Cash Flow

At June 30, 2013, the Company had cash, investments and restricted deposits of $1,629.2 million, including $33.8 million held by its unregulated entities. Medical claims liabilities totaled $1,078.4 million, representing 43.7 days in claims payable. Total debt was $551.5 million which includes $30.0 million in borrowings on the $500 million revolving credit facility at quarter end. Debt to capitalization was 29.8% at June 30, 2013, excluding the $74.1 million non-recourse mortgage note. Cash flow from operations for the six months ended June 30, 2013, was $80.9 million.

A reconciliation of the Company's change in days in claims payable from the immediately preceding quarter-end is presented below:
Days in claims payable, March 31, 2013 42.4
Timing of claim payments 1.3
Days in claims payable, June 30, 2013 43.7

Outlook

The table below depicts the Company's annual guidance for 2013.

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenues (in millions)</td>
<td>$10,300</td>
<td>$10,600</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$2.65</td>
<td>$2.90</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>88.0 %</td>
<td>89.0 %</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>8.8 %</td>
<td>9.3 %</td>
</tr>
<tr>
<td>Diluted Shares Outstanding (in thousands)</td>
<td>56,000</td>
<td>56,500</td>
</tr>
</tbody>
</table>

Conference Call

As previously announced, the Company will host a conference call Tuesday, July 23, 2013, at 8:30 A.M. (Eastern Time) to review the financial results for the second quarter ended June 30, 2013, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call. Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section. A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 p.m. (Eastern Time) on Tuesday, July 22, 2014, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Tuesday, July 30, 2013, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10030660.

Other Information

The discussion in the third bullet under the heading "Statement of Operations: Three Months Ended June 30, 2013" contains financial information for new and existing businesses. Existing businesses are primarily state markets, significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets, significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children’s Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of
activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company's publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

[Tables Follow]

**CENTENE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)  
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$688,712</td>
<td>$ 843,952</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>357,908</td>
<td>263,452</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>131,330</td>
<td>139,118</td>
</tr>
<tr>
<td>Other current assets</td>
<td>164,410</td>
<td>127,080</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,342,360</td>
<td>1,373,602</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>769,905</td>
<td>614,723</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>39,291</td>
<td>34,793</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>388,965</td>
<td>377,726</td>
</tr>
<tr>
<td>Goodwill</td>
<td>344,822</td>
<td>256,288</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>52,219</td>
<td>20,268</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>107,673</td>
<td>64,282</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,045,235</td>
<td>$2,741,682</td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical claims liability</td>
<td>$1,078,386</td>
<td>$ 926,302</td>
</tr>
<tr>
<td>Premium deficiency reserve</td>
<td>1,016</td>
<td>41,475</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>216,330</td>
<td>191,343</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>21,811</td>
<td>34,597</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>3,029</td>
<td>3,373</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,320,572</td>
<td>1,197,090</td>
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<tr>
<td>Long-term debt</td>
<td>548,473</td>
<td>535,481</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>53,916</td>
<td>55,344</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,922,961</td>
<td>1,787,915</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Stockholders' equity:
Common stock, $.001 par value; authorized 100,000,000 shares; 57,661,262 issued and 54,627,735 outstanding at June 30, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012

Additional paid-in capital 563,873 450,856
Accumulated other comprehensive income:
   Unrealized (loss) gain on investments, net of tax (4,061) 5,189
   Retained earnings 629,306 566,820
   Treasury stock, at cost (3,033,527 and 3,009,912 shares, respectively)
      Total Centene stockholders' equity 1,118,207 953,056
Noncontrolling interest 4,067 711
Total stockholders' equity 1,122,274 953,767
Total liabilities and stockholders' equity $3,045,235$ 2,741,682

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$2,528,718</td>
<td>$5,037,767</td>
</tr>
<tr>
<td>Service</td>
<td>105,599</td>
<td>138,793</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,634,317</td>
<td>5,176,560</td>
</tr>
<tr>
<td>Premium tax</td>
<td>91,628</td>
<td>195,277</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,725,945</td>
<td>5,371,837</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,244,611</td>
<td>4,512,011</td>
</tr>
<tr>
<td>Cost of services</td>
<td>93,300</td>
<td>118,365</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>230,248</td>
<td>440,596</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>90,760</td>
<td>193,735</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>28,033</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,658,919</td>
<td>5,264,707</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>67,026</td>
<td>(12,548)</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,286</td>
<td>8,757</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(7,033)</td>
<td>(13,658)</td>
</tr>
<tr>
<td>Earnings (loss) before income tax expense</td>
<td>64,279</td>
<td>102,229</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>25,268</td>
<td>40,307</td>
</tr>
</tbody>
</table>

http://phx.corporate-ir.net/phoenix.zhtml?c=130443&p=irol-newsArticle_Print&am... 12/19/2013
Net earnings (loss) 39,011 (38,832) 61,922 (16,229)
Noncontrolling interest (473) (3,833) (564) (5,208)
Net earnings (loss) attributable to Centene Corporation $39,484 $(34,999) $62,486 $(11,021)

Net earnings (loss) per common share attributable to Centene Corporation:
Basic earnings (loss) per common share $0.72 $(0.68) $1.17 $(0.21)
Diluted earnings (loss) per common share $0.70 $(0.68) $1.13 $(0.21)

Weighted average number of common shares outstanding:
Basic 54,529,036 51,515,895 53,449,077 51,320,784
Diluted 56,601,660 51,515,895 55,448,396 51,320,784

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Six Months Ended June 30, 2013 2012

Cash flows from operating activities:
Net earnings (loss) $61,922 $(16,229)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities
Depreciation and amortization 32,928 33,266
Stock compensation expense 16,955 11,993
Impairment loss — 28,033
Deferred income taxes 10,715 9,364
Changes in assets and liabilities
Premium and related receivables (71,230) (232,745)
Other current assets (35,879) (34,105)
Other assets (38,191) 1,520
Medical claims liabilities 111,625 251,050
Unearned revenue (12,068) 19,885
Accounts payable and accrued expenses (1,488) (77,010)
Other operating activities 5,650 (4,922)
Net cash provided by (used in) operating activities 80,939 (9,900)

Cash flows from investing activities:
Capital expenditures (30,057) (57,442)
Purchases of investments (537,590) (406,901)
Sales and maturities of investments 358,971 253,719
Investments in acquisitions, net of cash acquired (66,832) —
Net cash used in investing activities (275,508) (210,624)
Cash flows from financing activities:
Proceeds from exercise of stock options 3,867 10,320
Proceeds from borrowings 30,000 75,000
Payment of long-term debt (10,118) (21,601)
Proceeds from stock offering 15,239 —
Excess tax benefits from stock compensation 1,113 5,810
Common stock repurchases (1,105) (1,791)
Contribution from noncontrolling interest 3,920 982
Debt issue costs (3,587) —
   Net cash provided by financing activities 39,329 68,720
   Net decrease in cash and cash equivalents (155,240) (151,804)
Cash and cash equivalents, beginning of period 843,952 573,698
Cash and cash equivalents, end of period $ 688,712 $ 421,894

Supplemental disclosures of cash flow information:
   Interest paid $ 15,170 $ 10,312
   Income taxes paid 21,694 32,394
   Equity issued in connection with acquisition 75,438 —

CENTENE CORPORATION
SUPPLEMENTAL FINANCIAL DATA

<table>
<thead>
<tr>
<th></th>
<th>Q2 2013</th>
<th>Q1 2013</th>
<th>Q4 2012</th>
<th>Q3 2012</th>
<th>Q2 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT-RISK MEMBERSHIP Managed Care:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arizona</td>
<td>23,200</td>
<td>23,300</td>
<td>23,500</td>
<td>23,800</td>
<td>24,000</td>
</tr>
<tr>
<td>Florida</td>
<td>216,200</td>
<td>214,600</td>
<td>214,000</td>
<td>209,600</td>
<td>204,100</td>
</tr>
<tr>
<td>Georgia</td>
<td>316,600</td>
<td>314,000</td>
<td>313,700</td>
<td>312,400</td>
<td>313,300</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>18,000</td>
<td>18,000</td>
<td>17,900</td>
<td>17,800</td>
</tr>
<tr>
<td>Indiana</td>
<td>200,000</td>
<td>202,400</td>
<td>204,000</td>
<td>205,400</td>
<td>205,000</td>
</tr>
<tr>
<td>Kansas</td>
<td>137,500</td>
<td>133,700</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>133,500</td>
<td>132,700</td>
<td>135,800</td>
<td>145,400</td>
<td>143,500</td>
</tr>
<tr>
<td>Louisiana</td>
<td>153,700</td>
<td>162,900</td>
<td>165,600</td>
<td>167,200</td>
<td>168,700</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>15,200</td>
<td>17,300</td>
<td>21,500</td>
<td>28,000</td>
<td>41,400</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,300</td>
<td>77,000</td>
<td>77,200</td>
<td>30,600</td>
<td>30,100</td>
</tr>
<tr>
<td>Missouri</td>
<td>58,800</td>
<td>57,900</td>
<td>59,600</td>
<td>53,900</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>156,700</td>
<td>157,700</td>
<td>157,800</td>
<td>173,800</td>
<td>166,800</td>
</tr>
<tr>
<td>South Carolina</td>
<td>88,800</td>
<td>90,100</td>
<td>90,100</td>
<td>89,400</td>
<td>87,800</td>
</tr>
<tr>
<td>Texas</td>
<td>960,400</td>
<td>948,400</td>
<td>949,900</td>
<td>930,700</td>
<td>919,200</td>
</tr>
<tr>
<td>Washington</td>
<td>67,600</td>
<td>63,500</td>
<td>57,200</td>
<td>42,000</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>73,400</td>
<td>72,600</td>
<td>72,400</td>
<td>72,900</td>
<td>75,800</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,696,900</td>
<td>2,686,100</td>
<td>2,560,300</td>
<td>2,503,000</td>
<td>2,397,500</td>
</tr>
</tbody>
</table>

Medicaid 2,051,700 2,049,200 1,977,200 1,939,400 1,848,500
CHIP & Foster Care 275,900 267,900 237,700 229,600 222,600
ABD & Medicare 322,500 320,700 307,800 289,800 269,900
Hybrid Programs 22,400 24,600 29,100 35,700 48,100
Long-term Care  
<table>
<thead>
<tr>
<th></th>
<th>24,400</th>
<th>23,700</th>
<th>8,500</th>
<th>8,500</th>
<th>8,400</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>2,696,900</td>
<td>2,686,100</td>
<td>2,560,300</td>
<td>2,503,000</td>
<td>2,397,500</td>
</tr>
</tbody>
</table>

Specialty Services\(^{(a)}\):

Cenpatico Behavioral Health

<table>
<thead>
<tr>
<th></th>
<th>Arizona</th>
<th>Kansas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>157,100</td>
<td>—</td>
<td>157,100</td>
</tr>
<tr>
<td></td>
<td>156,200</td>
<td>—</td>
<td>156,200</td>
</tr>
<tr>
<td></td>
<td>157,900</td>
<td>49,800</td>
<td>207,700</td>
</tr>
<tr>
<td></td>
<td>162,000</td>
<td>48,500</td>
<td>210,500</td>
</tr>
<tr>
<td></td>
<td>159,900</td>
<td>44,300</td>
<td>204,200</td>
</tr>
</tbody>
</table>

(a) Includes external membership only.

REVENUE PER MEMBER PER MONTH\(^{(b)}\)  
|       | $ 305 | $ 304 | $ 292 | $ 283 | $ 279 |

CLAIMS\(^{(b)}\)  

<table>
<thead>
<tr>
<th></th>
<th>Period-end inventory</th>
<th>Average inventory</th>
<th>Period-end inventory per member</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>752,800</td>
<td>539,800</td>
<td>0.28</td>
</tr>
<tr>
<td></td>
<td>1,020,100</td>
<td>587,800</td>
<td>0.38</td>
</tr>
<tr>
<td></td>
<td>641,000</td>
<td>555,200</td>
<td>0.25</td>
</tr>
<tr>
<td></td>
<td>826,800</td>
<td>547,400</td>
<td>0.33</td>
</tr>
<tr>
<td></td>
<td>1,195,000</td>
<td>640,600</td>
<td>0.50</td>
</tr>
</tbody>
</table>

(b) Revenue per member and claims information are presented for the Managed Care at-risk members.

NUMBER OF EMPLOYEES  
|       | 7,900 | 7,100 | 6,800 | 6,400 | 6,200 |

DAYS IN CLAIMS PAYABLE\(^{(c)}\)  
<table>
<thead>
<tr>
<th>Q2 2013</th>
<th>Q1 2013</th>
<th>Q4 2012</th>
<th>Q3 2012</th>
<th>Q2 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.7</td>
<td>42.4</td>
<td>41.1</td>
<td>42.8</td>
<td>41.4</td>
</tr>
</tbody>
</table>

(c) Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average claims expense per calendar day for such period, excluding the Kentucky premium deficiency reserve liability.

CASH AND INVESTMENTS (in millions)  

<table>
<thead>
<tr>
<th></th>
<th>Q2 2013</th>
<th>Q1 2013</th>
<th>Q4 2012</th>
<th>Q3 2012</th>
<th>Q2 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>$1,595.4</td>
<td>$1,619.0</td>
<td>$1,595.3</td>
<td>$1,493.8</td>
<td>$1,198.2</td>
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<tr>
<td>Unregulated</td>
<td>33.8</td>
<td>45.5</td>
<td>37.3</td>
<td>36.0</td>
<td>40.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,629.2</td>
<td>$1,664.5</td>
<td>$1,632.6</td>
<td>$1,529.8</td>
<td>$1,238.8</td>
</tr>
</tbody>
</table>

DEBT TO CAPITALIZATION  
|       | 32.9  | 35.2  | 36.1  | 29.2  | 30.1  |

DEBT TO CAPITALIZATION EXCLUDING NON-RECOURSE DEBT\(^{(d)}\)  
|       | 29.8  | 31.9  | 32.7  | 25.0  | 25.9  |

http://phx.corporate-ir.net/phoenix.zhtml?c=130443&p=irol-newsArticle_Print&am...  12/19/2013
Debt to Capitalization is calculated as follows: total debt divided by (total debt + total equity).
(d) The non-recourse debt represents the Company's mortgage note payable ($74.1 million at June 30, 2013).

**Operating Ratios:**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2013</td>
<td>June 30, 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Health Benefits Ratios:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid and CHIP</td>
<td>89.0 %</td>
<td>92.4 %</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>89.0</td>
<td>93.0</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>82.0</td>
<td>98.0</td>
</tr>
<tr>
<td>Total</td>
<td>88.8</td>
<td>92.9</td>
</tr>
<tr>
<td>Total General &amp; Administrative Expense Ratio</td>
<td>8.7 %</td>
<td>8.2 %</td>
</tr>
</tbody>
</table>

**MEDICAL CLAIMS LIABILITY (In thousands)**
The changes in medical claims liability are summarized as follows:

|                                |                    |                 |                 |
| Balance, June 30, 2012         | $ 859,035          | $ 1,078,386     |
| Incurred related to:           |                    |                 |                 |
| Current period                 | 8,666,880          |                 |                 |
| Prior period                   | (41,913)           |                 |                 |
| Total incurred                 | 8,624,967          |                 |                 |
| Paid related to:               |                    |                 |                 |
| Current period                 | 7,604,434          |                 |                 |
| Prior period                   | 800,166            |                 |                 |
| Total paid                     | 8,404,600          |                 |                 |
| Less: Premium Deficiency Reserve | 1,016           |                 |                 |
| Balance, June 30, 2013         | $ 1,078,386        |                 |                 |

Centene's claims reserving process utilizes a consistent actuarial methodology to estimate Centene's ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. Centene believes it has consistently applied its claims reserving methodology in each of the periods presented.

The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to June 30, 2012.

SOURCE Centene Corporation
Press Release

- Centene Corporation Reports 2012 Second Quarter Results -

-- DILUTED EPS COMPOSED OF $(0.16) LOSS FROM OPERATIONS AND $(0.52) IMPAIRMENT CHARGE --

ST. LOUIS, July 24, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced its financial results for the quarter ended June 30, 2012. During the second quarter of 2012, the Company recorded a loss of $(0.68) per diluted share composed of a $(0.16) loss from operations and an impairment loss of $(0.52), compared to net earnings per share of $0.54 in the prior year and $0.45 in the preceding quarter. The losses were the result of three primary factors:

- In the Texas health plan, the Company experienced a high level of medical costs related to the March 1, 2012, expansion areas.
- In the Kentucky health plan, the Company experienced increased medical costs primarily resulting from the retroactive assignment of members and a high level of non-inpatient claims receipts during the quarter.
- In the Celtic subsidiary, the Company experienced a high level of medical costs related to individual health policies. This was primarily associated with recently issued policies related to members converted from another insurer throughout the first quarter of 2012. In addition to the operating loss, the Company also recorded an impairment loss of $28.0 million for the write down of goodwill and intangible assets in the Celtic reporting unit.

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "Second quarter results were consistent with the data presented at our June 14, 2012, Investor Day. We are actively engaged to improve the performance in Kentucky, the Texas expansion areas and the Celtic individual health business. The balance of our portfolio is performing within normalized ranges. With a return to profitability in June, we expect a profitable third quarter with additional improvement in the fourth quarter."

Second Quarter Overview

- Quarter-end at-risk managed care membership of 2,397,500, an increase of 817,000 members, or 52% year over year.
- Premium and service revenues of $2.1 billion, representing 61% growth year over year.
- Health Benefits Ratio of 92.9%, compared to 84.8% in 2011.
- General and Administrative expense ratio of 8.2%, compared to 11.2% in 2011.
- Diluted net loss per share of $(0.68), including an impairment loss of $(0.52) per diluted share, compared to net earnings per share of $0.54 in the prior year.
- Operating cash flow of $22.2 million for the second quarter of 2012.

Other Events

- In July 2012, the Company began operating under a new contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state, initially operating as Coordinated Care.
- In July 2012, the Company's subsidiary, Home State Health Plan, began operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.
- In June 2012, the Company was notified by the Ohio Department of Job and Family Services that Buckeye Community Health Plan (Buckeye), the Company's Ohio subsidiary, was selected to be awarded a new and expanded contract to serve Medicaid members in Ohio, effective January 2013. Under the new state contract, Buckeye will operate statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). The award remains subject to ongoing legal proceedings from other managed care organizations that were not awarded a contract.
In June 2012, the Company’s Kansas subsidiary, Sunflower State Health Plan, was awarded a statewide contract to serve members in the state’s KanCare program, which includes TANF, ABD non-duals, long-term care and CHIP beneficiaries. Operations are expected to commence in the first quarter of 2013.

In May 2012, the Company announced the Governor and Executive Council of New Hampshire had given approval for the Department of Health and Human Services to contract with the Company’s subsidiary, Granite State Health Plan, to serve Medicaid beneficiaries in New Hampshire. Operations are currently expected to commence in the first quarter of 2013.

In May 2012, at the Case In Point Platinum Awards, Centene won in three categories: Managed Care: Disease Management / Population Health, Medicaid Case Management, and Woman/Children’s Case Management.

The following table sets forth the Company’s membership by state for its managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>24,000</td>
<td>22,800</td>
</tr>
<tr>
<td>Florida</td>
<td>204,100</td>
<td>190,600</td>
</tr>
<tr>
<td>Georgia</td>
<td>313,300</td>
<td>303,100</td>
</tr>
<tr>
<td>Illinois</td>
<td>17,800</td>
<td>700</td>
</tr>
<tr>
<td>Indiana</td>
<td>205,000</td>
<td>206,700</td>
</tr>
<tr>
<td>Kentucky</td>
<td>143,500</td>
<td>—</td>
</tr>
<tr>
<td>Louisiana</td>
<td>168,700</td>
<td>—</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>41,400</td>
<td>32,800</td>
</tr>
<tr>
<td>Mississippi</td>
<td>30,100</td>
<td>30,800</td>
</tr>
<tr>
<td>Ohio</td>
<td>166,800</td>
<td>159,900</td>
</tr>
<tr>
<td>South Carolina</td>
<td>87,800</td>
<td>82,800</td>
</tr>
<tr>
<td>Texas</td>
<td>919,200</td>
<td>470,400</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>75,800</td>
<td>79,800</td>
</tr>
<tr>
<td>Total at-risk</td>
<td>2,397,500</td>
<td>1,580,500</td>
</tr>
<tr>
<td>Non-risk membership</td>
<td>—</td>
<td>10,400</td>
</tr>
<tr>
<td>Total</td>
<td>2,397,500</td>
<td>1,590,900</td>
</tr>
</tbody>
</table>

The following table sets forth the Company’s membership by line of business:

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>1,848,500</td>
<td>1,172,400</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>222,600</td>
<td>211,400</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>269,900</td>
<td>156,300</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>48,100</td>
<td>35,500</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>8,400</td>
<td>4,900</td>
</tr>
<tr>
<td>Total at-risk</td>
<td>2,397,500</td>
<td>1,580,500</td>
</tr>
<tr>
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<tr>
<td>Total</td>
<td>2,397,500</td>
<td>1,590,900</td>
</tr>
</tbody>
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The following table identifies the Company’s dual eligible membership by line of business. The membership table above includes these members.

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>62,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>7,600</td>
<td>4,600</td>
</tr>
<tr>
<td>Medicare</td>
<td>3,600</td>
<td>3,000</td>
</tr>
<tr>
<td>Total</td>
<td>73,200</td>
<td>40,600</td>
</tr>
</tbody>
</table>


For the second quarter of 2012, Premium and Service Revenues increased 61% to $2.1 billion from $1.3
billion in the second quarter of 2011. The increase was primarily driven by the additions between years of the Illinois, Kentucky and Louisiana contracts, Texas and Arizona expansion, pharmacy carve-ins, and membership growth.

- Consolidated HBR of 92.9% for the second quarter of 2012 represents an increase from 84.8% in the comparable period in 2011 and 88.2% from the first quarter of 2012. The increase compared to last year primarily reflects (1) increased medical costs in the March 1, 2012 expansion areas in Texas, (2) increased medical costs resulting from retroactive assignment of members and increased non-inpatient claims in Kentucky, and (3) a high level of medical costs in the individual health business, especially for recently issued policies related to members converted in the first quarter of 2012. Excluding the impact of these items, the second quarter 2012 HBR would have been 88.5%.

- Consolidated G&A expense ratio for the second quarter of 2012 was 8.2%, compared to 11.2% in the prior year. The year over year decrease in the G&A expense ratio reflects the leveraging of expenses over higher revenues in 2012 and a reduction in performance based compensation expense in 2012 which lowered the G&A expense ratio by 80 basis points. The G&A ratio in 2011 reflects a 50 basis point decrease resulting from the recognition of revenue in the second quarter of 2011 from the Mississippi contract for the period January 1, 2011 through March 31, 2011.

- Loss from operations was $(46.7) million in the second quarter 2012 compared to earnings of $55.3 million in the second quarter 2011. Net loss attributable to Centene Corporation was $(35.0) million in the second quarter 2012, compared to net earnings of $28.4 million in the second quarter of 2011.

- Loss per diluted share was $(0.68) in the second quarter of 2012 compared to earnings of $0.54 in the prior year.

Balance Sheet and Cash Flow

At June 30, 2012, the Company had cash, investments and restricted deposits of $1,238.8 million, including $40.6 million held by its unregulated entities. Medical claims liabilities totaled $859.0 million, representing 41.4 days in claims payable. Total debt was $408.8 million which includes $55 million drawn on the $350 million revolving credit facility at quarter end (subsequently paid off in July 2012). Debt to capitalization was 25.9% at June 30, 2012, excluding the $76.6 million non-recourse mortgage note. Cash flow from operations for the three months ended June 30, 2012 was $22.2 million, and reflects an increase in premium receivable to $221 million due from the State of Georgia at June 30, 2012.

A reconciliation of the Company’s change in days in claims payable from the immediately preceding quarter-end is presented below:

<table>
<thead>
<tr>
<th>Days in claims payable, March 31, 2012</th>
<th>44.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas pharmacy carve-in</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Full quarter of Texas expansion</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Timing of claim payments</td>
<td>1.4</td>
</tr>
<tr>
<td>Days in claims payable, June 30, 2012</td>
<td>41.4</td>
</tr>
</tbody>
</table>

The decrease in days in claims payable during the second quarter 2012 is primarily due to the following factors: (1) the carve-in of pharmacy in Texas which pays 70% faster than non-pharmacy claims; (2) the addition of the Texas expansion where the date of service to date of receipt is approximately 50% lower than the consolidated average; and (3) timing of payments at the end of the quarter.

Outlook

The table below depicts the Company’s annual guidance for 2012 including business expansion costs for the recently announced contract awards in Kansas and New Hampshire.

<table>
<thead>
<tr>
<th>Premium and Service Revenues (in millions)</th>
<th>Full Year 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>$ 7,700</td>
</tr>
</tbody>
</table>
The above 2012 guidance for diluted EPS includes the $28.0 million, or $26.7 million after tax, impairment loss related to the individual health business which amounts to $(0.52) per diluted share in the second quarter. The diluted EPS calculation for the three and six months ended June 30, 2012, excludes antidilutive shares; for the full year, it is anticipated that outstanding stock awards will be dilutive and the impact of the shares will be reflected in the diluted EPS calculation, as indicated in the table above.

Conference Call

As previously announced, the Company will host a conference call Tuesday, July 24, 2012, at 8:30 A.M. (Eastern Time) to review the financial results for the second quarter ended June 30, 2012, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call. Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company’s website at www.centene.com, under the Investors section. A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 p.m. (Eastern Time) on Tuesday, July 23, 2013, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Wednesday, August 1, 2012, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10015829.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children’s Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). Centene’s CeltiCare subsidiary offers states unique, “exchange based” and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company’s estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene’s ability to accurately predict and effectively manage health benefits and other operating expenses, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company’s publicly filed documents. The expiration, cancellation or suspension of Centene’s Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.

[Tables Follow]
### CENTENE CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$ 58</td>
<td>$ 88</td>
</tr>
<tr>
<td>Service</td>
<td>27,041</td>
<td>29,428</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,061,599</td>
<td>1,278,016</td>
</tr>
<tr>
<td>Premium tax</td>
<td>49,147</td>
<td>36,998</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,110,746</td>
<td>1,315,014</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>1,890,405</td>
<td>1,059,120</td>
</tr>
<tr>
<td>Cost of services</td>
<td>21,816</td>
<td>20,312</td>
</tr>
<tr>
<td>General and administrative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenses</td>
<td>168,062</td>
<td>143,045</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>49,176</td>
<td>37,234</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>28,033</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,157,492</td>
<td>1,259,711</td>
</tr>
</tbody>
</table>

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 421,894</td>
<td>$ 573,698</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>400,194</td>
<td>157,450</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>152,545</td>
<td>130,499</td>
</tr>
<tr>
<td>Other current assets</td>
<td>98,805</td>
<td>78,363</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,073,438</td>
<td>940,010</td>
</tr>
<tr>
<td><strong>Long-term investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>33,496</td>
<td>26,818</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>379,970</td>
<td>349,622</td>
</tr>
<tr>
<td>Goodwill</td>
<td>256,288</td>
<td>281,981</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>22,481</td>
<td>27,430</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>53,011</td>
<td>58,335</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 2,449,550</td>
<td>$ 2,190,336</td>
</tr>
</tbody>
</table>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical claims liability</td>
<td>$ 859,035</td>
<td>$ 607,985</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>142,766</td>
<td>216,504</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>29,133</td>
<td>9,890</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>3,302</td>
<td>3,234</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,034,236</td>
<td>837,613</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,501,563</td>
<td>1,253,917</td>
</tr>
<tr>
<td><strong>Commitments and contingencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, $.001 par value; authorized 100,000,000 shares; 54,320,036 issued and 51,557,064 outstanding at June 30, 2012, and 53,586,726 issued and 50,864,618 outstanding at December 31, 2011</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>450,506</td>
<td>421,981</td>
</tr>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on investments, net of tax</td>
<td>5,842</td>
<td>5,761</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>553,940</td>
<td>564,961</td>
</tr>
<tr>
<td>Treasury stock, at cost (2,762,972 and 2,722,108 shares, respectively)</td>
<td>(58,914)</td>
<td>(57,123)</td>
</tr>
<tr>
<td>Total Centene stockholders' equity</td>
<td>951,428</td>
<td>935,634</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(3,441)</td>
<td>785</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>947,987</td>
<td>936,419</td>
</tr>
<tr>
<td>Total liabilities and stockholders' equity</td>
<td>$ 2,449,550</td>
<td>$ 2,190,336</td>
</tr>
</tbody>
</table>

#### CENTENE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
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<tr>
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<td>Long-term investments</td>
<td>630,866</td>
<td>506,140</td>
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<td>33,496</td>
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<td>837,613</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>405,462</td>
<td>348,344</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>61,865</td>
<td>67,960</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,501,563</td>
<td>1,253,917</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, $.001 par value; authorized 100,000,000 shares; 54,320,036 issued and 51,557,064 outstanding at June 30, 2012, and 53,586,726 issued and 50,864,618 outstanding at December 31, 2011</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>450,506</td>
<td>421,981</td>
</tr>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on investments, net of tax</td>
<td>5,842</td>
<td>5,761</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>553,940</td>
<td>564,961</td>
</tr>
<tr>
<td>Treasury stock, at cost (2,762,972 and 2,722,108 shares, respectively)</td>
<td>(58,914)</td>
<td>(57,123)</td>
</tr>
<tr>
<td>Total Centene stockholders' equity</td>
<td>951,428</td>
<td>935,634</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(3,441)</td>
<td>785</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>947,987</td>
<td>936,419</td>
</tr>
<tr>
<td>Total liabilities and stockholders' equity</td>
<td>$ 2,449,550</td>
<td>$ 2,190,336</td>
</tr>
</tbody>
</table>

---

**Note:** The text above provides a natural language representation of the financial statements and tables from the document. It is important to ensure that all details are accurately transcribed and that the structure of the data is maintained as closely as possible to the original document. This includes maintaining the correct formatting of tables and ensuring that all financial figures are accurately represented.
### Earnings (loss) from operations

<table>
<thead>
<tr>
<th>Year</th>
<th>(46,746)</th>
<th>55,303</th>
<th>(12,548)</th>
<th>94,400</th>
</tr>
</thead>
</table>

### Other income (expense):

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment and other income</td>
<td>4,045</td>
<td>2,933</td>
<td>9,336</td>
<td>6,682</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>(8,488)</td>
<td>—</td>
<td>(8,488)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(4,739)</td>
<td>(5,256)</td>
<td>(9,538)</td>
<td>(10,951)</td>
</tr>
</tbody>
</table>

### Earnings (loss) from operations, before income tax expense

<table>
<thead>
<tr>
<th>Year</th>
<th>(47,440)</th>
<th>44,492</th>
<th>(12,750)</th>
<th>81,643</th>
</tr>
</thead>
</table>

### Income tax expense (benefit)

<table>
<thead>
<tr>
<th>Year</th>
<th>(8,608)</th>
<th>16,429</th>
<th>3,479</th>
<th>30,757</th>
</tr>
</thead>
</table>

### Net earnings (loss)

<table>
<thead>
<tr>
<th>Year</th>
<th>(38,832)</th>
<th>28,063</th>
<th>(16,229)</th>
<th>50,886</th>
</tr>
</thead>
</table>

### Noncontrolling interest

<table>
<thead>
<tr>
<th>Year</th>
<th>(3,833)</th>
<th>(311)</th>
<th>(5,208)</th>
<th>(1,233)</th>
</tr>
</thead>
</table>

### Net earnings (loss) attributable to Centene Corporation

<table>
<thead>
<tr>
<th>Year</th>
<th>$ (34,999)</th>
<th>$ 28,374</th>
<th>$ (11,021)</th>
<th>$ 52,119</th>
</tr>
</thead>
</table>

### Net earnings (loss) per common share attributable to Centene Corporation:

#### Basic earnings (loss) per common share

<table>
<thead>
<tr>
<th>Year</th>
<th>(0.68)</th>
<th>0.57</th>
<th>(0.21)</th>
<th>1.04</th>
</tr>
</thead>
</table>

#### Diluted earnings (loss) per common share

<table>
<thead>
<tr>
<th>Year</th>
<th>(0.68)</th>
<th>0.54</th>
<th>(0.21)</th>
<th>1.00</th>
</tr>
</thead>
</table>

### Weighted average number of common shares outstanding:

<table>
<thead>
<tr>
<th>Year</th>
<th>51,515,895</th>
<th>50,167,052</th>
<th>51,320,784</th>
<th>49,959,892</th>
</tr>
</thead>
</table>

### Basic

<table>
<thead>
<tr>
<th>Year</th>
<th>51,515,895</th>
<th>52,489,414</th>
<th>51,320,784</th>
<th>52,171,213</th>
</tr>
</thead>
</table>

### Diluted

<table>
<thead>
<tr>
<th>Year</th>
<th>51,515,895</th>
<th>52,489,414</th>
<th>51,320,784</th>
<th>52,171,213</th>
</tr>
</thead>
</table>

---

### CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$ (16,229)</td>
<td>$50,886</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings (loss) to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>33,266</td>
<td>28,567</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>11,993</td>
<td>8,839</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>8,486</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>28,033</td>
<td></td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>9,364</td>
<td>(3,529)</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(232,745)</td>
<td>(16,146)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(34,105)</td>
<td>(4,011)</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,920</td>
<td>(878)</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>251,050</td>
<td>24,684</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>19,885</td>
<td>(12,465)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(77,010)</td>
<td>(34,739)</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>(4,922)</td>
<td>3,448</td>
</tr>
<tr>
<td>Net cash (used in) provided by operating activities</td>
<td>(9,900)</td>
<td>53,154</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities:

- Capital expenditures: 57,442 (35,128)
- Purchases of investments: (406,901) (103,239)
- Sales and maturities of investments: 253,719 120,448
- Investments in acquisitions, net of cash acquired: (8,488) (3,192)

### Net cash used in investing activities: (210,624) (21,111)

### Cash flows from financing activities:

- Proceeds from exercise of stock options: 10,320 12,264
- Proceeds from borrowings: 75,000 419,183
- Payment of long-term debt: (21,601) (414,695)
- Excess tax benefits from stock compensation: 5,810 1,369

---

**Six Months Ended June 30, 2012**

**Six Months Ended June 30, 2011**
Centene Corporation

Supplemental Financial Data

Q2 2012  Q1 2012  Q4 2011  Q3 2011  Q2 2011

Membership

Managed Care:

<table>
<thead>
<tr>
<th>State</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
<th>Q2 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>24,000</td>
<td>23,100</td>
<td>23,700</td>
<td>22,800</td>
<td>22,800</td>
</tr>
<tr>
<td>Florida</td>
<td>204,100</td>
<td>199,500</td>
<td>198,300</td>
<td>188,600</td>
<td>190,600</td>
</tr>
<tr>
<td>Georgia</td>
<td>313,300</td>
<td>306,000</td>
<td>298,200</td>
<td>298,000</td>
<td>303,100</td>
</tr>
<tr>
<td>Illinois</td>
<td>17,800</td>
<td>17,400</td>
<td>16,300</td>
<td>13,600</td>
<td>13,600</td>
</tr>
<tr>
<td>Indiana</td>
<td>205,000</td>
<td>206,300</td>
<td>206,900</td>
<td>205,300</td>
<td>206,700</td>
</tr>
<tr>
<td>Kentucky</td>
<td>143,500</td>
<td>145,700</td>
<td>180,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Louisiana</td>
<td>168,700</td>
<td>51,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Massachusetts</td>
<td>41,400</td>
<td>36,000</td>
<td>35,700</td>
<td>34,700</td>
<td>32,900</td>
</tr>
<tr>
<td>Mississippi</td>
<td>30,100</td>
<td>29,500</td>
<td>31,600</td>
<td>30,600</td>
<td>30,800</td>
</tr>
<tr>
<td>Ohio</td>
<td>166,800</td>
<td>161,000</td>
<td>159,900</td>
<td>162,200</td>
<td>159,900</td>
</tr>
<tr>
<td>South Carolina</td>
<td>87,800</td>
<td>86,700</td>
<td>82,900</td>
<td>86,500</td>
<td>82,800</td>
</tr>
<tr>
<td>Texas</td>
<td>919,200</td>
<td>811,000</td>
<td>503,800</td>
<td>494,500</td>
<td>470,400</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>75,800</td>
<td>76,000</td>
<td>78,000</td>
<td>79,900</td>
<td>79,800</td>
</tr>
</tbody>
</table>

Total at-risk membership: 2,397,500
Non-risk membership: 4,900
Total: 2,397,500

Medicaid:

<table>
<thead>
<tr>
<th>Period</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
<th>Q2 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>159,900</td>
<td>162,100</td>
<td>168,900</td>
<td>175,500</td>
<td>173,200</td>
</tr>
<tr>
<td>Kansas</td>
<td>44,300</td>
<td>46,000</td>
<td>46,200</td>
<td>45,600</td>
<td>45,000</td>
</tr>
</tbody>
</table>

Total: 204,200

Specialty Services (a):

<table>
<thead>
<tr>
<th>State</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
<th>Q2 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona Behavioral Health</td>
<td>573,698</td>
<td>434,166</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total: 6,200

(a) Includes external membership only.

Revenue per member and claims information are presented for the Managed Care at-risk members.

Revenue per member per month (b):

<table>
<thead>
<tr>
<th>Month</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
<th>Q2 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$279</td>
<td>$269</td>
<td>$262</td>
<td>$245</td>
<td>$241</td>
</tr>
</tbody>
</table>

Claims (b):

<table>
<thead>
<tr>
<th>Period-end inventory</th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
<th>Q2 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,195,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average inventory</td>
<td>640,600</td>
<td>457,400</td>
<td>367,590</td>
<td>312,400</td>
<td>332,300</td>
</tr>
<tr>
<td>Period-end inventory per member</td>
<td>0.50</td>
<td>0.34</td>
<td>0.27</td>
<td>0.30</td>
<td>0.26</td>
</tr>
</tbody>
</table>

(b) Revenue per member and claims information are presented for the Managed Care at-risk members.
DAYS IN CLAIMS PAYABLE (c)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2012</th>
<th>Q1 2012</th>
<th>Q4 2011</th>
<th>Q3 2011</th>
<th>Q2 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAYS IN CLAIMS PAYABLE (c)</td>
<td>41.4</td>
<td>44.7</td>
<td>45.3</td>
<td>43.6</td>
<td>43.4</td>
</tr>
</tbody>
</table>

(c) Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average claims expense per calendar day for such period.

CASH AND INVESTMENTS (in millions)

<table>
<thead>
<tr>
<th></th>
<th>Regulated</th>
<th>Unregulated</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,198.2</td>
<td>$35.5</td>
<td>$1,236.7</td>
</tr>
<tr>
<td>2012</td>
<td>$1,198.9</td>
<td>$35.9</td>
<td>$1,234.8</td>
</tr>
</tbody>
</table>

Health Benefits Ratios:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Medicaid and CHIP</td>
<td>92.3 %</td>
<td>81.3 %</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>92.7</td>
<td>90.7</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>97.1</td>
<td>88.7</td>
</tr>
<tr>
<td>Total</td>
<td>92.9</td>
<td>84.8</td>
</tr>
<tr>
<td>Total General &amp; Administrative Expense Ratio</td>
<td>8.2 %</td>
<td>11.2 %</td>
</tr>
</tbody>
</table>

MEDICAL CLAIMS LIABILITY (In thousands)

The changes in medical claims liability are summarized as follows:

<table>
<thead>
<tr>
<th>Balance, June 30, 2011</th>
<th>$ 482,913</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incurred related to:</td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>5,678,719</td>
</tr>
<tr>
<td>Prior period</td>
<td>(58,579)</td>
</tr>
<tr>
<td>Total incurred</td>
<td>5,620,140</td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>4,826,839</td>
</tr>
<tr>
<td>Prior period</td>
<td>417,179</td>
</tr>
<tr>
<td>Total paid</td>
<td>5,244,018</td>
</tr>
<tr>
<td>Balance, June 30, 2012</td>
<td>$ 859,035</td>
</tr>
</tbody>
</table>

Centene’s claims reserving process utilizes a consistent actuarial methodology to estimate Centene’s ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. Centene believes it has consistently applied its claims reserving methodology in each of the periods presented.

The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to June 30, 2011.
SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Senior Vice President, Finance & Investor Relations, +1-212-759-0382, or Media Inquiries, Deanne Lane, Vice President, Media Affairs, +1-314-725-4477
Press Release

Centene Subsidiary Exits Kentucky Medicaid Managed Care Program

ST. LOUIS, July 8, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today its Kentucky subsidiary, Kentucky Spirit Health Plan (Kentucky Spirit), exited the Commonwealth's Medicaid managed care program as of midnight Friday, July 5, 2013. The Commonwealth has taken steps to transfer Kentucky Spirit's members to other managed care organizations (MCOs).

To help ensure that members and providers are supported during the transition, Kentucky Spirit will, for a reasonable period of time, continue to maintain member and provider services staff as well as provider relations staff, and provide continuity of care forms to the new MCO for all medically fragile members. The current staff of 100 Kentucky Spirit employees will be reduced over time as needs decline, and employees have been offered financial assistance and/or positions in other parts of Centene.

"As we have emphasized, our priority has always been providing accessible, affordable healthcare for the Kentucky Medicaid population, and we will continue to demonstrate that through the transition period," said Deanne Lane, Centene Vice President of Corporate Communications. "The Commonwealth has indicated that members will be moved to other plans and will be provided uninterrupted services, and we will do our part to ensure that is the case."

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management and telehealth services.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, or Investors, Edmund E. Kroll, Jr., +1-212-759-0382
Press Release

Buckeye Community Health Plan Selected To Contract In Three Regions As Part Of Ohio's Medicaid Integrated Care Delivery System Demonstration Project

ST. LOUIS, Aug. 28, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) has been notified by the Ohio Department of Job and Family Services (ODJFS) that Buckeye Community Health Plan (Buckeye), Centene's Ohio subsidiary, has been selected to serve Medicaid members in a dual-eligible demonstration program in three of Ohio's pre-determined seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton).

This three-year program, which is part of the state of Ohio's Integrated Care Delivery System (ICDS) expansion, will serve those who have both Medicare and Medicaid eligibility. Enrollment is expected to begin in the second quarter of 2013.

The state allowed for two applicant health plans in each region, except for the Northeast Region (Cleveland), where it allowed three plans. Additionally, the state limited its selections so that no health plan was selected for more than three of the seven regions.

"Buckeye looks forward to an expanded presence as it reaffirms its commitment to the State of Ohio and its residents," said Steven White, President and CEO of Buckeye Community Health Plan. "We have staff and innovative systems in place that will ensure improved health outcomes for these members, while making the most effective use of the State's dollars allocated for this expansion."

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind, or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477; or Investors Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene's Massachusetts Subsidiary Awarded Medicaid Contract In Five Regions

ST. LOUIS, Sept. 20, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that CeltiCare Health Plan, its Massachusetts subsidiary, was notified by the Massachusetts Executive Office of Health and Human Services (EOHHS) that it has been awarded a contract to participate in the MassHealth CarePlus program in all five regions, with a contract effective date of October 15, 2013 and commencement of coverage on January 1, 2014.

Under the contract, CeltiCare will provide comprehensive healthcare services for eligible non-pregnant Medicaid adults in the Northern, Greater Boston, Southern, Central and Western regions. Services will include medical, behavioral health, dental, vision, pharmacy, therapies and transportation.

"CeltiCare has been providing quality healthcare solutions to individuals in Massachusetts through a contract with the Massachusetts Health Connector for four years," said Robert Hitchcock, Executive Vice President, Health Plans, for Centene. "We look forward to expanding our reach in the Commonwealth to provide comprehensive, locally-grounded healthcare services to Medicaid recipients, at lower costs to the Commonwealth."

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long-term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477; or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Lawsuit Against Centene Corporation Dismissed

ST. LOUIS, Sept. 24, 2012 /PRNewswire/ -- CENTENE CORPORATION (NYSE: CNC) In June 2012, a putative class action lawsuit was filed in Federal Court against the Company and three of its executives.

The Company believes that the case was without merit and intended to vigorously defend its position. On Friday, the plaintiff voluntarily dismissed the action without prejudice as to all claims and defendants.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care, long-term care, other state-sponsored programs and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique "exchange-based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

SOURCE Centene Corporation

Media, Deanne Lane, +1-314-725-4477, or Investor Relations, Edmund E. Kroll, Jr., +1-212-759-0382
Florida Medicaid Announces Intent To Award Contract To Centene Subsidiary

ST. LOUIS, Sept. 24, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today that the Florida Agency for Health Care Administration (AHCA) posted its notice of intent to award a contract for the Managed Medical Assistance (MMA) program to Centene's Florida subsidiary Sunshine State Health Plan (Sunshine Health). After challenge and contract readiness periods are completed, enrollment is expected to begin in the second quarter of 2014 and should be completed by October 2014.

Under the intended MMA contract, Sunshine Health will serve members in 9 of the 11 regions covered under the Statewide Medicaid Managed Care program, which includes most TANF recipients as well as ABD and dual eligible members. In addition, Sunshine Health was the only plan recommended for a contract award for the Child Welfare (Foster Care) Specialty Plan. Sunshine Health is currently the largest HMO provider under the Long Term Care portion of the Statewide Medicaid Managed Care program with a contract to serve members in 10 of Florida's 11 regions.

"We are pleased to have received the state's notification of intent to award Sunshine Health 9 out of 11 regions. This is a significant program for AHCA, and we are honored to have been selected to play a key role in providing expanded integrated healthcare services," said Robert Hitchcock, Executive Vice President, Health Plans, for Centene. "This intended award demonstrates Sunshine Health's proven record of providing access to high-quality, comprehensive healthcare at lower costs to the state."

About Centene Corporation

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SOURCE Centene Corporation

Media, Deanne Lane,(314) 725-447, or Investors, Edmund E. Kroll, Jr. (212) 759-0382
Centene’s Wisconsin And South Carolina Subsidiaries Awarded Commendable Accreditation Ratings By NCQA

ST. LOUIS, Sept. 25, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that its Wisconsin subsidiary, Managed Health Services, and South Carolina subsidiary, Absolute Total Care, both earned Commendable ratings from the National Committee for Quality Assurance (NCQA). A Commendable rating is awarded to organizations whose service and clinical quality meet or exceed NCQA’s rigorous requirements for consumer protection and quality improvement.

“We are proud that these health plans have been recognized by such a prestigious organization as NCQA,” said Robert Hitchcock, Centene Executive Vice President, Health Plans. “A Commendable rating reflects the strengths of both Managed Health Services and Absolute Total Care, including collaboration and teamwork, commitment to comprehensive member care, strong innovative outreach to members, and the continual and ongoing monitoring of the quality processes, all of which support our goal to deliver high quality healthcare to our members.”

“Achieving an accreditation status of Commendable from NCQA is a sign that a health plan is serious about quality,” said Margaret E. O’Kane, President of NCQA.

NCQA is a private, non-profit organization dedicated to improving health care quality. NCQA accredits and certifies a wide range of health care organizations. It also recognizes clinicians and practices in key areas of performance. NCQA is committed to providing health care quality information for consumers, purchasers, health care providers and researchers.

About Centene Corporation
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SOURCE Centene Corporation

Media: Deanne Lane, (314) 725-4477, Investors: Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene's Texas Subsidiary Expands STAR+PLUS Service

ST. LOUIS, Sept. 5, 2013 /PRNewswire/ -- Adding to the high acuity population it effectively serves, Centene Corporation (NYSE: CNC) announced today the Texas Health and Human Services Commission (HHSC) tentatively awarded Superior HealthPlan a contract to serve STAR+PLUS members in two Medicaid Rural Service Areas, contingent upon successful negotiations and execution of the contract. There will be rate parity by region for participants.

Superior was selected to serve Older Adults and People with Disabilities in the Central and West Medicaid Rural Service Areas. Superior currently serves approximately 110,000 STAR+PLUS members in the Dallas, Nueces, Hidalgo, Lubbock and Bexar service areas.

"We are pleased to continue our partnership with the State of Texas to serve its most vulnerable residents," said Robert Hitchcock, Executive Vice President, Health Plans, for Centene. "Superior has been providing high-quality, integrated healthcare services for STAR+PLUS members since 2007, which has resulted in improved outcomes for these members at lower costs for the State."

About Centene Corporation

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SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477; Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Schedules 2013 Third Quarter Financial Results Conference Call

ST. LOUIS, Sept. 9, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that it will release its 2013 third quarter financial results at approximately 6:00 a.m. (Eastern Time) on Tuesday, October 22, 2013, and host a conference call afterwards at approximately 8:30 a.m. Eastern Time (ET) to review the results. Michael F. Neidorff, Chairman and Chief Executive Officer, and William N. Scheffel, Executive Vice President, Chief Financial Officer and Treasurer, of Centene Corporation will host the call.

Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section.

A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 p.m. (Eastern Time) on Tuesday, October 21, 2014, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. ET on Wednesday, October 30, 2013, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10033731.

In addition, as a reminder and as previously announced, the Company will release its 2014 Financial Guidance at approximately 6:00 a.m. ET on Friday, December 13, 2013, and host an investor meeting afterwards in New York City, including a question-and-answer session, to discuss the details of its guidance. Also, the Company will release its 2013 fourth quarter and full-year Financial Results at 6:00 a.m. ET and host a conference call afterwards at 8:30 a.m. ET on Tuesday, February 4, 2014.

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SOURCE Centene Corporation

Edmund E. Kroll, Jr., Senior Vice President, Finance and Investor Relations, (212) 759-0382
Centene Corporation Announces Pricing Of Notes

ST. LOUIS, Nov. 2, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) ("Centene") today announced that on November 2, 2012 it priced $175 million aggregate principal amount of its 5.75% Senior Notes due 2017 (the "Senior Notes"), an increase from the $150 million initially announced, in a public offering made pursuant to a registration statement and a related preliminary prospectus supplement filed by Centene with the Securities and Exchange Commission ("SEC"). The underwriters were led by Barclays and Wells Fargo Securities, with Allen & Company LLC, Fifth Third Securities, Inc., SunTrust Robinson Humphrey and US Bancorp as co-managers of the offering. The Senior Notes will be issued at 106.00% plus accrued interest from June 1, 2012 and bear interest at 5.75%, resulting in a yield of 4.288%. The Senior Notes are an additional issuance of, will be fully fungible with, rank equally with, and form a single series with Centene's $250 million 5.75% Senior Notes due 2017 issued on May 27, 2011, and will have the same CUSIP number. The offering is expected to close on or about November 7, 2012. The issuance of the Senior Notes will be subject to customary closing conditions.

Centene intends to use the net proceeds of the offering for general corporate purposes, primarily including the funding of statutory capital.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The offering is being made by means of a prospectus and the related preliminary prospectus supplement. Before you invest, you should read the prospectus and the related preliminary prospectus supplement, the registration statement and other documents that Centene has filed with the SEC for more complete information about Centene and this offering. Copies of the prospectus, the related preliminary prospectus supplement and registration statement can be obtained at no charge from Barclays Capital Inc., c/o Broadridge Financial Solutions, 1155 Long Island Avenue, New York, NY 11717 or by telephone at 888-603-5847 or e-mail at barclaysprospectus@broadridge.com. Investors may also obtain these and other documents Centene has filed with the Securities and Exchange Commission for free by visiting the EDGAR system on the SEC’s website at www.sec.gov.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at www.centene.com.

The information provided in this press release contains forward-looking statements that relate to the public offering of senior notes, including without limitation, statements regarding the completion of the offering and the use of proceeds. Actual events or results may differ materially from those contained in the forward-looking statements. The Company's reports to the SEC contain additional information relating to additional factors that could cause actual results to differ from these forward-looking statements. The Company disclaims any obligation to update this forward-looking financial information in the future.

SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Senior Vice President, Finance and Investor Relations, (212) 759-0382; or Media Inquiries, Deanne Lane, Vice President, Media Affairs, (314) 725-4477
Press Release

Centene Corporation Announces Offering Of Notes

ST. LOUIS, Nov. 2, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that it has commenced an offering of approximately $150 million aggregate principal amount of 5.75% Senior Notes (the “Senior Notes”) due 2017 through underwriters led by Barclays and Wells Fargo Securities. Allen & Company LLC, Fifth Third Securities, Inc., SunTrust Robinson Humphrey and US Bancorp will be the co-managers of the offering. The Senior Notes are an additional issuance of, will be fully fungible with, rank equally with, and form a single series with Centene's $250 million 5.75% Senior Notes due 2017 issued on May 27, 2011, and will have the same CUSIP number. The offering is being conducted pursuant to a registration statement filed with the Securities and Exchange Commission.

Centene intends to use the net proceeds of the offering for general corporate purposes, primarily including the funding of statutory capital.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The offering is being made by means of a prospectus and the related preliminary prospectus supplement only. Copies of the prospectus and the related preliminary prospectus supplement can be obtained from Barclays Capital Inc., c/o Broadridge Financial Solutions, 1155 Long Island Avenue, New York, NY 11717 or by telephone at 888-603-5847 or e-mail at barclaysprospectus@broadridge.com.

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SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Senior Vice President, Finance and Investor Relations, +1-212-759-0382, or Media Inquiries, Deanne Lane, Vice President, Media Affairs, +1-314-725-4477
Press Release

Centene Corporation Schedules 2013 Fourth Quarter And Year-End Financial Results Conference Call

ST. LOUIS, Jan. 8, 2014 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that it will release its 2013 fourth quarter and year-end financial results at approximately 6:00 AM (Eastern Time) on Tuesday, February 4, 2014, and host a conference call afterwards at approximately 8:30 AM (Eastern Time) to review the results. Michael F. Neidorff, Chairman and Chief Executive Officer, and William N. Scheffel, Executive Vice President, Chief Financial Officer and Treasurer, of Centene Corporation will host the call.

Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section.

Or, participants can register for the conference call in advance by navigating to http://dpregister.com/10039178, which includes a calendar entry and PIN code to be activated one hour before the call.

A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 PM (Eastern Time) on Tuesday, February 3, 2015, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 AM Eastern Time on Wednesday, February 12, 2014, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10039178.

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SOURCE Centene Corporation

Edmund E. Kroll, Jr., Senior Vice President, Finance and Investor Relations, (212) 759-0382
Press Release

Centene's Mississippi Subsidiary Awarded Accredited Rating By NCQA

ST. LOUIS, Jan. 24, 2014 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that its wholly-owned Mississippi subsidiary, Magnolia Health Plan, has earned Accreditation from the National Committee for Quality Assurance (NCQA). The Accredited rating is awarded to organizations with programs for service and clinical quality that meet basic requirements for consumer protection and quality improvement.

"The team at Magnolia Health Plan is proud to receive our NCQA Accreditation. This achievement sends a clear message that Magnolia Health Plan is serious about quality improvement and dedicated to making Mississippi a healthier state," said Jason B. Dees, D.O. FAAFP, Magnolia President and CEO. "Achieving this level of Accreditation showcases our strengths including collaboration, teamwork, commitment to comprehensive member care, strong innovative outreach to members and dedication to constantly evaluating ourselves and looking for opportunities to enhance the way we impact the lives of those we serve. I am proud of the team and the dedication that this level of achievement signifies."

"Achieving Accreditation from NCQA is a sign that a health plan is serious about quality," said Margaret E. O’Kane, President of NCQA.

NCQA is a private, non-profit organization dedicated to improving health care quality. NCQA accredits and certifies a wide range of health care organizations. It also recognizes clinicians and practices in key areas of performance. NCQA is committed to providing health care quality information for consumers, purchasers, health care providers and researchers.

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SOURCE Centene Corporation

Media, Deanne Lane, (314) 725-4477, or Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene Announces Pricing Of Public Offering By Selling Stockholder

ST. LOUIS, Jan. 27, 2014 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced the pricing of a previously announced underwritten public offering of 800,000 shares of its common stock by one of its existing stockholders, such shares having been originally issued in accordance with the terms of Centene’s acquisition of U.S. Medical Management, LLC, including selling arrangements. The shares will be offered at a price to the public of $59.80 per share. Centene will not receive any proceeds from the sale of shares by the selling stockholder in the offering, and its total number of shares outstanding will not change as a result of the offering. The offering is expected to close on or about January 31, 2014, subject to customary closing conditions.

Barclays Capital Inc. is acting as sole underwriter in this offering.

A registration statement relating to the shares described above was previously filed with and has become effective by rule of the Securities and Exchange Commission ("SEC"). A final prospectus supplement relating to the offering will be filed with the SEC. Copies of the final prospectus supplement and related prospectus, when available, may be obtained from Barclays Capital Inc., c/o Broadridge Financial Solutions, 1155 Long Island Avenue, Edgewood, New York 11717, or by telephone at 1-888-603-5847, or by email at Barclaysprospectus@broadridge.com. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the shares in any state or other jurisdiction which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such state or other jurisdiction.

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This press release contains forward-looking statements, including, without limitation, the closing of the offering and risks and uncertainties associated with market conditions and the satisfaction of customary closing conditions related to the offering. Additional risks and uncertainties relating to Centene Corporation and its business can be found under the caption “Risk Factors” and elsewhere in Centene Corporation’s Securities and Exchange Commission filings and reports, including in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2013. Forward-looking statements speak only as of the date of this release and are based on information available at the time those statements are made, as well as management’s views and assumptions regarding future events. You should not put undue reliance on any forward-looking statements. Centene does not undertake to update its forward-looking statements, except as required by law.

SOURCE Centene Corporation

Media: Deanne Lane, (314) 725-4477; Investors: Edmund E. Kroll, Jr., (212) 759-0382
Press Release

Centene's Mississippi Subsidiary Awarded Statewide Medicaid Contract

ST. LOUIS, Feb. 3, 2014 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced that the state of Mississippi has awarded its subsidiary, Magnolia Health Plan, a statewide managed care contract to continue serving members enrolled in the Mississippi Coordinated Access Network (MississippiCAN) program, as one of two contractors. Magnolia has been serving members in the MississippiCAN program since 2011.

Under the new contract, Magnolia will continue providing outpatient, behavioral health, pharmacy, vision and dental services, and will also begin providing non-emergency transportation as of July 1, 2014. The MississippiCAN program covers the Supplemental Security Income, Foster Care, Breast and Cervical Cancer, Pregnant Women, Children (birth to one year of age) and TANF populations throughout the state of Mississippi.

"The team at Magnolia is grateful for the opportunity to continue our work with Mississippi's Medicaid population. We look forward to continuing our partnership with the Mississippi Division of Medicaid to make Mississippi a healthier state," said Jason Dees, D.O., FAAFP, Magnolia President and CEO.

"Magnolia has proven to be a successful partner for the state of Mississippi over the past three years," said Robert Hitchcock, Executive Vice President, Health Plans, for Centene. "We are pleased to continue providing high-quality, integrated healthcare services to Mississippi residents."

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SOURCE Centene Corporation

Media, Deanne Lane (314) 725-4477, Investors, Edmund E. Kroll, Jr., (212) 759-0382
Press Release

- Centene Corporation Reports 2013 Fourth Quarter And Full Year Results -

-- 2013 Diluted Earnings Per Share From Continuing Operations: --

- Fourth quarter - $0.84
- Full Year - $2.87 ($2.95 excluding $0.08 of AcariaHealth transaction costs)

ST. LOUIS, Feb. 4, 2014 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced its financial results for the quarter and year ended December 31, 2013. Our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving Medicaid members in Kentucky as of July 6, 2013. Accordingly, the results of operations for KSHP are classified as discontinued operations. The following discussions, with the exception of cash flow information, are in the context of continuing operations.

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "We are pleased with the strong financial performance and development of our organization and business in 2013. This sets the stage for continued positive momentum in 2014 and beyond."

Fourth Quarter and Full Year Highlights

- December 31, 2013 at-risk managed care membership of 2,723,200, an increase of 298,700 members, or 12% year over year.
- Premium and service revenues for the fourth quarter of $2.9 billion, representing 31% growth compared to the fourth quarter of 2012 and $10.5 billion for 2013, representing 37% growth year over year.
- Health Benefits Ratio of 88.1% for the fourth quarter 2013, compared to 90.7% in the fourth quarter of 2012 and 88.6% for the full year 2013 compared to 89.6% for 2012.
- General and Administrative expense ratio of 8.9% for the fourth quarter of 2013, compared to 8.4% in the fourth quarter of 2012 and 8.8% for both of the full years 2013 and 2012.
- Operating cash flow of $170.9 million and $382.5 million for the fourth quarter and full year of 2013, representing 3.1 and 2.3 times net earnings, respectively.
- Diluted EPS for the fourth quarter of 2013 of $0.84, compared to $0.35 in 2012.

Other Events

- In November 2013, our South Carolina subsidiary, Absolute Total Care, was selected by the South Carolina Department of Health and Human Services to serve dual-eligible members as part of the state's pilot program to provide integrated and coordinated care for individuals who are eligible for both Medicare and Medicaid. Operations are expected to commence in the second half of 2014.
- In December 2013, our California subsidiary, California Health and Wellness Plan (CHWP), began operating under a new contract with the California Department of Health Care Services to serve Medicaid beneficiaries in 18 rural counties under the state's Medi-Cal Managed Care Rural Expansion program. Also in December 2013, CHWP began operating under a new contract to serve Medi-Cal beneficiaries in Imperial County.

<table>
<thead>
<tr>
<th>2013 Results</th>
<th>Q4</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenues (in millions)</td>
<td>$2,859</td>
<td>$10,526</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>88.1%</td>
<td>88.6%</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>8.9%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Diluted earnings per share (EPS)</td>
<td>$0.84</td>
<td>$2.87</td>
</tr>
<tr>
<td>Diluted EPS excluding AcariaHealth transaction costs</td>
<td>$0.84</td>
<td>$2.95</td>
</tr>
<tr>
<td>Total cash flow from operations (in millions)</td>
<td>$170.9</td>
<td>$382.5</td>
</tr>
</tbody>
</table>

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "We are pleased with the strong financial performance and development of our organization and business in 2013. This sets the stage for continued positive momentum in 2014 and beyond."
In December 2013, we signed a definitive agreement to purchase a majority stake in Fidelis SecureCare of Michigan, Inc. (Fidelis), a subsidiary of Fidelis SeniorCare, Inc. The transaction is expected to close in the fourth quarter of 2014, subject to certain closing conditions including regulatory approvals, and will involve cash purchase price payments contingent on the performance of the plan over the course of 2015. Fidelis was recently selected by the Michigan Department of Community Health to provide integrated healthcare services to members who are dually eligible for Medicare and Medicaid in Macomb and Wayne counties. Enrollment is expected to commence in the fourth quarter of 2014.

In December 2013, our subsidiary, New Hampshire Healthy Families, began operating under a new contract with the Department of Health and Human Services to serve Medicaid beneficiaries.

In January 2014, we acquired a majority interest in U.S. Medical Management, LLC, a management services organization and provider of in-home health services for high acuity populations, for approximately $200.0 million. The transaction consideration was financed through a combination of cash on hand and 2,243,217 shares of Centene common stock.

In January 2014, we began serving members enrolled in Health Insurance Marketplaces in certain regions of 9 states: Arkansas, Florida, Georgia, Indiana, Massachusetts, Mississippi, Ohio, Texas and Washington.

In January 2014, our CeltiCare subsidiary began operating under a new contract with the Massachusetts Executive Office of Health and Human Services to participate in the MassHealth CarePlus program in all five regions.

In January 2014, Centurion began operating under a new agreement with the Minnesota Department of Corrections to provide managed healthcare services to offenders in the state's correctional facilities.

In February 2014, our Mississippi subsidiary, Magnolia Health Plan, was awarded a statewide managed care contract to continue serving members enrolled in the Mississippi Coordinated Access Network (MississippiCAN) program, as one of two contractors. Under the new contract, Magnolia will continue providing outpatient, behavioral health, pharmacy, vision and dental services, and will also begin providing non-emergency transportation as of July 1, 2014.

The following table sets forth the Company’s membership by state for its managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>7,100</td>
<td>23,500</td>
</tr>
<tr>
<td>California</td>
<td>97,200</td>
<td></td>
</tr>
<tr>
<td>Florida</td>
<td>222,000</td>
<td>214,000</td>
</tr>
<tr>
<td>Georgia</td>
<td>318,700</td>
<td>313,700</td>
</tr>
<tr>
<td>Illinois</td>
<td>22,300</td>
<td>18,000</td>
</tr>
<tr>
<td>Indiana</td>
<td>195,500</td>
<td>204,000</td>
</tr>
<tr>
<td>Kansas</td>
<td>139,900</td>
<td></td>
</tr>
<tr>
<td>Louisiana</td>
<td>152,300</td>
<td>165,600</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>22,600</td>
<td>21,500</td>
</tr>
<tr>
<td>Mississippi</td>
<td>78,300</td>
<td>77,200</td>
</tr>
<tr>
<td>Missouri</td>
<td>59,200</td>
<td>59,600</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>33,600</td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>173,200</td>
<td>157,800</td>
</tr>
<tr>
<td>South Carolina</td>
<td>91,900</td>
<td>90,100</td>
</tr>
<tr>
<td>Tennessee</td>
<td>20,700</td>
<td></td>
</tr>
<tr>
<td>Texas</td>
<td>935,100</td>
<td>949,900</td>
</tr>
<tr>
<td>Washington</td>
<td>82,100</td>
<td>57,200</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>71,500</td>
<td>72,400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,723,200</td>
<td>2,424,500</td>
</tr>
</tbody>
</table>

Membership by line of business:

<table>
<thead>
<tr>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>Arizona</td>
</tr>
<tr>
<td>California</td>
</tr>
<tr>
<td>Florida</td>
</tr>
<tr>
<td>Georgia</td>
</tr>
<tr>
<td>Illinois</td>
</tr>
<tr>
<td>Indiana</td>
</tr>
<tr>
<td>Kansas</td>
</tr>
<tr>
<td>Louisiana</td>
</tr>
<tr>
<td>Massachusetts</td>
</tr>
<tr>
<td>Mississippi</td>
</tr>
<tr>
<td>Missouri</td>
</tr>
<tr>
<td>New Hampshire</td>
</tr>
<tr>
<td>Ohio</td>
</tr>
<tr>
<td>South Carolina</td>
</tr>
<tr>
<td>Tennessee</td>
</tr>
<tr>
<td>Texas</td>
</tr>
<tr>
<td>Washington</td>
</tr>
<tr>
<td>Wisconsin</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
At December 31, 2013, the Company also served 156,600 members under its behavioral health contract in Arizona, compared to 157,900 members in 2012.


- For the fourth quarter of 2013, Premium and Service Revenues increased 31% to $2.9 billion from $2.2 billion in the fourth quarter of 2012. The increase was primarily driven as a result of the addition of the Kansas, California and New Hampshire contracts, increased premium rates in Texas, expansions in Mississippi, Ohio and Florida, the acquisition of AcariaHealth and the commencement of the correctional health care contracts in Massachusetts and Tennessee.
- Consolidated HBR of 88.1% for the fourth quarter of 2013 represents a decrease from 90.7% in the comparable period in 2012 and an increase from 87.8% in the third quarter of 2013. The HBR improvement compared to 2012 reflects the rate increase in Texas and ongoing medical management initiatives. The increase from the prior quarter is due to normal seasonality.
- The following table compares the results for new business and existing business for the quarters ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New business</td>
<td>17%</td>
<td>31%</td>
</tr>
<tr>
<td>Existing business</td>
<td>83%</td>
<td>69%</td>
</tr>
<tr>
<td>HBR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New business</td>
<td>95.4%</td>
<td>95.3%</td>
</tr>
<tr>
<td>Existing business</td>
<td>86.6%</td>
<td>88.7%</td>
</tr>
</tbody>
</table>

- Consolidated G&A expense ratio for the fourth quarter of 2013 was 8.9%, compared to 8.4% in the prior year. The year over year increase reflects an increase in performance based compensation expense in 2013 and higher start-up costs, partially offset by the benefits of leveraging of expenses over higher revenue in 2013 and our efforts to control costs.
- Earnings from operations were $85.1 million in the fourth quarter of 2013 compared to $25.9 million in the fourth quarter of 2012. Net earnings attributable to Centene Corporation were $53.2 million in the fourth quarter of 2013, compared to $9.1 million in the fourth quarter of 2012.
- Diluted EPS of $0.84 in the fourth quarter of 2013, compared to $0.35 in 2012.

- Premium and service revenues increased 37.0% in the year ended December 31, 2013 over the corresponding period in 2012 as a result of the Texas, Mississippi, Louisiana and Florida expansions, pharmacy carve-ins in Texas and Louisiana, the additions of the Kansas, Missouri, Washington, California and New Hampshire contracts, commencement of the correctional service contracts in Massachusetts and Tennessee, rate increases in several of our markets and the acquisition of AcariaHealth.
- The consolidated HBR for the year ended December 31, 2013, of 88.6% was a decrease of 100 basis points over the comparable period in 2012. The 2013 HBR reflects performance improvement in Texas and our individual insurance business from 2012.
- The consolidated G&A expense ratio for the years ended December 31, 2013 and 2012 was 8.8%. The G&A expense ratio reflects an increase in performance based compensation expense in 2013 as well as AcariaHealth transaction costs, offset by the benefits of leveraging of expenses over higher revenue in 2013 and our efforts to control costs.
- Diluted net earnings per share for 2013 of $2.87 including AcariaHealth transaction costs of $0.08 per diluted share, compared to $1.65 in 2012.

Balance Sheet and Cash Flow

At December 31, 2013, the Company had cash, investments and restricted deposits of $1,915.3 million, including $44.7 million held by its unregulated entities. Medical claims liabilities totaled $1,111.7 million, representing 42.4 days in claims payable. Total debt was $668.8 million which includes $150.0 million of borrowings on the $500 million revolving credit facility at quarter end. Debt to capitalization was 32.4% at December 31, 2013, excluding the $72.8 million non-recourse mortgage note. Cash flow from operations for the three months ended December 31, 2013, was $170.9 million, or 3.1 times net earnings.

A reconciliation of the Company's change in days in claims payable from the immediately preceding quarter-end is presented below:

| Days in claims payable, September 30, 2013 | 40.6 |
| Timing of claim payments | 1.1 |
| ACA provider parity payments in process | 0.7 |

| Days in claims payable, December 31, 2013 | 42.4 |

Outlook

The table below depicts the Company's annual guidance for 2014.

<table>
<thead>
<tr>
<th>Premium and Service Revenues (in millions)</th>
<th>Full Year 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Premium and Service Revenues (in millions)</td>
<td>$13,800</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$3.50</td>
</tr>
<tr>
<td>Consolidated Health Benefits Ratio</td>
<td>88.7%</td>
</tr>
<tr>
<td>General &amp; Administrative expense ratio</td>
<td>8.5%</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>50.0%</td>
</tr>
<tr>
<td>Diluted Shares Outstanding (in thousands)</td>
<td>59,700</td>
</tr>
</tbody>
</table>

The guidance in the table above includes the impact of the acquisition of U.S. Medical Management and related transaction costs as well as the ACA health insurer fee.

Conference Call
As previously announced, the Company will host a conference call Tuesday, February 4, 2014, at 8:30 A.M. (Eastern Time) to review the financial results for the fourth quarter and year ended December 31, 2013, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call.

Investors and other interested parties are invited to listen to the conference call by dialing 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section. Or, participants can register for the conference call in advance by navigating to

http://dpregister.com/10039178, which includes a calendar entry and PIN code to be activated one hour before the call. A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 PM (Eastern Time) on Tuesday, February 3, 2015, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 AM Eastern Time on Wednesday, February 12, 2014, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10039178.

Other Information

The discussion in the third bullet under the heading "Statement of Operations: Three Months Ended December 31, 2013" contains financial information for new and existing businesses. Existing businesses are primarily state markets or significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets or significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this release as the Company believes that these figures are helpful in allowing individuals to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently. The Company uses the presented non-GAAP financial measures such as internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading multi-line healthcare enterprise that provides programs and services to government sponsored healthcare programs, focusing on under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long Term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health services.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, competition, membership and revenue projections, timing of regulatory contract approval, changes in healthcare practices, changes in federal or state laws or regulations, changes in expected contract start dates, inflation, provider and state contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, as well as those factors disclosed in the Company's publicly filed documents. The expiration, cancellation or suspension of Centene's Medicaid Managed Care contracts, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively

http://phx.corporate-ir.net/phoenix.zhtml?c=130443&p=irol-newsArticle_Print
affect Centene.

[Tables Follow]

**CENTENE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents of continuing operations</td>
<td>$ 974,304</td>
<td>$ 745,933</td>
</tr>
<tr>
<td>Cash and cash equivalents of discontinued operations</td>
<td>63,769</td>
<td>98,019</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>1,038,073</td>
<td>843,952</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>428,570</td>
<td>251,473</td>
</tr>
<tr>
<td>Short term investments</td>
<td>102,126</td>
<td>138,101</td>
</tr>
<tr>
<td>Other current assets</td>
<td>217,661</td>
<td>93,322</td>
</tr>
<tr>
<td>Other current assets of discontinued operations</td>
<td>13,743</td>
<td>78,977</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,800,173</td>
<td>1,405,825</td>
</tr>
<tr>
<td>Long term investments</td>
<td>791,900</td>
<td>554,770</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>46,946</td>
<td>34,286</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>395,407</td>
<td>375,893</td>
</tr>
<tr>
<td>Goodwill</td>
<td>348,432</td>
<td>256,288</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>48,780</td>
<td>20,268</td>
</tr>
<tr>
<td>Other long term assets</td>
<td>59,357</td>
<td>64,278</td>
</tr>
<tr>
<td>Long term assets of discontinued operations</td>
<td>38,305</td>
<td>62,297</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 3,529,300</td>
<td>$ 2,773,905</td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical claims liability</td>
<td>$ 1,111,709</td>
<td>$ 815,161</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>375,862</td>
<td>219,066</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>38,191</td>
<td>34,597</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>3,065</td>
<td>3,373</td>
</tr>
<tr>
<td>Current liabilities of discontinued operations</td>
<td>30,294</td>
<td>157,116</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,559,121</td>
<td>1,229,313</td>
</tr>
<tr>
<td>Long term debt</td>
<td>665,697</td>
<td>535,481</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>60,015</td>
<td>54,987</td>
</tr>
<tr>
<td>Long term liabilities of discontinued operations</td>
<td>1,028</td>
<td>357</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,285,861</td>
<td>1,820,138</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders’ equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, $.001 par value: authorized 100,000,000 shares; 58,673,215 issued and 55,319,239 outstanding at December 31, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012</td>
<td>59</td>
<td>55</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>594,326</td>
<td>450,856</td>
</tr>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized (loss) gain on investments, net of tax</td>
<td>(2,620)</td>
<td>5,189</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>731,919</td>
<td>566,820</td>
</tr>
</tbody>
</table>
Treasury stock, at cost (3,353,976 and 3,009,912 shares, respectively)  (89,643)  (69,864)
Total Centene stockholders' equity  1,234,041  953,056
Noncontrolling interest  9,398  711
Total stockholders' equity  1,243,439  953,767
Total liabilities and stockholders' equity  $ 3,529,300  $ 2,773,905

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$ 2,737,942</td>
<td>$ 2,148,189</td>
</tr>
<tr>
<td>Service</td>
<td>121,290</td>
<td>28,680</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,859,232</td>
<td>2,176,869</td>
</tr>
<tr>
<td>Premium tax</td>
<td>72,508</td>
<td>95,181</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,931,740</td>
<td>2,272,050</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,412,195</td>
<td>1,948,304</td>
</tr>
<tr>
<td>Cost of services</td>
<td>108,080</td>
<td>20,808</td>
</tr>
<tr>
<td>General and administrative</td>
<td>255,355</td>
<td>182,519</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>71,022</td>
<td>94,482</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,846,652</td>
<td>2,246,113</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>85,088</td>
<td>25,937</td>
</tr>
<tr>
<td>Other income (expense):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>5,358</td>
<td>3,172</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,696)</td>
<td>(6,067)</td>
</tr>
<tr>
<td>Earnings from continuing operations, before income tax expense</td>
<td>83,750</td>
<td>23,042</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>34,143</td>
<td>8,785</td>
</tr>
<tr>
<td>Earnings from continuing operations, net of income tax expense</td>
<td>49,607</td>
<td>14,257</td>
</tr>
<tr>
<td>Discontinued operations, net of income tax expense (benefit of $(3,254), $(3,046), $(2,284), and $(47,741), respectively)</td>
<td>5,275</td>
<td>(9,618)</td>
</tr>
<tr>
<td>Net earnings</td>
<td>54,882</td>
<td>4,639</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>1,642</td>
<td>(4,422)</td>
</tr>
<tr>
<td>Net earnings attributable to Centene Corporation</td>
<td>$ 53,240</td>
<td>$ 9,061</td>
</tr>
</tbody>
</table>

Amounts attributable to Centene Corporation common shareholders:
Earnings from continuing operations, net of income tax expense $ 47,965 $ 18,679 $ 161,218 $ 88,533
<table>
<thead>
<tr>
<th>Discontinued operations, net of income tax expense (benefit)</th>
<th>5,275</th>
<th>(9,618)</th>
<th>3,881</th>
<th>(86,674)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>$ 53,240</td>
<td>$ 9,061</td>
<td>$ 165,099</td>
<td>$ 1,859</td>
</tr>
</tbody>
</table>

**Net earnings (loss) per common share attributable to Centene Corporation:**

<table>
<thead>
<tr>
<th></th>
<th>Basic:</th>
<th></th>
<th>Diluted:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Continuing operations</td>
<td></td>
<td>Discontinued operations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(net earnings)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$ 0.97</td>
<td></td>
<td>$ 0.09</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 0.17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 3.05</td>
<td></td>
<td>$ 0.07</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 0.04</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Weighted average number of common shares outstanding:**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th></th>
<th>Diluted</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>54,906,274</td>
<td></td>
<td>51,817,066</td>
<td></td>
</tr>
<tr>
<td></td>
<td>51,187,066</td>
<td></td>
<td>54,126,545</td>
<td></td>
</tr>
<tr>
<td></td>
<td>51,509,366</td>
<td></td>
<td>53,714,375</td>
<td></td>
</tr>
</tbody>
</table>

---

**CENTENE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Outaudited)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$ 165,718</td>
<td>$ (11,295)</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>67,420</td>
<td>65,866</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>36,656</td>
<td>25,332</td>
</tr>
<tr>
<td>Impairment loss</td>
<td></td>
<td>28,033</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td></td>
<td>(17,880)</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(2,293)</td>
<td>(14,438)</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(142,977)</td>
<td>(116,558)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(79,588)</td>
<td>(36,818)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(736)</td>
<td>2,825</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>171,569</td>
<td>359,792</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>2,724</td>
<td>24,707</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>151,712</td>
<td>(21,474)</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>12,321</td>
<td>(9,401)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>382,526</td>
<td>278,691</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities:**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>(67,835)</td>
<td>(82,144)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(790,653)</td>
<td>(695,687)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>579,161</td>
<td>589,921</td>
</tr>
</tbody>
</table>
Investments in acquisitions, net of cash acquired

Net cash used in investing activities

Cash flows from financing activities:

Proceeds from exercise of stock options 8,983 15,912
Proceeds from borrowings 180,000 400,500
Proceeds from stock offering 15,225 —
Payment of long term debt (41,593) (218,234)
Excess tax benefits from stock compensation 6,380 10,996
Common stock repurchases (19,779) (12,741)
Contribution from noncontrolling interest 8,068 1,092
Purchase of noncontrolling interest — (14,429)
Debt issue costs (3,589) (3,623)

Net cash provided by financing activities 153,695 179,473

Net increase in cash and cash equivalents 194,121 270,254

Cash and cash equivalents, beginning of period 843,952 573,698

Cash and cash equivalents, end of period $1,038,073 $843,952

Supplemental disclosures of cash flow information:

Interest paid $30,009 $21,605
Income taxes paid $84,681 $42,877
Equity issued in connection with acquisition $75,425 —

CENTENE CORPORATION
SUPPLEMENTAL FINANCIAL DATA FROM CONTINUING OPERATIONS

<table>
<thead>
<tr>
<th>AT-RISK MEMBERSHIP</th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>Q4</th>
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<tr>
<td>Managed Care:</td>
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<td>2013</td>
<td>2013</td>
<td>2012</td>
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<td>23,700</td>
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<td>222,000</td>
<td>217,800</td>
<td>216,200</td>
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<td>314,100</td>
<td>316,600</td>
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<td>22,800</td>
<td>18,000</td>
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<td>195,500</td>
<td>198,400</td>
<td>200,000</td>
<td>202,400</td>
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<td>137,700</td>
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<td>133,700</td>
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<td>152,600</td>
<td>153,700</td>
<td>162,900</td>
<td>165,600</td>
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<td>15,200</td>
<td>17,300</td>
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<td>76,900</td>
<td>77,300</td>
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<td>New Hampshire</td>
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<tr>
<td>Ohio</td>
<td>173,200</td>
<td>170,900</td>
<td>156,700</td>
<td>157,700</td>
<td>157,800</td>
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<td>South Carolina</td>
<td>91,900</td>
<td>89,400</td>
<td>88,800</td>
<td>90,100</td>
<td>90,100</td>
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<td>Tennessee</td>
<td>20,700</td>
<td>20,400</td>
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<tr>
<td>Texas</td>
<td>935,100</td>
<td>957,300</td>
<td>960,400</td>
<td>948,400</td>
<td>949,900</td>
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<tr>
<td>Washington</td>
<td>82,100</td>
<td>77,100</td>
<td>67,600</td>
<td>63,500</td>
<td>57,200</td>
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<tr>
<td>Wisconsin</td>
<td>71,500</td>
<td>72,000</td>
<td>73,400</td>
<td>72,600</td>
<td>72,400</td>
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<tr>
<td>TOTAL</td>
<td>2,723,200</td>
<td>2,612,500</td>
<td>2,563,400</td>
<td>2,553,400</td>
<td>2,424,500</td>
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<tr>
<td>Service</td>
<td>Q4</td>
<td>Q3</td>
<td>Q2</td>
<td>Q1</td>
<td>2013</td>
</tr>
<tr>
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</tr>
<tr>
<td>Medicaid</td>
<td>2,054,700</td>
<td>1,953,300</td>
<td>1,953,600</td>
<td>1,951,300</td>
<td>1,877,100</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>275,100</td>
<td>274,900</td>
<td>273,200</td>
<td>265,400</td>
<td>235,200</td>
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<tr>
<td>ABD &amp; Medicare</td>
<td>305,300</td>
<td>302,000</td>
<td>289,800</td>
<td>288,400</td>
<td>274,600</td>
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<tr>
<td>Hybrid Programs</td>
<td>19,000</td>
<td>19,600</td>
<td>22,400</td>
<td>24,600</td>
<td>29,100</td>
</tr>
<tr>
<td>Long-term Care Services</td>
<td>37,800</td>
<td>31,600</td>
<td>24,400</td>
<td>23,700</td>
<td>8,500</td>
</tr>
<tr>
<td>Specialty Services(a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arizona</td>
<td>156,600</td>
<td>160,700</td>
<td>157,100</td>
<td>156,200</td>
<td>157,900</td>
</tr>
<tr>
<td>Kansas</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>49,800</td>
</tr>
<tr>
<td>TOTAL</td>
<td>156,600</td>
<td>160,700</td>
<td>157,100</td>
<td>156,200</td>
<td>207,700</td>
</tr>
</tbody>
</table>

(a) Includes external membership only.

**REVENUE PER MEMBER PER MONTH**(b)

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 335</td>
<td>$ 328</td>
<td>$ 306</td>
<td>$ 304</td>
<td>$ 291</td>
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</tbody>
</table>

**CLAIMS**(b)

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period-end inventory</td>
<td>622,200</td>
<td>698,900</td>
<td>703,400</td>
<td>940,200</td>
<td>619,200</td>
</tr>
<tr>
<td>Average inventory</td>
<td>511,700</td>
<td>505,800</td>
<td>510,000</td>
<td>555,800</td>
<td>515,600</td>
</tr>
<tr>
<td>Period-end inventory per member</td>
<td>0.23</td>
<td>0.27</td>
<td>0.27</td>
<td>0.37</td>
<td>0.26</td>
</tr>
</tbody>
</table>

(b) Revenue per member and claims information are presented for the Managed Care at-risk members.

**NUMBER OF EMPLOYEES**

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,800</td>
<td>8,200</td>
<td>7,900</td>
<td>7,100</td>
<td>6,800</td>
</tr>
</tbody>
</table>

**DAYS IN CLAIMS PAYABLE** (c)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2013</th>
<th>2013</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42.4</td>
<td>40.6</td>
<td>41.5</td>
<td>39.7</td>
<td>38.5</td>
</tr>
</tbody>
</table>

(c) Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average claims expense per calendar day for such period.

**CASH AND INVESTMENTS (in millions)**

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>$ 1,870.6</td>
<td>$ 1,612.9</td>
<td>$ 1,502.9</td>
<td>$ 1,494.0</td>
<td>$ 1,435.8</td>
</tr>
<tr>
<td>Unregulated</td>
<td>44.7</td>
<td>37.6</td>
<td>33.8</td>
<td>45.5</td>
<td>37.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ 1,915.3</td>
<td>$ 1,650.5</td>
<td>$ 1,536.7</td>
<td>$ 1,539.5</td>
<td>$ 1,473.1</td>
</tr>
</tbody>
</table>

**DEBT TO CAPITALIZATION**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2013</th>
<th>2013</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>35.0%</td>
<td>30.5%</td>
<td>32.9%</td>
<td>35.2%</td>
<td>36.1%</td>
</tr>
</tbody>
</table>

**DEBT TO CAPITALIZATION EXCLUDING NON-RECURSE DEBT**(d)

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Q3</th>
<th>Q2</th>
<th>Q1</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32.4%</td>
<td>27.4%</td>
<td>29.8%</td>
<td>31.9%</td>
<td>32.7%</td>
</tr>
</tbody>
</table>

(d) The non-recourse debt represents the Company's mortgage note payable ($72.8 million at December 31, 2013).
Operating Ratios:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Health Benefits Ratios:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid and CHIP</td>
<td>86.5%</td>
<td>91.5%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>90.4%</td>
<td>89.3%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>87.7%</td>
<td>91.3%</td>
</tr>
<tr>
<td>Total</td>
<td>88.1%</td>
<td>90.7%</td>
</tr>
<tr>
<td>Total General &amp; Administrative Expense Ratio</td>
<td>8.9%</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

**MEDICAL CLAIMS LIABILITY (In thousands)**

The changes in medical claims liability are summarized as follows:

**Balance, December 31, 2012**

$815,161

Incurred related to:

- Current period: $9,072,867
- Prior period: $(78,226)

Total incurred: $8,994,641

Paid related to:

- Current period: $7,975,367
- Prior period: $722,726

Total paid: $8,698,093

**Balance, December 31, 2013**

$1,111,709

Centene's claims reserving process utilizes a consistent actuarial methodology to estimate Centene's ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. Centene believes it has consistently applied its claims reserving methodology in each of the periods presented.

The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to December 31, 2012.

SOURCE Centene Corporation

Investor Relations Inquiries, Edmund E. Kroll, Jr., Senior Vice President, Finance & Investor Relations, (212) 759-0382, or Media Inquiries, Deanne Lane, Vice President, Media Affairs, (314) 725-4477.
<table>
<thead>
<tr>
<th>Centene Corporation</th>
<th>30-Sep 2012</th>
<th>31-Dec 2012</th>
<th>31-Mar 2013</th>
<th>30-Jun 2013</th>
<th>30-Sep 2013</th>
<th>31-Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital (in 000's) [1]</td>
<td>$96,391</td>
<td>$176,512</td>
<td>$68,177</td>
<td>$21,788</td>
<td>$(18,537)</td>
<td>$241,052</td>
</tr>
<tr>
<td>Current ratio</td>
<td>1.08</td>
<td>1.15</td>
<td>1.05</td>
<td>1.02</td>
<td>0.98</td>
<td>1.15</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>1.08</td>
<td>1.15</td>
<td>1.05</td>
<td>1.02</td>
<td>0.98</td>
<td>1.15</td>
</tr>
<tr>
<td>Net worth (in 000's)</td>
<td>$957,064</td>
<td>$937,767</td>
<td>$986,530</td>
<td>$1,122,274</td>
<td>$1,185,091</td>
<td>$1,243,439</td>
</tr>
<tr>
<td>Debt-to-worth ratio</td>
<td>0.41</td>
<td>0.56</td>
<td>0.54</td>
<td>0.49</td>
<td>0.48</td>
<td>0.54</td>
</tr>
</tbody>
</table>

[1] Centene manages their short-term and long-term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term requirements as needed. Its working capital was negative and its current ratio/quick
ratio was under one during some of the above periods due to efforts to increase investment returns through purchases of investments that have maturities of greater than one year and, therefore, are classified as long-term.
<table>
<thead>
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<th>Coverage</th>
<th>Benefits</th>
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<td>Feb 1</td>
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<td>Mar 1</td>
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Attachment B.20.A
FY2010 TX STAR QOC Measures
Texas Medicaid Managed Care
STAR Program
Quality of Care Report
Fiscal Year 2010

Measurement Period:
September 1, 2009 through August 31, 2010

The Institute for Child Health Policy
University of Florida

The External Quality Review Organization
for Texas Medicaid Managed Care and CHIP

Submitted: August 30, 2011

Final Submitted:
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Executive Summary

Introduction

This report provides an annual update of the quality of care provided to members in the STAR Medicaid Managed Care Program for the State of Texas, prepared by the Institute for Child Health Policy at the University of Florida, the External Quality Review Organization (EQRO) for Texas Medicaid Managed Care. This update is for September 1, 2009 to August 31, 2010, covering fiscal year 2010.

The STAR Program is administered through 14 managed care organizations (MCOs), providing services in nine urban geographic regions of Texas. Approximately 39 percent of all Texas Medicaid recipients receive their health care and services from a STAR MCO.¹

This report provides descriptive information about the STAR population, and evaluation of members’ access to care, utilization of services, and effectiveness of preventive care and treatment. Results for the following quality of care measures are presented in this report:

- **Access to Care** – Prenatal and Postpartum Care, and Children and Adolescents’ Access to Primary Care Practitioners.

- **Utilization of Services** – Frequency of Ongoing Prenatal Care, Well-Child Visits in the First 15 Months of Life, Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life, Adolescent Well-Care Visits, HEDIS® Ambulatory Care, and AHRQ Pediatric Quality Indicators (PDIs) and Adult Prevention Quality Indicators (PQIs).

- **Effectiveness of Care**
  - Diabetes – HEDIS® Comprehensive Diabetes Care.
  - Women’s Preventive Care and Screening – HEDIS® Cervical Cancer Screening and HEDIS® Chlamydia Screening in Women.
  - Behavioral Health – Follow-up Care for Children Prescribed ADHD Medication, Follow-up after Hospitalization for Mental Illness, and Readmission within 30 days after an Inpatient Stay for Mental Health.

Methodology

A detailed description of the methodology used in this report is presented in Appendix A. Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Specifications Report, July 2011.”²
Rates for Healthcare Effectiveness and Data Information Set (HEDIS®) measures were calculated using National Committee for Quality Assurance (NCQA) certified software. Discussion of results includes comparison with HEDIS® national Medicaid rates, which are derived from rates reported to the NCQA by Medicaid Managed Care plans nationally.3

At the request of the Texas Health and Human Services Commission (HHSC), the EQRO developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for certain HEDIS® measures. The following measures rely on specific provider specialty codes, and are therefore affected by this change in methodology:

- Prenatal Care
- Children and Adolescents’ Access to Primary Care Providers
- Frequency of Ongoing Prenatal Care
- Well-Child Visits in the First 15 Months of Life
- Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life
- Adolescent Well-Care Visits
- Follow-up Care for Children Prescribed ADHD Medication
- Follow-up After Hospitalization for Mental Illness

For these measures, the name HEDIS® has been removed from the titles, as these measures do not adhere precisely to NCQA specifications and their results are likely inflated from the lifting of provider constraints. Thus, the discussion of results for these measures does not include comparison to HEDIS® national Medicaid rates.

Pediatric Quality Indicators (PDIs) and Adult Prevention Quality Indicators (PQIs) developed by the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate STAR program rates of inpatient admissions for ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.”4

Summary of Findings

Access to Care

- **Prenatal and postpartum care.** Eighty-three percent of pregnant women in STAR had prenatal care during the first trimester, and 60 percent had a postpartum visit three to eight weeks after giving birth. All MCOs except one performed below the HHSC Dashboard standard for postpartum care (65 percent).

- **Access to primary care practitioners.** Children and adolescents in the STAR Program had good access to primary care practitioners (PCPs). Over 94 percent had a recent visit with a PCP.
Utilization of Services

- **Prenatal care.** Sixty-three percent of women in STAR needing prenatal care had more than 80 percent of the expected number of prenatal visits.

- **Preventive care for infants and children.** Nearly two-thirds of STAR members 15 months old and younger had six or more well-child visits (63 percent). Utilization of well-child care was greater for children three to six years of age (80 percent).

- **Preventive care for adolescents.** Sixty-three percent of adolescents in STAR had a comprehensive well-care visit.

- **Ambulatory care.** The rate of outpatient visits in STAR was 440 per 1,000 member months. The rate of emergency department visits in STAR was 59 per 1,000 member months. For both outpatient and emergency department utilization, rates generally decreased with age.

- **Pediatric inpatient admissions.** Rates of ACSC-related pediatric inpatient admissions were below the national rates reported by the AHRQ, with the exception of inpatient admissions for perforated appendix (39 vs. 29 per 100 admissions for appendicitis). The highest rate of pediatric inpatient admissions in STAR was for asthma (113 per 100,000); although this was lower than the AHRQ national rate (124 per 100,000).

- **Adult inpatient admissions.** Rates of ACSC-related adult inpatient admissions were above the national rates reported by the AHRQ for adult asthma (134 vs. 129 per 100,000), diabetes short-term complications (84 vs. 62 per 100,000), and uncontrolled diabetes (26 vs. 23 per 100,000).

Effectiveness of Care

- **Respiratory conditions.** Fifty-two percent of children in STAR received appropriate testing for sore throat (pharyngitis). Only two MCOs (Cook Children’s and Parkland) had rates that exceeded the national HEDIS® mean of 62 percent. Eighty-three percent of children in STAR received appropriate treatment for upper respiratory infection.

The vast majority of STAR members who have asthma received appropriate medications for their condition (95 percent).

- **Diabetes care.** The majority of STAR members received effective diabetic care, such as HbA1c testing, LDL-C screening, and medical attention for diabetic nephropathy. A smaller percentage of members with diabetes had an eye exam (35 percent).

- **Women’s preventive care and screening.** Thirty-nine percent of adult women in STAR were screened for cervical cancer. Among women 16 to 24 years old, approximately half were screened for Chlamydia (51 percent).
• Behavioral health care and treatment. Less than half of children with ADHD in STAR had an initial follow-up visit after being dispensed an ADHD medication (47 percent), and 58 percent received appropriate follow-up in the nine months after initiating treatment.

Among STAR members hospitalized for mental illness, 45 percent had a follow-up visit within 7 days of discharge from the hospital, and 72 percent had a follow-up visit within 30 days of discharge from the hospital.

The STAR Program rate for mental health readmission within 30 days was 11 percent.

Recommendations

The performance of the STAR Program and MCOs participating in STAR was good for most quality of care measures in fiscal year 2010. The EQRO recommends that MCOs focus quality improvement efforts on areas where program-level rates were below national averages or where the majority of MCOs performed below HHSC Dashboard standards.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Recommendations</th>
<th>Rationale</th>
<th>HHSC Recommendations/Responses</th>
</tr>
</thead>
</table>
| Postpartum care   | • Ensure that all qualifying STAR members are enrolled in existing perinatal case management and care coordination programs (e.g., high-risk OB).<br>• Focus quality improvement efforts on existing perinatal programs, including Performance Improvement Projects (PIPs) that assess changes in access to postpartum care using the measures presented in this report.<br>• Consider implementing the successful strategies of health plans awarded by NCQA for innovation in multicultural health care:
  o Face-to-face contact with outreach workers with pregnant women in STAR was low, with 60 percent having a postpartum care visit three to eight weeks after giving birth. Furthermore, all STAR MCOs except one performed below the HHSC Dashboard standard of 65 percent for this measure. |                                                                                           | • Compared to 2009 results, rates for 2010 indicates a slight improvement from 58% to 60%.<br>• MCOs offer OB case management to those members who are identified with a high-risk pregnancy.<br>• Continue to encourage MCOs to offer value-added services which improve prenatal and postpartum care. |
| Appropriate testing for children with pharyngitis | - Ensure that pediatric primary care providers (PCPs) of STAR members are following proper and up-to-date clinical practice guidelines for treatment of children with pharyngitis.  
- Consider physician training programs for PCPs of STAR members to reduce inappropriate antibiotic prescribing:  
  - Training providers in the use of an interactive booklet to facilitate primary care consultations for childhood respiratory tract infections.  
  - A physician behavior- | The rate of appropriate testing for children in STAR with pharyngitis was below the HEDIS® national average (52 percent vs. 62 percent).  
Furthermore, all STAR MCOs except two performed below the HEDIS® national average for this measure.  
These findings suggest that many STAR primary care providers are inappropriately prescribing antibiotic medications without | - HHSC will encourage health plans to provide member and provider education on the use of antibiotics with proper testing to children presenting with sore throat.  
- HHSC continues to monitor MCO performance on Appropriate Treatment for Children with Pharyngitis (CWP) through the Performance |
change strategy that includes guideline dissemination, small-group education, updates, educational materials, and prescribing feedback, targeting the treatment of children age 2 to 6 years old.\textsuperscript{10}

<table>
<thead>
<tr>
<th>Indicator Dashboard.</th>
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### Cervical cancer screening

- Establish programs for monitoring provider compliance with cervical cancer screening. If a program is already in place, conduct quality improvement studies to ensure it is effective.

- Establish programs for educating female STAR members about the importance of annual cervical cancer screening. If a program is already in place, conduct quality improvement studies to ensure it is effective.

- Conduct studies to explore the potential associations between high network provider turnover and low rates of cervical cancer screening. Research has found that PCP turnover is associated with low rates of cervical cancer screening, suggesting that efforts to reduce turnover may help to improve these rates.\textsuperscript{11}

Only 39 percent of adult female STAR members had a cervical cancer screening. This rate is low considering the strong recommendation for regular screening by the U.S. Preventive Services Task Force.\textsuperscript{12}

Based on MCO Administrative Interviews conducted in fiscal year 2011, some MCOs do not have programs for monitoring provider compliance with screening, or for educating female members about the importance of screening.

The ACOG Practice Bulletin No. 109 published December 2009 changed the cervical cytology screening guidelines as follows:

1. Start cervical cancer screening at age 21, not at onset of sexual activity (if younger than 21).

2. Paps should be done every other year on women 21 – 29 years old.

3. Women 30 and older who have never had an abnormal pap can be spaced out to every three year paps.

4. Screening can be decreased at age 65 or 70.

5. No paps are
necessary for women who have had a hysterectomy for benign reasons and have never had an abnormal pap.

Changes in the ACOG’s cervical cancer screening guidelines during the measurement period may have impacted the numbers of women getting paps and help explain the drop in screening rates from SFY2009 to SFY2010. HHSC will review the cervical cancer screening performance indicator to ensure it reflects current clinical practice and guidelines.

The STAR Population

There were 1,477,897 unduplicated members in the STAR Program in August 2010. Slightly more than half of the STAR population was female (53 percent). The average age of members was 8.8 years (SD = 9.06).
Figure 1 provides the number of members in the 14 STAR Managed Care Organizations in August 2010. AMERIGROUP had the largest membership, with 408,682 members accounting for 28 percent of the STAR population. Other STAR MCOs with a large membership (over 100,000) included:

- Superior (236,711 members).
- Texas Children’s (198,069 members).
- Parkland (154,325 members).
- Community Health Choice (125,691 members).

The MCOs with the smallest membership (under 13,000) were Molina (10,734 members) and UnitedHealthcare-Texas (12,571 members).

Table 1 provides the total number of unduplicated members in the eight STAR Service Areas. Over half of all STAR members lived in either the Harris Service Area (32 percent) or the Dallas Service Area (22 percent). Lubbock was the smallest STAR Service Area, containing three percent of the STAR population.

<table>
<thead>
<tr>
<th>Table 1. Number of Unduplicated STAR Members by Service Area/MCO</th>
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</table>
Figure 1. Total Number of Unduplicated Members in STAR by MCO - August 2010

Note. Values were not displayed in the figure for the following MCOs due to low enrollment numbers: Molina (10,734), UniCare (20,087), and UnitedHealthcare-Texas (12,571).

Figure 2 provides the distribution of STAR members by race/ethnicity in August 2010. Nearly two-thirds of STAR members were Hispanic (60 percent), followed by Black, non-Hispanic (18 percent), and White, non-Hispanic (15 percent). STAR members of Asian race/ethnicity accounted for less than two percent of the member population, and those of American Indian race/ethnicity accounted for less than one percent. Five percent of STAR members could not be classified by race/ethnicity using the claims data.
Access to Care

**Prenatal and Postpartum Care**

Figure 3 provides the percentage of live birth deliveries among women in STAR who received prenatal care in their first trimester (or within 42 days of enrollment in STAR), and who had a postpartum visit on or between 21 days and 56 days after delivery, by MCO.

**The STAR Program.** Eighty-three percent of pregnant women in STAR had prenatal care in their first trimester, and 60 percent had a postpartum visit 3 to 8 weeks after giving birth.

- **STAR MCOs.** There was little variation in MCO performance in providing timely prenatal care to pregnant women in STAR. In the majority of MCOs, greater than 80 percent of members received prenatal care in their first trimester. In addition, all MCOs except FirstCare met HHSC’s Performance Indicator Dashboard Standard of 72 percent for prenatal care.

  For postpartum care, 13 out of 14 MCOs did not meet HHSC’s Performance Indicator Dashboard Standard of 65 percent for this measure. Cook Children’s was the only STAR MCO to meet HHSC’s standard, with 67 percent of women in this MCO receiving a timely postpartum visit. It should be noted that five MCOs were within a few percentage points of meeting HHSC’s standard for postpartum care: 1) Aetna (64 percent); 2) AMERIGROUP (61 percent); 3) Community First (63 percent); 4) El Paso First (64 percent); and 5) UniCare (62 percent).
Figure 3. The Percentage of Female Members in STAR Receiving Prenatal and Postpartum Care

Reference: Table PPC
Figures 4 and 5 present results for Prenatal and Postpartum Care for the STAR Service Areas. All Service Areas met the HHSC Dashboard Standard for Prenatal Care except Lubbock (66 percent). Lubbock also had the lowest rate for Postpartum Care (57 percent). Only Tarrant (66 percent) met the HHSC Dashboard Standard for Postpartum Care.

Figure 4. The Percentage of Female Members in STAR Receiving Prenatal and Postpartum Care, by Service Area (Bexar, Dallas, El Paso, Harris)
Figure 5. The Percentage of Female Members in STAR Receiving Prenatal and Postpartum Care, by Service Area (Lubbock, Nueces, Tarrant, Travis)

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Prenatal Care Percentages</th>
<th>Postpartum Care Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUBBOCK SERVICE AREA</td>
<td>56.59%</td>
<td>66.33%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>55.83%</td>
<td>63.25%</td>
</tr>
<tr>
<td>Superior</td>
<td>58.85%</td>
<td>75.47%</td>
</tr>
<tr>
<td>NUECES SERVICE AREA</td>
<td>57.63%</td>
<td>82.75%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>52.39%</td>
<td>85.21%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>58.64%</td>
<td>82.51%</td>
</tr>
<tr>
<td>Superior</td>
<td>57.12%</td>
<td>81.78%</td>
</tr>
<tr>
<td>TARRANT SERVICE AREA</td>
<td>66.05%</td>
<td>81.34%</td>
</tr>
<tr>
<td>Aetna</td>
<td>79.63%</td>
<td>81.05%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>65.41%</td>
<td>83.00%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>67.20%</td>
<td>81.99%</td>
</tr>
<tr>
<td>TRAVIS SERVICE AREA</td>
<td>57.23%</td>
<td>78.48%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>56.84%</td>
<td>70.09%</td>
</tr>
<tr>
<td>Superior</td>
<td>57.35%</td>
<td>81.19%</td>
</tr>
</tbody>
</table>

Reference: Table PPC
**Children and Adolescents’ Access to Primary Care Practitioners**

*Figures 6 through 9* present results for Children and Adolescents’ Access to Primary Care Practitioners (PCPs), by STAR MCO. This measure provides the percentage of members 12 to 24 months and 25 months to 6 years old who had a visit with a PCP in the past year, and the percentage of members 7 to 11 years old and 12 to 19 years old who had a visit with a PCP in the past two years. *Table 2* provides rates of access to PCPs by STAR Service Area.

**The STAR Program.** Children and adolescents in STAR had good access to primary care providers. The percentage of members who had a visit with a PCP was:

- 98 percent for members 12 to 24 months old.
- 95 percent for members 25 months to 6 years old.
- 96 percent for members 7 to 11 years old.
- 95 percent for members 12 to 19 years old.

**STAR MCOs.** Access to PCPs across the STAR MCOs was similar, with a range in MCO performance of 4 percentage points for 12 to 24 month old members; 5 percentage points for 25 months to 6 year old members; and 7 percentage points for 12 to 19-year-old members. Among adolescent members, access to PCPs ranged from 86 percent in UnitedHealthcare-Texas to 98 percent in Driscoll and El Paso First (a 12 percentage point difference). Overall, Driscoll and El Paso First had the highest percentage of child and adolescent members who visited a PCP.

**STAR Service Areas.** Access to PCPs was generally even across the STAR Service Areas, particularly for members 12 to 24 months old. For children 25 months to 6 years old, rates ranged from 92 percent in Lubbock to 96 percent in El Paso, Harris, and Nueces. For children 7 to 11 years old, rates ranged from 91 percent in Travis to 98 percent in El Paso and Nueces. For adolescents, rates ranged from 92 percent in Travis to 99 percent in Nueces.

*Table 2. Rates of Children and Adolescents’ Access to PCPs in STAR, by Service Area*

<table>
<thead>
<tr>
<th>STAR Service Area</th>
<th>12 – 24 months</th>
<th>25 months – 6 years</th>
<th>7 – 11 years</th>
<th>12 – 19 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>98.56%</td>
<td>93.93%</td>
<td>95.64%</td>
<td>95.83%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>98.23%</td>
<td>95.09%</td>
<td>96.40%</td>
<td>94.60%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>99.12%</td>
<td>96.14%</td>
<td>97.95%</td>
<td>97.59%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>98.15%</td>
<td>95.52%</td>
<td>96.06%</td>
<td>94.12%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>98.24%</td>
<td>91.67%</td>
<td>93.89%</td>
<td>95.38%</td>
</tr>
<tr>
<td>NUECES</td>
<td>99.20%</td>
<td>96.11%</td>
<td>97.81%</td>
<td>98.52%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>97.95%</td>
<td>93.01%</td>
<td>94.99%</td>
<td>93.51%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>97.88%</td>
<td>92.57%</td>
<td>91.39%</td>
<td>91.77%</td>
</tr>
</tbody>
</table>
Figure 6. The Percentage of STAR Members 12 to 24 Months with Access to a PCP

<table>
<thead>
<tr>
<th>STAR Program</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>97.75%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>98.07%</td>
</tr>
<tr>
<td>Community First</td>
<td>98.71%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>98.35%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>97.93%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>99.41%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>98.95%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>98.25%</td>
</tr>
<tr>
<td>Molina</td>
<td>97.07%</td>
</tr>
<tr>
<td>Parkland</td>
<td>98.20%</td>
</tr>
<tr>
<td>Superior</td>
<td>98.40%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>98.70%</td>
</tr>
<tr>
<td>UniCare</td>
<td>97.55%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>95.41%</td>
</tr>
</tbody>
</table>

Reference: Table CAP
Figure 7. The Percentage of STAR Members 25 Months to 6 Years Old with Access to a PCP

Reference: Table CAP
Figure 8. The Percentage of STAR Members 7 to 11 Years Old with Access to a PCP

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR Program</td>
<td>95.88%</td>
</tr>
<tr>
<td>Aetna</td>
<td>90.83%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>95.71%</td>
</tr>
<tr>
<td>Community First</td>
<td>95.79%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>96.07%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>95.11%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>98.04%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>98.12%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>93.72%</td>
</tr>
<tr>
<td>Molina</td>
<td>93.95%</td>
</tr>
<tr>
<td>Parkland</td>
<td>95.72%</td>
</tr>
<tr>
<td>Superior</td>
<td>95.39%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>96.77%</td>
</tr>
<tr>
<td>UniCare</td>
<td>94.58%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>92.99%</td>
</tr>
</tbody>
</table>

Reference: Table CAP
Figure 9. The Percentage of STAR Members 12 to 19 Years Old with Access to a PCP

- STAR Program: 94.91%
- Aetna: 92.94%
- AMERIGROUP: 94.25%
- Community First: 96.07%
- Community Health Choice: 94.28%
- Cook Children's: 93.07%
- Driscoll: 98.46%
- El Paso First: 97.94%
- FirstCare: 95.52%
- Molina: 87.15%
- Parkland: 94.30%
- Superior: 95.52%
- Texas Children's: 95.29%
- UniCare: 88.71%
- UnitedHealthcare-Texas: 85.79%

Reference: Table CAP
Utilization of Services in the STAR Program

Frequency of Ongoing Prenatal Care

Figure 10 provides the results for the Frequency of Ongoing Prenatal Care (FPC) measure, by STAR MCO. Figures 11 and 12 provide results for this measure by STAR Service Area. This measure examines women’s use of prenatal care services relative to the recommended guidelines of the American College of Obstetricians and Gynecologists for frequency/scheduling of prenatal care. The FPC measure tracks women who had a live delivery in the past year to determine the percentage of recommended prenatal visits they had (the ratio of observed to expected prenatal care visits).

The results are presented as the percentage of members who received less than 21 percent, 21 to 40 percent, 41 to 60 percent, 61 to 80 percent, and more than 80 percent of the number of expected prenatal care visits. The discussion of the results below will focus on the percentage of members who had more than 80 percent of expected prenatal care visits.

The STAR Program. Among pregnant women in STAR:

- 8 percent had less than 21 percent of expected prenatal care visits;
- 4 percent had 21 to 40 percent of expected prenatal care visits;
- 8 percent had 41 to 60 percent of expected prenatal care visits;
- 17 percent had 61 to 80 percent of expected prenatal care visits; and
- 63 percent had more than 80 percent of expected prenatal care visits.

STAR MCOs. There was variation across the STAR MCOs in women’s use of prenatal care services, with the highest use of services occurring in UniCare and Cook Children’s, and the lowest use of services occurring in FirstCare. The percentage of women having more than 80 percent of the expected number of prenatal care visits ranged from 41 percent in FirstCare to 69 percent in UniCare.

STAR Service Areas. Women in the Tarrant Service Area had the highest utilization of prenatal care, with 67 percent having 80 percent or more of the expected number of prenatal care visits. Women in Lubbock had the lowest utilization of prenatal care, with 43 percent having 80 percent or more of the expected number of visits.

Among MCO/SA groups, the greatest variation in prenatal care utilization was observed in Dallas, with 60 percent in Parkland-Dallas and 72 percent in AMERIGROUP-Dallas having 80 percent or more of the expected number of prenatal care visits.
Figure 10. Frequency of Ongoing Prenatal Care - The Percentage of Women in STAR Receiving the Expected Number of Prenatal Visits

Reference: Table FPC
Figure 11. Frequency of Ongoing Prenatal Care - The Percentage of Women in STAR Receiving the Expected Number of Prenatal Visits, by Service Area (Bexar, Dallas, El Paso, Harris)

Reference: Table FPC
Figure 12. Frequency of Ongoing Prenatal Care - The Percentage of Women in STAR Receiving the Expected Number of Prenatal Visits, by Service Area (Lubbock, Nueces, Tarrant, Travis)

LUBBOCK SERVICE AREA
FirstCare 26.17% 29.25% 17.02% 11.78% 13.72% 43.07%
Superior 17.82% 16.86% 20.64% 17.53% 16.34% 50.67%

NUECES SERVICE AREA
AMERIGROUP 10.83% 15.80% 15.41% 16.38% 15.17% 62.62%
Driscoll 11.78% 15.53% 17.53% 15.53% 16.38% 62.93%
Superior 9.73% 17.53% 15.53% 17.53% 16.38% 59.73%

TARRANT SERVICE AREA
Aetna 16.34% 17.47% 16.38% 15.17% 13.99% 66.79%
AMERIGROUP 17.47% 16.38% 15.17% 13.99% 13.99% 62.38%
Cook Children's 16.34% 17.47% 16.38% 15.17% 13.99% 68.61%

TRAVIS SERVICE AREA
AMERIGROUP 13.72% 13.99% 11.94% 14.66% 10.51% 62.40%
Superior 13.99% 11.94% 14.66% 14.66% 10.51% 54.41%

Reference: Table FPC
Well-Child and Adolescent Well-Care Visits

Well-Child Visits in the First 15 Months of Life

Figure 13 provides results for the Well-Child Visits in the First 15 Months of Life measure, which represents the percentage of STAR members who turned 15 months old during the measurement year and who had six or more well-child visits with a physician provider during their first 15 months of life, distributed by MCO. Table 3 provides results for this measure by STAR Service Area, along with results for other well-care measures presented in this report.

The STAR Program. Sixty-three percent of members in STAR had six or more well-child visits in their first 15 months of life.

STAR MCOs. All STAR MCOs exceeded the HHSC Performance Indicator Dashboard standard of 36 percent for this measure. The MCOs with the greatest percentage of members having six or more well-child visits in the first 15 months of life were Cook Children’s at 71 percent, Community First at 70 percent, and Community Health Choice at 68 percent.

STAR Service Areas. The percentage of members having six or more well-child visits in the first 15 months of life ranged from 57 percent in Lubbock to 70 percent in Tarrant. All STAR Service Areas exceeded the HHSC Dashboard standard of 36 percent for this measure.

Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life

Figure 14 provides results for the Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life measure, which represents the percentage of STAR members between three and six years old who received one or more well-child visits with a provider during the measurement period, distributed by MCO. Table 3 provides results for this measure by STAR Service Area, along with results for other well-care measures presented in this report.

The STAR Program. Eighty percent of children 3 to 6 years old in STAR had a well-child visit.

STAR MCOs. All STAR MCOs exceeded the HHSC Performance Indicator Dashboard standard of 56 percent for this measure. The MCOs with the greatest percentage of members 3 to 6 years old having at least one well-child visit were Driscoll and El Paso First, each at 83 percent.

STAR Service Areas. The percentage of STAR members 3 to 6 years old having at least one well-child visit ranged from 74 percent in Lubbock to 83 percent in Nueces. All STAR Service Areas exceeded the HHSC Dashboard standard for this measure.
Adolescent Well-Care Visits

Figure 15 provides results for the Adolescent Well-Care Visits measure, which represents the percentage of STAR members 12 to 21 years old who received one or more comprehensive adolescent well-care visits with a provider during the measurement period, distributed by MCO. Table 3 provides results for this measure by STAR Service Area, along with results for other well-care measures presented in this report.

The STAR Program. Sixty-three percent of adolescents in STAR had a well-care visit.

STAR MCOs. All STAR MCOs exceeded the HHSC Performance Indicator Dashboard standard of 38 percent for this measure. The MCOs with the highest rates of adolescent well-care visits were Driscoll (73 percent) and El Paso First (71 percent).

STAR Service Areas. Rates of adolescent well-care visits ranged from 54 percent in Travis to 72 percent in Nueces. All STAR Service Areas exceeded the HHSC Dashboard standard for this measure.

Table 3. Child and Adolescent Well-Care Visits in STAR, by Service Area

<table>
<thead>
<tr>
<th>STAR Service Area</th>
<th>Well-Child Visits in the First 15 Months of Life</th>
<th>Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life</th>
<th>Adolescent Well-Care Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>65.33%</td>
<td>79.42%</td>
<td>61.53%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>58.80%</td>
<td>80.21%</td>
<td>64.28%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>61.60%</td>
<td>80.94%</td>
<td>69.12%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>64.04%</td>
<td>80.64%</td>
<td>63.68%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>56.52%</td>
<td>74.26%</td>
<td>58.79%</td>
</tr>
<tr>
<td>NUECES</td>
<td>61.50%</td>
<td>82.77%</td>
<td>71.92%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>69.71%</td>
<td>75.40%</td>
<td>57.33%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>60.74%</td>
<td>77.28%</td>
<td>54.06%</td>
</tr>
</tbody>
</table>
Figure 13. The Percentage of STAR Members with Six or More Well-Child Visits in the First 15 Months of Life

Reference: Table W15
Figure 14. The Percentage of STAR Members 3 to 6 Years Old With One or More Well-Child Visits

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR Program</td>
<td>79.51%</td>
</tr>
<tr>
<td>Aetna</td>
<td>72.67%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>80.14%</td>
</tr>
<tr>
<td>Community First</td>
<td>80.00%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>81.57%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>70.85%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>83.11%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>83.22%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>74.53%</td>
</tr>
<tr>
<td>Molina</td>
<td>70.53%</td>
</tr>
<tr>
<td>Parkland</td>
<td>79.04%</td>
</tr>
<tr>
<td>Superior</td>
<td>78.40%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>81.01%</td>
</tr>
<tr>
<td>UniCare</td>
<td>75.40%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>74.07%</td>
</tr>
</tbody>
</table>

Reference: Table W34
Figure 15. The Percentage of Adolescent STAR Members with One or More Well-Care Visits

Reference: Table AWC
**Utilization of Ambulatory Care**

**Outpatient Care**

Figures 16 through 19 provide results for the HEDIS® Ambulatory Care outpatient measure, showing the rate of outpatient visits per 1,000 member months in the STAR Program, distributed by age group and MCO. Table 4 provides results for this measure by STAR Service Area.

**The STAR Program.** Overall, STAR members had 440 outpatient visits per 1,000 member months during the measurement year. This rate is higher than the national HEDIS® mean of 367 per 1,000 member months. Utilization of outpatient care was highest among members less than one year old, generally decreased with age, and was generally higher than the corresponding national HEDIS® means. The rate of outpatient visits was:

- 774 per 1,000 member months among members less than one year old.
- 380 per 1,000 member months among members one to nine years old.
- 308 per 1,000 member months among members 10 to 19 years old.

**STAR MCOs.** Rates of outpatient utilization varied across STAR MCOs, particularly for members less than one year old. The lowest rate was observed in UnitedHealthcare-Texas for members 10 to 19 years old (250 per 1,000 member months). The highest rates in all age groups were observed in Driscoll, particularly for members less than one year old (1,019 per 1,000 member months).

**STAR Service Areas.** Overall, rates of outpatient utilization ranged from 378 per 1,000 member months in Travis to 511 per 1,000 member months in Nueces.

**Table 4. HEDIS® Ambulatory Care Outpatient Utilization in STAR, by Service Area**

<table>
<thead>
<tr>
<th>STAR Service Area</th>
<th>Total</th>
<th>&lt; 1 year old</th>
<th>1 to 9 years old</th>
<th>10 to 19 years old</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>425.60</td>
<td>733.96</td>
<td>347.26</td>
<td>314.11</td>
</tr>
<tr>
<td>DALLAS</td>
<td>444.24</td>
<td>762.36</td>
<td>390.65</td>
<td>308.67</td>
</tr>
<tr>
<td>EL PASO</td>
<td>428.27</td>
<td>763.62</td>
<td>375.75</td>
<td>319.56</td>
</tr>
<tr>
<td>HARRIS</td>
<td>448.94</td>
<td>773.39</td>
<td>405.33</td>
<td>305.81</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>443.74</td>
<td>775.97</td>
<td>346.74</td>
<td>332.68</td>
</tr>
<tr>
<td>NUECES</td>
<td>510.98</td>
<td>997.80</td>
<td>437.08</td>
<td>358.33</td>
</tr>
<tr>
<td>TARRANT</td>
<td>446.74</td>
<td>782.12</td>
<td>349.23</td>
<td>302.41</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>378.42</td>
<td>734.79</td>
<td>322.23</td>
<td>260.68</td>
</tr>
</tbody>
</table>
Figure 16. HEDIS® Ambulatory Care – The Overall Rate of Outpatient Visits per 1,000 Member Months in the STAR Program

Reference: Table AMB
Figure 17. HEDIS® Ambulatory Care - The Rate of Outpatient Visits per 1,000 Member Months for STAR Members < 1 Year of Age

Reference: Table AMB
Figure 18. HEDIS® Ambulatory Care - The Rate of Outpatient Visits per 1,000 Member Months for STAR Members 1 to 9 Years Old

<table>
<thead>
<tr>
<th>Program</th>
<th>Rate of Visits (per 1,000 member months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR Program</td>
<td>379.67</td>
</tr>
<tr>
<td>Aetna</td>
<td>328.86</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>368.38</td>
</tr>
<tr>
<td>Community First</td>
<td>358.72</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>426.36</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>367.86</td>
</tr>
<tr>
<td>Driscoll</td>
<td>434.18</td>
</tr>
<tr>
<td>El Paso First</td>
<td>361.88</td>
</tr>
<tr>
<td>FirstCare</td>
<td>345.19</td>
</tr>
<tr>
<td>Molina</td>
<td>334.96</td>
</tr>
<tr>
<td>Parkland</td>
<td>397.80</td>
</tr>
<tr>
<td>Superior</td>
<td>354.74</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>413.56</td>
</tr>
<tr>
<td>UniCare</td>
<td>355.19</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>308.70</td>
</tr>
</tbody>
</table>

HEDIS® mean - 313

Reference: Table AMB
Figure 19. HEDIS® Ambulatory Care - The Rate of Outpatient Visits per 1,000 Member Months for STAR Members 10 to 19 Years Old

Reference: Table AMB
Emergency Department Utilization

Figures 20 through 23 provide results for the HEDIS® Ambulatory Care emergency department (ED) measure, showing the rate of ED visits per 1,000 member months in the STAR Program, distributed by age group and MCO. Table 5 provides results for this measure by STAR Service Area.

The STAR Program. Overall, STAR members had 59 ED visits per 1,000 member months during the measurement year. This rate is lower than the national HEDIS® mean of 67 per 1,000 member months. Utilization of the ED was highest among members less than one year old and generally decreased with age. Program-level utilization rates were lower than the corresponding national HEDIS® means for members 1 to 19 years old, and higher than the national mean for members less than one year old. The rate of ED visits was:

- 108 per 1,000 member months among members less than one year old.
- 52 per 1,000 member months among members one to nine years old.
- 39 per 1,000 member months among members 10 to 19 years old.

STAR MCOs. Rates of ED utilization varied across STAR MCOs, particularly for members less than one year old. The lowest rate was observed in Texas Children’s for members 10 to 19 years old (28 per 1,000 member months). The highest rates were observed for members less than one year old in Community First, Driscoll, and FirstCare (all at 129 per 1,000 member months).

STAR Service Areas. Overall, rates of ED utilization ranged from 43 per 1,000 member months in Harris to 74 per 1,000 member months in Travis.

Table 5. HEDIS® Ambulatory Care Emergency Department Utilization in STAR, by Service Area

<table>
<thead>
<tr>
<th>STAR Service Area</th>
<th>HEDIS® Ambulatory Care Rate of Emergency Department Visits per 1,000 Member Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>BEXAR</td>
<td>67.92</td>
</tr>
<tr>
<td>DALLAS</td>
<td>62.69</td>
</tr>
<tr>
<td>EL PASO</td>
<td>48.32</td>
</tr>
<tr>
<td>HARRIS</td>
<td>42.97</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>71.98</td>
</tr>
<tr>
<td>NUECES</td>
<td>68.41</td>
</tr>
<tr>
<td>TARRANT</td>
<td>73.35</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>74.18</td>
</tr>
</tbody>
</table>
Figure 20. HEDIS® Ambulatory Care - The Overall Rate of ED Visits per 1,000 Member Months in the STAR Program

Reference: Table AMB
Figure 21. HEDIS® Ambulatory Care - The Rate of ED Visits per 1,000 Members Months for STAR Members < 1 Year of Age

<table>
<thead>
<tr>
<th>Program</th>
<th>Rate (per 1,000 Members Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR Program</td>
<td>108.49</td>
</tr>
<tr>
<td>Aetna</td>
<td>121.25</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>105.10</td>
</tr>
<tr>
<td>Community First</td>
<td>129.38</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>86.15</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>113.93</td>
</tr>
<tr>
<td>Driscoll</td>
<td>129.10</td>
</tr>
<tr>
<td>El Paso First</td>
<td>82.73</td>
</tr>
<tr>
<td>FirstCare</td>
<td>128.87</td>
</tr>
<tr>
<td>Molina</td>
<td>85.06</td>
</tr>
<tr>
<td>Parkland</td>
<td>121.23</td>
</tr>
<tr>
<td>Superior</td>
<td>120.57</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>83.87</td>
</tr>
<tr>
<td>UniCare</td>
<td>122.20</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>89.32</td>
</tr>
</tbody>
</table>

HEDIS® mean - 98

Reference: Table AMB
Figure 22. HEDIS® Ambulatory Care - The Rate of ED Visits per 1,000 Members Months for STAR Members 1 to 9 Years Old

Reference: Table AMB
Figure 23. HEDIS® Ambulatory Care - The Rate of ED Visits per 1,000 Members Months for STAR Members 10 to 19 Years Old

<table>
<thead>
<tr>
<th>Star Program</th>
<th>39.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>49.98</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>38.04</td>
</tr>
<tr>
<td>Community First</td>
<td>44.22</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>30.52</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>48.59</td>
</tr>
<tr>
<td>Driscoll</td>
<td>48.57</td>
</tr>
<tr>
<td>El Paso First</td>
<td>32.48</td>
</tr>
<tr>
<td>FirstCare</td>
<td>50.97</td>
</tr>
<tr>
<td>Molina</td>
<td>31.92</td>
</tr>
<tr>
<td>Parkland</td>
<td>43.18</td>
</tr>
<tr>
<td>Superior</td>
<td>44.60</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>27.88</td>
</tr>
<tr>
<td>UniCare</td>
<td>41.73</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>31.76</td>
</tr>
</tbody>
</table>

HEDIS® mean - 47

Reference: Table AMB
**AHRQ Quality Indicators**

The Agency for Healthcare Research and Quality (AHRQ) Pediatric Quality Indicators (PDIs) and Prevention Quality Indicators (PQIs) use hospital inpatient discharge data to calculate rates of admission for various ambulatory care sensitive conditions for children and adults, respectively. These indicators screen for inpatient stays that were potentially avoidable with better access to care in the outpatient setting. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

**Pediatric Quality Indicators**

**Figures 24 through 28** provide PDI rates for asthma, diabetes short-term complications, gastroenteritis, urinary tract infections, and perforated appendix among children and adolescents in the STAR Program, up to 17 years of age, distributed by MCO. **Table 6** shows results for these five indicators by STAR Service Area.

**Table B1** in Appendix B describes each of the five AHRQ PDIs shown here. Discussion of PDIs in the key points below includes comparisons with national rates reported by AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2008 and are area-level indicators, including commercial and Medicaid populations.

**The STAR Program.** At the program level, inpatient admission rates for all PDI conditions except perforated appendix were lower than the corresponding national averages, which is indicative of good pediatric outpatient care. Among PDIs calculated per 100,000 members, the highest rate in the STAR Program was for asthma, and the lowest was for diabetes short-term complications.

- **Asthma.** The inpatient admissions rate for asthma was 113 per 100,000 members in the STAR Program overall, which is below the national rate of 124 per 100,000.

- **Diabetes short-term complications.** The inpatient admissions rate for diabetes short-term complications was 25 per 100,000 members in the STAR Program overall, which is slightly lower than the national rate of 28 per 100,000.

- **Gastroenteritis.** The inpatient admissions rate for gastroenteritis was 50 per 100,000 members in the STAR Program overall, which is considerably lower than the national rate of 105 per 100,000.

- **Urinary tract infection.** The inpatient admissions rate for urinary tract infection was 34 per 100,000 members in the STAR Program overall, which is slightly below the national rate of 43 per 100,000.

- **Perforated Appendix.** The inpatient admissions rate for perforated appendix was 39 per 100 admissions for appendicitis in the STAR Program overall, which is above the national rate of 29 per 100.
**STAR MCOs.** Rates of inpatient admissions for ACSCs among children in STAR varied across MCOs, particularly for asthma-related admissions.

- **Asthma.** Across the STAR MCOs, rates ranged from 34 per 100,000 in Molina to 177 per 100,000 in Driscoll. Seven MCOs had rates lower than the national average, and seven MCOs had rates higher than the national average.

- **Diabetes short-term complications.** Across the STAR MCOs, rates ranged from zero per 100,000 in UnitedHealthcare-Texas to 51 per 100,000 in Cook Children’s. Eight MCOs had rates lower than the national average, and six MCOs had rates higher than the national average.

- **Gastroenteritis.** Across the STAR MCOs, rates ranged from 13 per 100,000 in UniCare to 237 per 100,000 in El Paso First. All MCOs had rates below the national average except Driscoll (198 per 100,000) and El Paso First (237 per 100,000).

- **Urinary tract infection.** Across the STAR MCOs, rates ranged from 7 per 100,000 in Molina to 109 per 100,000 in El Paso First. All MCOs had rates below the national average except Driscoll (106 per 100,000), El Paso First (109 per 100,000), FirstCare (69 per 100,000), and Superior (46 per 100,000).

- **Perforated appendix.** Across the STAR MCOs, rates ranged from 27 per 100 in El Paso First to 46 per 100 in Texas Children’s. Among the nine MCOs for which these rates could be reported, only Cook Children’s (29 per 100) and El Paso First (27 per 100) had rates below the national average.

**STAR Service Areas.** Overall, PDI rates were highest in the El Paso and Nueces Service Areas, particularly for gastroenteritis. In Harris, PDI rates were below the national averages for all conditions except perforated appendix.

### Table 6. AHRQ Pediatric Quality Indicators in STAR, by Service Area

<table>
<thead>
<tr>
<th>STAR Service Area</th>
<th>AHRQ Pediatric Quality Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Asthma (per 100,000)</td>
</tr>
<tr>
<td>BEXAR</td>
<td>165.68</td>
</tr>
<tr>
<td>DALLAS</td>
<td>149.15</td>
</tr>
<tr>
<td>EI PASO</td>
<td>152.70</td>
</tr>
<tr>
<td>HARRIS</td>
<td>63.97</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>169.77</td>
</tr>
<tr>
<td>NUECES</td>
<td>176.74</td>
</tr>
<tr>
<td>TARRANT</td>
<td>79.31</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>99.67</td>
</tr>
</tbody>
</table>
Figure 24. AHRQ PDI Asthma Inpatient Admissions Rates in STAR (per 100,000)

Reference: Table PDI
Figure 25. AHRQ PDI Diabetes Short-Term Complications Inpatient Admissions Rates in STAR (per 100,000)

- STAR Program: 25.22
- Aetna: 19.09
- AMERIGROUP: 23.16
- Community First: 28.90
- Community Health Choice: 9.39
- Cook Children’s: 50.88
- Driscoll: 16.96
- El Paso First: 40.35
- FirstCare: 16.30
- Molina: 38.59
- Parkland: 29.93
- Superior: 32.32
- Texas Children’s: 19.67
- UniCare: 25.99
- UnitedHealthcare-Texas: AHRQ national rate - 28

Note: The value for UnitedHealthcare-Texas was not displayed due to low admission rate (0.00).

Reference: Table PDI
Figure 26. AHRQ PDI Gastroenteritis Inpatient Admissions Rates in STAR (per 100,000)

Note. Values were not displayed in the figure for the following MCOs due to low admission rates: Molina (21.26), UniCare (12.71), and UnitedHealthcare-Texas (13.58).

Reference: Table PDI
Figure 27. AHRQ PDI Urinary Tract Infection Inpatient Admissions Rates in STAR (per 100,000)

Note. The value for Molina was not displayed due to low admission rate (7.09).

Reference: Table PDI
Figure 28. AHRQ PDI Perforated Appendix Inpatient Admissions Rates in STAR (per 100 admissions for appendicitis)

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Aetna, FirstCare, Molina, UniCare, and UnitedHealthcare-Texas.

Reference: Table PDI

Adult Prevention Quality Indicators

Figures 29 through 33 provide PQI rates of inpatient admissions for five ambulatory care sensitive conditions – adult asthma, hypertension, diabetes short-term complications, diabetes long-term complications, and uncontrolled diabetes – among adults in the STAR Program, 18 years or older, distributed by MCO. These PQIs were chosen to depict in figures because most STAR MCOs have disease management programs for these conditions. Table 7 shows results for these five indicators by STAR Service Area. Results for all other PQIs are presented in Table B3 in Appendix B.
In addition, Table B2 in Appendix B describes each of the AHRQ PQIs in more detail. Discussion of PQIs below includes comparisons with national rates reported by the AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2008 and are area-level indicators, including commercial and Medicaid populations.

The STAR Program. At the program level, the highest inpatient admissions rate (among the five conditions discussed above) was for adult asthma, and the lowest was for uncontrolled diabetes.

- **Adult asthma.** The inpatient admissions rate for asthma was 134 per 100,000 adult members in the STAR Program, which is slightly above the national rate of 129 per 100,000.

- **Diabetes short-term complications.** The inpatient admissions rate for diabetes short-term complications was 84 per 100,000 members in the STAR Program, which is above the national rate of 62 per 100,000.

- **Diabetes long-term complications.** The inpatient admissions rate for diabetes long-term complications was 113 per 100,000 members in the STAR Program, which is lower than the national rate of 128 per 100,000.

- **Uncontrolled diabetes.** The inpatient admissions rate for uncontrolled diabetes was 26 per 100,000 members in the STAR Program, which is slightly above the national rate of 23 per 100,000.

- **Hypertension.** The inpatient admissions rate for hypertension was 43 per 100,000 members in the STAR Program, which is lower than the national rate of 62 per 100,000.

**STAR MCOs.** Rates of inpatient admissions for ACSCs among adults in STAR varied across MCOs for all conditions.

- **Adult asthma.** Across the STAR MCOs, the asthma inpatient admissions rate ranged from 0 per 100,000 in Driscoll and UnitedHealthcare-Texas to 394 per 100,000 in UniCare. The rate in UniCare was more than twice the national rate for this indicator.

- **Diabetes short-term complications.** Across the STAR MCOs, the diabetes short-term complications inpatient admissions rate ranged from 18 per 100,000 in Driscoll to 201 per 100,000 in Cook's Children. The rate in Cook's Children was more than three times greater than the national rate for this indicator.

- **Diabetes long-term complications.** Across the STAR MCOs, the diabetes long-term complications inpatient admissions rate ranged from 0 per 100,000 in UnitedHealthcare-Texas to 579 per 100,000 in UniCare. The rate in UniCare was approximately four times greater than the national rate for this indicator.

- **Uncontrolled diabetes.** Across the STAR MCOs, the uncontrolled diabetes inpatient admissions rate ranged from 0 per 100,000 members in Molina to 74 per 100,000 in UniCare. The rate in UniCare was more than three times the national rate.

- **Hypertension.** Across the STAR MCOs, the hypertension inpatient admissions rate ranged from 0 per 100,000 in Molina and UnitedHealthcare-Texas to 247 per 100,000 in UniCare. The rate in UniCare was four times greater than the national rate for this indicator.
STAR Service Areas. Overall, adult inpatient admissions rates for asthma, diabetes-related conditions, and hypertension were highest in the Tarrant, Dallas, and Lubbock Service Areas.

Table 7. AHRQ Prevention Quality Indicators in STAR, by Service Area

<table>
<thead>
<tr>
<th>STAR Service Area</th>
<th>Adult Asthma (per 100,000)</th>
<th>Diabetes Short-Term Complications (per 100,000)</th>
<th>Diabetes Long-Term Complications (per 100,000)</th>
<th>Uncontrolled Diabetes (per 100,000)</th>
<th>Hypertension (per 100,000)</th>
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</thead>
<tbody>
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<td>22.17</td>
<td>32.03</td>
<td>14.78</td>
<td>2.46</td>
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<tr>
<td>DALLAS</td>
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<td>108.01</td>
<td>227.10</td>
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<td>El PASO</td>
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<td>32.48</td>
<td>138.05</td>
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<td>32.48</td>
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<td>HARRIS</td>
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<td>22.57</td>
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<tr>
<td>LUBBOCK</td>
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<td>105.45</td>
<td>210.91</td>
<td>76.69</td>
<td>47.93</td>
</tr>
<tr>
<td>NUECES</td>
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<td>12.40</td>
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<tr>
<td>TARRANT</td>
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<td>187.19</td>
<td>247.44</td>
<td>34.43</td>
<td>77.46</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>52.07</td>
<td>74.85</td>
<td>16.27</td>
<td>6.51</td>
<td>32.54</td>
</tr>
</tbody>
</table>
Figure 29. AHRQ PQI Adult Asthma Inpatient Admissions Rates in STAR (per 100,000)

Note. Values were not displayed in the figure for the following MCOs due to low admission rates: Community First (40.38), Community Health Choice (25.93), Driscoll (0.00), Texas Children’s 8.84), and UnitedHealthcare-Texas (0.00).

Reference: Table PQI Texas Contract Year 2011 Fiscal Year 2010 Texas STAR Quality of Care Report Version: 1.0 HHSC Approval Date:
Figure 30. AHRQ PQI Diabetes Short-term Complications Inpatient Admissions Rates in STAR (per 100,000)

Note. The value for Driscoll was not displayed due to low admission rate (18.39).

Reference: Table PQI
Figure 31. AHRQ PQI Diabetes Long-term Complications Inpatient Admissions Rates in STAR (per 100,000)

Note. Values were not displayed for the following MCOs due to low admission rate: Community First (28.85), Community Health Choice (11.11), Driscoll (9.19), Molina (38.52), Superior (52.81), Texas Children’s (4.42), and UnitedHealthcare-Texas (0.00).

Reference: Table PQI
Figure 32. AHRQ PQI Uncontrolled Diabetes Inpatient Admissions Rates in STAR (per 100,000)

Note. Values were not displayed for the following MCOs due to low admission rate: Aetna (5.19), Community First (5.77), Molina (0.00), and Texas Children’s (4.42).

Reference: Table PQI

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Figure 33. AHRQ PQI Hypertension Inpatient Admissions Rates in STAR (per 100,000)

Note. Values were not displayed for the following MCOs due to low admission rate: Community First (23.08), Community Health Choice (7.41), Driscoll (9.19), Molina (0.00), Superior (25.49), Texas Children’s (17.67), and UnitedHealthcare-Texas (0.00).

Reference: Table PQI
Effectiveness of Care in the STAR Program

Respiratory Conditions

Appropriate Testing for Children with Pharyngitis

Figure 34 provides results for the HEDIS® Appropriate Testing for Children with Pharyngitis measure, which represents the percentage of children 2 to 18 years of age in the STAR Program who were diagnosed with pharyngitis, dispensed an antibiotic, and received a group A streptococcus test for the episode, distributed by MCO. Figure 35 presents results for this measure, distributed by MCO/SA.

The STAR Program. A little more than half of all children in the STAR Program diagnosed with pharyngitis and given an antibiotic also received a Strep Test from their provider (52 percent). The STAR Program performed 10 percentage points below the national HEDIS® Medicaid rate, between the 10th and 25th percentile nationally.

STAR MCOs. Only two STAR MCOs – Cook Children’s (69 percent) and Parkland (63 percent) – exceeded the national Medicaid HEDIS® rate for appropriate testing for children with pharyngitis. El Paso First was the lowest performing STAR MCO on this measure, with 1 in 3 children in this health plan receiving appropriate testing for sore throat (33 percent).

STAR Service Areas. Child members in the Dallas Service Area had the highest rate of appropriate testing for pharyngitis at 64 percent, and El Paso Service Area the lowest at 38 percent.

Notable performance on this measure was observed in the following MCO/SA groups, all of which met or exceeded the national Medicaid HEDIS® rate:

- Bexar Service Area – Superior at 62 percent.
- Dallas Service Area – AMERIGROUP at 66 percent and Parkland at 63 percent.
- Tarrant Service Area – Cook Children’s at 69 percent.
- Travis Service Area – AMERIGROUP at 65 percent.
Figure 34. HEDIS® Appropriate Testing for Children With Pharyngitis

- STAR Program: 51.62%
- Aetna: 53.75%
- AMERIGROUP: 52.30%
- Community First: 54.66%
- Community Health Choice: 41.06%
- Cook Children's: 68.86%
- Driscoll: 39.95%
- El Paso First: 33.00%
- FirstCare: 40.74%
- Molina: 42.07%
- Parkland: 63.38%
- Superior: 52.43%
- Texas Children's: 50.54%
- UniCare: 50.00%
- UnitedHealthcare-Texas: 57.00%

Reference: Table CWP
Figure 35. HEDIS® Appropriate Testing for Children With Pharyngitis, by STAR Service Area

Reference: Table CWP
Appropriate Treatment for Children with Upper Respiratory Infection

Figure 36 provides the HEDIS® Appropriate Treatment for Children with Upper Respiratory Infections, which is the percentage of children three months to 18 years of age who received a diagnosis of upper respiratory infection (URI) and who were not dispensed an antibiotic prescription. Pediatric clinical guidelines do not recommend antibiotic treatment for most upper respiratory infections. Thus, high percentages on this measure indicate good performance. Figure 37 presents results for this measure, distributed by STAR Service Area.

The STAR Program. Eighty-three percent of children in STAR were appropriately treated for an upper respiratory infection, and not prescribed an antibiotic, compared to 86 percent of children in Medicaid Managed Care Plans reporting to the NCQA on this measure.

STAR MCOs. There was slight variation in performance on this measure across the STAR MCOs, with rates of appropriate testing for pharyngitis ranging from 78 percent in Driscoll and UniCare to 89 percent in El Paso First. Superior and El Paso First were the only two MCOs to exceed the national Medicaid HEDIS® rate for this measure, at 88 and 89 percent respectively; although most STAR MCOs were within a few percentage points of the national rate.

STAR Service Areas. The Travis Service Area had the highest performance on this measure, with 92 percent of children living in this region receiving appropriate treatment for upper respiratory infection. Within the Travis Service Area, both AMERIGROUP (94 percent) and Superior (91 percent) performed well on this measure.
Figure 36. HEDIS® Appropriate Testing for Children With Upper Respiratory Infection

<table>
<thead>
<tr>
<th>Organization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR Program</td>
<td>83.34%</td>
</tr>
<tr>
<td>Aetna</td>
<td>83.04%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>81.82%</td>
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<tr>
<td>Community First</td>
<td>83.85%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>82.14%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>81.49%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>77.52%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>88.80%</td>
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<tr>
<td>FirstCare</td>
<td>82.74%</td>
</tr>
<tr>
<td>Molina</td>
<td>79.22%</td>
</tr>
<tr>
<td>Parkland</td>
<td>80.91%</td>
</tr>
<tr>
<td>Superior</td>
<td>87.69%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>84.21%</td>
</tr>
<tr>
<td>UniCare</td>
<td>78.39%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>83.04%</td>
</tr>
</tbody>
</table>

HEDIS® Mean - 86%

Reference: Table URI
Figure 37. HEDIS® Appropriate Testing for Children With Upper Respiratory Infection, by STAR Service Area

Reference: Table URI
Use of Appropriate Medications for People with Asthma

The HEDIS® Use of Appropriate Medications for People with Asthma measure provides the percentage of members who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement period. For the present report, the 2009 HEDIS® specifications were used to calculate this measure, rather than the specifications for 2010, which assigned new age cohorts. The age cohorts specified in the 2009 HEDIS® specifications – 5 to 9 years old, 10 to 17 years old, and 18 to 56 years old – are still in use on the HHSC Performance Indicator Dashboard. Therefore, these age cohorts were used to permit comparisons with the Dashboard standards.

Figure 38 provides the percentage of STAR Program members 5 to 9 years old having appropriately prescribed asthma medication, distributed by MCO. Figure 39 provides the percentage of STAR members 10 to 17 years old having appropriately prescribed asthma medication, distributed by MCO. Results are not provided at the MCO level for members in the 18- to 56-year-old cohort due to low denominators. Table 8 provides results for all three age cohorts (when there were sufficient data) by STAR Service Area.

The STAR Program. Ninety-six percent of STAR members 5 to 9 years old were appropriately treated for asthma, and 94 percent of members 10 to 17 years old were appropriately treated for asthma. At the program level, the rate of appropriate asthma treatment for STAR members 18 to 56 years old was 91 percent (result not shown in figures or tables).

STAR MCOs. All MCOs provided appropriate asthma care for the vast majority of their memberships ranging from 84 percent for FirstCare members 18 to 56 years old (result not shown in figure/tables) to 100 percent for Aetna members 5 to 9 years old. All MCOs exceeded the HHSC Performance Indicator Dashboard standards for appropriate asthma care for members 10 to 19 years old (57 percent) and members 18 to 56 years old (62 percent).

STAR Service Areas. Asthma care across the STAR Service Areas was fairly uniform for children, indicating that the quality of asthma care for children was not affected by the geographic region in which they lived. However, the quality of asthma care was lower for adults and was more variable depending on Service Area. The highest percentage of adults receiving appropriate asthma medication was in the El Paso Service Area, and the lowest was in the Tarrant Service Area (95 vs. 81 percent). Much of this difference may be explained by the smaller number of adults receiving asthma care, as the majority of Service Areas had less than 100 members in the 18- to 56-year-old category.
Table 8. HEDIS® Use of Appropriate Medications for Asthma in STAR, by Service Area

<table>
<thead>
<tr>
<th>STAR Service Area</th>
<th>HEDIS® Use of Appropriate Medications for Asthma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>BEXAR</td>
<td>95.68%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>94.63%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>95.16%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>95.57%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>91.70%</td>
</tr>
<tr>
<td>NUECES</td>
<td>97.36%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>92.69%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>94.35%</td>
</tr>
</tbody>
</table>
Figure 38. HEDIS® Use of Appropriate Medications for People With Asthma - STAR Members 5 to 9 Years Old

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Molina, UniCare, and UnitedHealthcare-Texas.

Reference: Table ASM-Special
Figure 39. HEDIS® Use of Appropriate Medications for People with Asthma - STAR Members 10 to 17 Years Old

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Molina, UniCare, and UnitedHealthcare-Texas.

Reference: Table ASM-Special
Diabetes Care

The HEDIS® Comprehensive Diabetes Care measure provides the percentage of STAR Program members 18 to 75 years of age with diabetes (type 1 and 2) who had hemoglobin A1c (HbA1c) testing, eye exams, LDL-C screening, and medical attention for diabetic nephropathy during the measurement period. HEDIS® technical specifications for the Comprehensive Diabetes Care measures allow for the use of administrative and medical record review data. Results shown were calculated using administrative data only. Note that only eye exams conducted by a vision specialist are counted as eye exam visits.

Figures 40 through 43 provide results for each of the four Comprehensive Diabetes Care submeasures, distributed by MCO. Table 9 provides results for all four sub-measures by Service Area.

The STAR Program.

- **HbA1c Testing.** Seventy-eight percent of STAR members with diabetes received HbA1c testing, which is slightly below the HEDIS® average of 81 percent for this measure.

- **Eye Exams.** Thirty-five percent of STAR members with diabetes received an eye exam, which is considerably lower than the HEDIS® average of 53 percent for this measure.

- **LDL-C Screening.** Seventy-four percent of STAR members with diabetes received LDL-C screening, which is equivalent to the HEDIS® average of 74 percent for this measure.

- **Monitoring for Nephropathy.** Seventy-nine percent of STAR members with diabetes were monitored for diabetic nephropathy, which is slightly above the HEDIS® average of 77 percent for this measure.

STAR MCOs.

- **HbA1c Testing.** All MCOs met the HHSC Dashboard standard of 70 percent for this measure except Community First (63 percent). El Paso First and FirstCare had the highest rates (81 percent each), equivalent to the national HEDIS® mean.

- **Eye Exams.** Rates of diabetic eye exams were low across MCOs, ranging from 24 percent in UniCare to 47 percent in FirstCare. Only FirstCare exceeded the HHSC Dashboard standard of 45 percent for this measure, and no MCO met the national HEDIS® mean.

- **LDL-C Screening.** All MCOs except Community First (60 percent) and Texas Children's (50 percent) met the HHSC Performance Indicator Dashboard standard of 65 percent for this measure.

- **Monitoring for Nephropathy.** All MCOs exceeded the HHSC Performance Indicator Dashboard standard of 41 percent for this measure. Community First and Texas Children's performed considerably lower than the national HEDIS® mean, at 56 percent and 63 percent, respectively.
**STAR Service Areas.** Overall, the Lubbock Service Area had the most effective diabetes care for STAR members, performing the highest for HbA1c testing (83 percent) and monitoring for nephropathy (83 percent), and among the highest for diabetic eye exams (42 percent) and LDL-C Screening (75 percent). The Nueces Service Area had the least effective diabetes care for STAR members, performing the lowest for all four sub-measures.

Table 9. HEDIS® Comprehensive Diabetes Care in STAR, by Service Area

| STAR Service Area | HEDIS® Comprehensive Diabetes Care | | |
|-------------------|------------------------------------|------------------|------------------|------------------|
|                   | HbA1c Testing | Eye Exams | LDL-C Screening | Monitoring for Nephropathy |
| BEXAR             | 65.05%        | 35.92%    | 57.28%          | 53.40%           |
| DALLAS            | 76.59%        | 32.15%    | 72.62%          | 80.50%           |
| EL PASO           | 80.43%        | 40.16%    | 80.66%          | 79.41%           |
| HARRIS            | 77.67%        | 26.21%    | 63.11%          | 60.19%           |
| LUBBOCK           | 82.72%        | 42.47%    | 75.06%          | 82.72%           |
| NUECES            | 57.63%        | 22.03%    | 40.68%          | 42.37%           |
| TARRANT           | 78.72%        | 36.22%    | 76.68%          | 79.58%           |
| TRAVIS            | 75.90%        | 42.56%    | 70.77%          | 64.62%           |
Figure 40. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR Members with Diabetes who had Hemoglobin A1c Testing

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Community Health Choice, Driscoll, Molina, and UnitedHealthcare-Texas.

Reference: Table CDC
Figure 41. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR Members with Diabetes who had an Eye Exam Performed

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Community Health Choice, Driscoll, Molina, and UnitedHealthcare-Texas.

Reference: Table CDC
Figure 42. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR Members with Diabetes who had LDL-C Screening

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<thead>
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<th>MCO</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>STAR Program</td>
<td>74.29%</td>
</tr>
<tr>
<td>Aetna</td>
<td>72.15%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>75.17%</td>
</tr>
<tr>
<td>Community First</td>
<td>60.47%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>75.83%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>80.41%</td>
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<tr>
<td>FirstCare</td>
<td>72.12%</td>
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<td>Parkland</td>
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<td>Texas Children's</td>
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<tr>
<td>UniCare</td>
<td>73.30%</td>
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</table>

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Community Health Choice, Driscoll, Molina, and UnitedHealthcare-Texas.

Reference: Table CDC
Figure 43. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR Members with Diabetes who had Medical Attention for Nephropathy

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Community Health Choice, Driscoll, Molina, and UnitedHealthcare-Texas.

Reference: Table CDC
Women’s Preventive Care and Screenings

Cervical Cancer Screening

Figure 44 provides results for the HEDIS® Cervical Cancer Screening measure, which represents the percentage of women between 21 and 64 years of age in the STAR Program who received one or more Pap tests to screen for cervical cancer during the measurement period, distributed by MCO. Figure 45 presents the results for this measure, distributed by MCO/SA group.

The STAR Program. Thirty-nine percent of adult female members had a Pap test to screen for cervical cancer, which is below the 10th percentile for Medicaid Managed Care Plans reporting to NCQA on this measure.

STAR MCOs. MCO performance on this measure varied considerably, ranging from a low of 25 percent of female members in UniCare that had been screened for cervical cancer to a high of 71 percent of female members in Driscoll that had been screened for cervical cancer.

Only two MCOs performed at or above the national Medicaid HEDIS® mean of 66 percent for cervical cancer screening - Driscoll (71 percent) and Molina (67 percent) – although UnitedHealthcare-Texas (65 percent), Community First (64 percent), and Community Health Choice (63 percent) were just slightly under the national mean.

Five STAR MCOs performed above the HHSC Performance Indicator Dashboard Standard for this measure (60 percent) – Community First, Community Health Choice, Driscoll, Molina, and UnitedHealthcare-Texas.

STAR Service Areas. Regional differences were apparent in the percentage of women receiving cervical cancer screenings, with the lowest rates observed for women living in the Dallas and Tarrant Service Areas (both at 30 percent) and the highest rates observed for women living in the Nueces Service Area (70 percent).
Figure 44. HEDIS® Cervical Cancer Screening

Reference: Table CCS
Figure 45. HEDIS® Cervical Cancer Screening, by STAR Service Area

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<tr>
<th>Service Area</th>
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<th>Screening Rate</th>
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<td>BEXAR SERVICE AREA</td>
<td>Aetna</td>
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<tr>
<td></td>
<td>Community First</td>
<td>67.83%</td>
</tr>
<tr>
<td></td>
<td>Superior</td>
<td>64.15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
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<td>DALLAS SERVICE AREA</td>
<td>AMERIGROUP</td>
<td>30.15%</td>
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<td>Parkland</td>
<td>28.34%</td>
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<td></td>
<td>UniCare</td>
<td>33.79%</td>
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<td></td>
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<td></td>
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<td>EL PASO SERVICE AREA</td>
<td>El Paso First</td>
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<td>Superior</td>
<td>55.45%</td>
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<td>HARRIS SERVICE AREA</td>
<td>AMERIGROUP</td>
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<td></td>
<td>Molina</td>
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<tr>
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<td>Texas Children's</td>
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<td></td>
<td>UnitedHealthcare-Texas</td>
<td>57.02%</td>
</tr>
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<td></td>
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<td>65.00%</td>
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<td>FirstCare</td>
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<td>Superior</td>
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<td>42.59%</td>
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<td>NUECES SERVICE AREA</td>
<td>AMERIGROUP</td>
<td>69.52%</td>
</tr>
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<td></td>
<td>Driscoll</td>
<td>65.28%</td>
</tr>
<tr>
<td></td>
<td>Superior</td>
<td>70.95%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>70.83%</td>
</tr>
<tr>
<td>TARRANT SERVICE AREA</td>
<td>Aetna</td>
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<td>AMERIGROUP</td>
<td>26.26%</td>
</tr>
<tr>
<td></td>
<td>Cook Children's</td>
<td>30.63%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31.21%</td>
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<tr>
<td>TRAVIS SERVICE AREA</td>
<td>AMERIGROUP</td>
<td>62.54%</td>
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<td></td>
<td>Superior</td>
<td>62.37%</td>
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<tr>
<td></td>
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<td>62.60%</td>
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</tbody>
</table>

Reference: Table CCS

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Chlamydia Screening

The HEDIS® Chlamydia Screening measure provides the percentage of female members between 16 and 24 years old who were identified as sexually active and who had at least one test for Chlamydia during the measurement period, distributed by MCO. **Figure 46** shows the percentage of female STAR members 16 to 20 years old who had a Chlamydia screening. **Figure 47** shows the percentage of female STAR members 21 to 24 years old who had a Chlamydia screening. **Figures 48** and **49** present rates for each age group, distributed by STAR Service Area.

**The STAR Program.** Chlamydia screening was more frequent among female members in the older age group (21 to 24 years old). Only half of women in STAR 16 to 20 years old had a Chlamydia test during the measurement period (49 percent), which is less than the national HEDIS® mean of 54 percent. Nearly two-thirds of women in STAR 21 to 24 years old had a Chlamydia test during the measurement period (64 percent), which is slightly higher than the national HEDIS® mean of 62 percent.

**STAR MCOs.** Across STAR MCOs, rates of Chlamydia screening for women 16 to 20 years old ranged from 32 percent in FirstCare to 55 percent in Driscoll. Only Driscoll met the HEDIS® national mean for this age group. Rates of Chlamydia screening in women 21 to 24 years old ranged from 38 percent in Cook Children’s to 72 percent in Driscoll. Seven MCOs met the HEDIS® national mean for this age group.

**STAR Service Areas.** Rates of Chlamydia screening for women 16 to 20 years old ranged from 35 percent in Lubbock to 57 percent in Travis. The MCO/SA group with the lowest rate was FirstCare-Lubbock, at 32 percent. The MCO/SA group with the highest rate was Superior-Travis, at 58 percent. Rates of Chlamydia screening for women 21 to 24 years old ranged from 52 percent in Tarrant to 72 percent in Nueces. The MCO/SA group with the lowest rate was Cook Children’s-Tarrant, at 38 percent. The MCO/SA group with the highest rate was Driscoll-Nueces, at 72 percent.
Figure 46. HEDIS® Chlamydia Screening in Women – 16 to 20 Years Old

Reference: Table CHL
Figure 47. HEDIS® Chlamydia Screening in Women - 21 to 24 Years Old

Reference: Table CHL
Figure 48. HEDIS® Chlamydia Screening in Women – 16 to 20 Years Old, by STAR Service Area

Reference: Table CHL

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Figure 49. HEDIS® Chlamydia Screening in Women - 21 to 24 Years Old, by STAR Service Area

- **BEXAR SERVICE AREA**
  - Aetna: 60.00%
  - Community First: 65.26%
  - Superior: 67.14%

- **DALLAS SERVICE AREA**
  - AMERIGROUP: 63.56%
  - Parkland: 57.34%
  - UniCare: 68.38%

- **EL PASO SERVICE AREA**
  - El Paso First: 60.00%
  - Superior: 58.97%

- **HARRIS SERVICE AREA**
  - AMERIGROUP: 67.20%
  - Community Health Choice: 68.89%
  - Texas Children's: 69.77%

- **LUBBOCK SERVICE AREA**
  - FirstCare: 61.54%

- **NUECES SERVICE AREA**
  - Driscoll: 71.56%

- **TARRANT SERVICE AREA**
  - Aetna: 52.28%
  - AMERIGROUP: 57.89%
  - Cook Children's: 57.65%

- **TRAVIS SERVICE AREA**
  - AMERIGROUP: 67.96%
  - Superior: 67.02%

Reference: Table CHL
Behavioral Health Care in STAR

ADHD Follow-up Care for Children 6 to 12 Years Old

The Follow-Up Care for Children Prescribed ADHD Medication measure provides the percentage of children 6 to 12 years of age and newly diagnosed with ADHD, who received follow-up care during the measurement period. Two separate rates are reported:

1) The *Initiation Phase* shows the percentage of children with an ambulatory prescription dispensed for ADHD medication who had a follow-up visit with a provider within 30 days after beginning medication treatment; and

2) The *Continuation and Maintenance Phase* shows the percentage of children with an ambulatory prescription dispensed for ADHD medication who continued taking the medication for at least 210 days (30 weeks), and who had at least two follow-up visits with the provider within nine months after the initiation phase ended.

Figure 50 shows results for both rates among STAR members, distributed by STAR MCO. Figures 51 and 52 provide the results of this measure distributed by STAR Service Area.

The STAR Program. Less than half of children (47 percent) had an initial follow-up visit with a provider within 30 days of beginning an ADHD medication. After the initial follow-up period, 58 percent of children remained on an ADHD medication for at least 7 months and had two or more follow-up visits with a provider within 9 months.

STAR MCOs. Follow-up care for ADHD varied considerably across the STAR MCOs (by as much as 48 percentage points). The MCOs that performed above the state average for ADHD follow-up care for children during the *Initiation Phase* were Community First (52 percent), Community Health Choice (57 percent), El Paso First (56 percent), Superior (51 percent), and Texas Children’s (52 percent). The same MCOs also performed above the state average for the *Maintenance Phase* of treatment, including Community First (59 percent), Community Health Choice (66 percent), El Paso First (83 percent), Superior (68 percent), and Texas Children’s (62 percent).

STAR Service Areas. The El Paso Service Area had the highest percentage of children receiving follow-up care for ADHD during the *Initiation Phase* (57 percent) and *Continuation and Maintenance Phase* (82 percent) of treatment. The Travis and Lubbock Service Areas had the lowest *Initiation Phase* rate (at 44 percent each), and the Lubbock Service Area had the lowest *Continuation Phase* rate (55 percent).
Figure 50. The Percentage of Children Prescribed ADHD Medication Receiving Follow-up Care

Note. The following MCOs had denominators less than 30 for the Continuation and Maintenance Phase sub-measure, and their values were not included in this figure: Aetna, Molina, and UnitedHealthcare-Texas. Parkland and UniCare were not included in the figure because members in these MCOs receive behavioral healthcare through the NorthSTAR Program.

Reference: Table ADD
Figure 51. The Percentage of Children Prescribed ADHD Medication Receiving Follow-up Care, by STAR Service Area (Bexar, El Paso, Harris)

Note. The following MCO/SA groups had denominators less than 30 for the Continuation and Maintenance Phase sub-measure, and their values were not included in this figure: Aetna-Bexar, Molina-Harris, and UnitedHealthcare-Texas-Harris. Members in the Dallas service area (including those enrolled in Parkland and UniCare) receive behavioral healthcare through the NorthSTAR Program; therefore, Dallas was not included in this figure.

Reference: Table ADD

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Figure 52. The Percentage of Children Prescribed ADHD Medication Receiving Follow-up Care, by STAR Service Area (Lubbock, Nueces, Tarrant, Travis)

Note. The following MCO/SA groups had denominators less than 30 for the Continuation and Maintenance Phase sub-measure, and their values were not included in this figure: Superior-Lubbock, AMERIGROUP-Nueces, Superior-Nueces, Aetna-Tarrant, and AMERIGROUP-Travis.

Reference: Table ADD
Follow-up Care after Hospitalization for Mental Illness

**Figure 53** provides the percentage of STAR Program members six years of age or older who were hospitalized for mental illness and who had an outpatient visit, an intensive outpatient encounter, or a partial hospitalization with a provider during the measurement period, distributed by MCO. Two percentages are shown – one for follow-up within seven days of discharge, and one for follow-up within 30 days of discharge. **Figures 54 and 55** provide results for this measure, distributed by STAR Service Area.

**The STAR Program.** Less than half of STAR members hospitalized for mental illness (45 percent) had a follow-up visit with a provider within 7 days of discharge from the hospital. However, a majority of these members (72 percent) had a follow-up visit with a provider within 30 days of discharge from the hospital.

**STAR MCOs.** All MCOs met the HHSC Performance Dashboard standards of 32 percent for 7-day follow-up and 52 percent for 30-day follow-up. (It should be noted that percentages for 7-day and 30-day follow-up were not reported for four MCOs – Molina, Parkland, UniCare, and UnitedHealthcare-Texas – due to low denominators). Six STAR MCOs performed at or above the statewide average for both follow-up periods after hospitalization for mental illness:

- Community First (51 percent and 78 percent)
- Driscoll (71 percent and 88 percent)
- El Paso First (48 percent and 82 percent)
- FirstCare (59 percent and 74 percent)
- Superior (45 percent and 75 percent)
- Texas Children’s (56 percent and 79 percent)

**STAR Service Areas.** The Nueces Service Area had the highest percentage of members who had follow-up care with a provider within 7 days after hospitalization for mental illness (57 percent), and the El Paso Service Area had the highest percentage of members who had follow-up care with a provider within 30 days after hospitalization for mental illness (84 percent). Among MCOs in the Nueces Service Area, Driscoll performed the highest, at 71 percent and 88 percent. The Tarrant Service Area had the lowest rates at both follow-up periods (38 percent and 66 percent).
Figure 53. The Percentage of STAR Members Receiving Follow-up Care Within 7 and 30 Days After Hospitalization for Mental Illness

<table>
<thead>
<tr>
<th>MCO</th>
<th>7-day follow-up</th>
<th>30-day follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR Program</td>
<td>44.72%</td>
<td>72.13%</td>
</tr>
<tr>
<td>Aetna</td>
<td>37.71%</td>
<td>66.29%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>37.15%</td>
<td>66.63%</td>
</tr>
<tr>
<td>Community First</td>
<td>50.89%</td>
<td>78.29%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>39.06%</td>
<td>65.24%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>38.57%</td>
<td>66.57%</td>
</tr>
<tr>
<td>Driscoll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>El Paso First</td>
<td>47.90%</td>
<td>82.35%</td>
</tr>
<tr>
<td>FirstCare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superior</td>
<td>45.23%</td>
<td>75.12%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HHSC Dashboard Standard</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-day follow-up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-day follow-up</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Molina, and UnitedHealthcare-Texas. Parkland and UniCare were not included in the figure because members in these MCOs receive behavioral healthcare through the NorthSTAR Program.

Reference: Table FUH

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Figure 54. The Percentage of STAR Members Receiving Follow-up Care Within 7 and 30 Days After Hospitalization for Mental Illness, by STAR Service Area (Bexar, El Paso, Harris)

Note. The following MCO/SA groups had denominators less than 30 for both sub-measures, and their values were not included in this figure: Molina-Harris, and UnitedHealthcare-Texas-Harris. Members in the Dallas service area (including those enrolled in Parkland and UniCare) receive behavioral healthcare through the NorthSTAR Program; therefore, Dallas was not included in this figure.

Reference: Table FUH
Figure 55. The Percentage of STAR Members Receiving Follow-up Care Within 7 and 30 Days After Hospitalization for Mental Illness, by STAR Service Area (Lubbock, Nueces, Tarrant, Travis)

Note. The Superior-Lubbock group had a denominator less than 30 for both sub-measures, and is therefore not included in this figure.

Reference: Table FUH
Readmission within 30 Days after an Inpatient Stay for Mental Health

The Readmission within 30 Days after an Inpatient Stay for Mental Health measure provides the percentage of members who were readmitted within 30 days following an inpatient stay for a mental health disorder. Mental health readmissions are frequently used as a measure of an adverse outcome, which potentially results from efforts to contain behavioral health care costs, such as reducing the initial length of stay. For this measure, low rates of readmission indicate good performance.

Figures 56 and 57 provide the percentage of STAR Program members who were readmitted within 30 days following an inpatient stay for a mental health disorder, distributed by MCO, separately for members 0 to 18 years old and members 19 years of age and older. Figures 58 and 59 provide the results for this measure, distributed by STAR Service Area.

The STAR Program. The mental health readmission rate in the STAR Program for all age cohorts was 11 percent, with adult members having a slightly higher mental health readmission rate than child and adolescent members (13 vs. 10 percent).

STAR MCOs. The percentage of child and adolescent members readmitted within 30 days following an inpatient stay for mental health problems ranged from six percent in El Paso First to 14 percent in Community First. There was greater variation among the MCOs in the mental health readmission rates for adult members. The percentage of adult members readmitted within 30 days following an inpatient stay for a mental health disorder ranged from six percent in Community First to 21 percent in Texas Children’s. (It should be noted that two MCOs had low denominators for members 0 to 18 years old, and three MCOs had low denominators for members 19 years of age and older.)

For members 0 to 18 years old, three MCOs had mental health readmission rates above the state average – Community First (14 percent), Community Health Choice (12 percent), and Texas Children’s (11 percent). For members 19 years of age and older, five MCOs had mental health readmission rates above the state average – AMERIGROUP (15 percent), Cook Children’s (19 percent), Driscoll (16 percent), FirstCare (14 percent), and Texas Children’s (21 percent). Aetna and Superior were the only STAR MCOs that performed better than the state averages for both age groups.

STAR Service Areas. Mental health readmission rates for members 0 to 18 years old ranged from five percent in Travis to 14 percent in Bexar. Mental health readmission rates for members 19 years of age and older ranged from six percent in Bexar to 19 percent in Nueces.
Figure 56. The Percentage of STAR Members (0 to 18 Years Old) Readmitted to the Hospital Within 30 Days After an Inpatient Stay for Mental Health

Figure 57. The Percentage of STAR Adult Members (19+ Years Old) Readmitted to the Hospital Within 30 Days After an Inpatient Stay for Mental Health

Note. The following MCOs had denominators less than 30 for both sub-measures and were not included in these figures: Molina, and UnitedHealthcare-Texas. El Paso First had a denominator less than 30 for adult member readmissions, and was not included in this figure. Parkland and UniCare were not included in these figures because members in these MCOs receive behavioral healthcare through the NorthSTAR Program.

Reference: Table MHReadmit v2
Figure 58. The Percentage of STAR Members (0 to 18 Years Old) Readmitted to the Hospital Within 30 Days After an Inpatient Stay for Mental Health, by STAR Service Area

<table>
<thead>
<tr>
<th>Service Area</th>
<th>BEXAR SERVICE AREA</th>
<th>EL PASO SERVICE AREA</th>
<th>HARRIS SERVICE AREA</th>
<th>LUBBOCK SERVICE AREA</th>
<th>NUECES SERVICE AREA</th>
<th>TARRANT SERVICE AREA</th>
<th>TRAVIS SERVICE AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Community First</td>
<td>El Paso First</td>
<td>AMERIGROUP</td>
<td>FirstCare</td>
<td>Driscoll</td>
<td>AMERIGROUP</td>
<td>AMERIGROUP</td>
</tr>
<tr>
<td></td>
<td>13.61%</td>
<td>6.15%</td>
<td>10.64%</td>
<td>7.69%</td>
<td>8.73%</td>
<td>10.33%</td>
<td>5.26%</td>
</tr>
<tr>
<td></td>
<td>Superior</td>
<td>Superior</td>
<td>Community Health Choice</td>
<td>Superior</td>
<td>Superior</td>
<td>Cook Children's</td>
<td>Superior</td>
</tr>
<tr>
<td></td>
<td>12.83%</td>
<td>11.59%</td>
<td>12.02%</td>
<td>7.14%</td>
<td>9.42%</td>
<td>10.85%</td>
<td>6.25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Superior</td>
<td></td>
<td></td>
<td></td>
<td>Superior</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. The following MCO/SA groups had denominators less than 30 for this measure, and their values were not included in this figure: Aetna-Bexar, Molina-Harris, UnitedHealthcare-Texas-Harris, Superior-Lubbock, AMERIGROUP-Nueces, and Aetna-Tarrant. Members in the Dallas service area (including those enrolled in Parkland and UniCare) receive behavioral healthcare through the NorthSTAR Program; therefore, Dallas was not included in this figure.

Reference: Table MHReadmit v2
Figure 59. The Percentage of STAR Adult Members (19+ Years Old) Readmitted to the Hospital Within 30 Days After an Inpatient Stay for Mental Health, by STAR Service Area

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR SERVICE AREA</td>
<td>6.32%</td>
</tr>
<tr>
<td>Community First</td>
<td>5.77%</td>
</tr>
<tr>
<td>Superior</td>
<td>7.50%</td>
</tr>
<tr>
<td>HARRIS SERVICE AREA</td>
<td>12.70%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>16.18%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>6.78%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>20.51%</td>
</tr>
<tr>
<td>LUBBOCK SERVICE AREA</td>
<td>13.56%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>14.29%</td>
</tr>
<tr>
<td>NUECES SERVICE AREA</td>
<td>19.40%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>15.63%</td>
</tr>
<tr>
<td>TARRANT SERVICE AREA</td>
<td>14.84%</td>
</tr>
<tr>
<td>Aetna</td>
<td>6.84%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>15.74%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>18.72%</td>
</tr>
<tr>
<td>TRAVIS SERVICE AREA</td>
<td>11.46%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>12.12%</td>
</tr>
<tr>
<td>Superior</td>
<td>11.11%</td>
</tr>
</tbody>
</table>

Note. The following MCO/SA groups had denominators less than 30 for this measure, and their values were not included in this figure: Aetna-Bexar, El Paso First-El Paso, Superior-El Paso, Molina-Harris, UnitedHealthcare-Texas-Harris, Superior-Lubbock, AMERIGROUP-Nueces, and Superior-Nueces. Members in the Dallas service area (including those enrolled in Parkland and UniCare) receive behavioral healthcare through the NorthSTAR Program; therefore, Dallas was not included in this figure.

Reference: Table MHReadmit v2

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Appendix A: Detailed Methodology

Three data sources were used to calculate the quality of care indicators: (1) member-level enrollment information, (2) member-level health care claims/encounter data, and (3) member-level pharmacy data. The enrollment files contain information about the person’s age, gender, the MCO in which the member is enrolled, and the number of months the member has been enrolled in the program. The member-level claims/encounter data contain Current Procedural Terminology (CPT) codes, International Classification of Diseases, 9th Revision (ICD-9-CM) codes, place of service (POS) codes, and other information necessary to calculate the quality of care indicators. The member-level pharmacy data contain information about filled prescriptions, including the drug name, dose, date filled, number of days prescribed, and refill information.

A six-month time lag was used for the claims and encounter data. Prior analyses with Texas data showed that, on average, over 96 percent of claims and encounters are complete by that time period.

Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Specifications Report, July 2011.” This document, prepared by the Institute for Child Health Policy, provides specifications for HEDIS® and other quality of care measures.

Quality of care indicators in this report include: 1) The Healthcare Effectiveness Data and Information Set (HEDIS®) 2010 measures; 2) The Agency for Healthcare Research and Quality (AHRQ), Pediatric Quality Indicators (PQIs) and Prevention Quality Indicators (PDIs); and 3) measures developed by ICHP.

Rates for HEDIS® measures were calculated using National Committee for Quality Assurance (NCQA) certified software. In addition, an NCQA-certified auditor reviewed all of the results and provided letters of certification to the Institute for Child Health Policy. These letters and an official letter from NCQA providing their seal for the results are available from the Texas Health and Human Services Commission (HHSC).

Results for the HEDIS® measures for which the specifications were strictly followed are compared to other Medicaid programs. NCQA gathers and compiles data from Medicaid managed care plans nationally. Submission of HEDIS® data to NCQA is a voluntary process; therefore, health plans that submit HEDIS® data are not fully representative of the industry. Health plans participating in NCQA HEDIS® reporting tend to be older, are more likely to be federally qualified, and are more likely to be affiliated with a national managed care company than the overall population of health plans in the United States. NCQA reports the national
results as a mean and at the 10th, 25th, 50th, 75th, and 90th percentiles. The Medicaid Managed Care Plans 2010 mean results are shown and labeled “HEDIS® Mean” in the figures.

At the request of the HHSC, the EQRO developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for HEDIS® measures. As in the prior reporting period (fiscal year 2009), ICHP modified the NCQA specifications to lift provider constraints when determining eligibility for HEDIS® measures. Provider specialty codes are an important component for some HEDIS® measures and lifting the provider constraints may result in some rate inflation for these measures. For example, NCQA specifications require that a mental health provider be the provider of record for a beneficiary to be considered compliant with the HEDIS® measures for 7-day and 30-day follow-up after an inpatient mental health stay. The current methodology allows a visit with any provider to count toward compliance with the mental health follow-up measures.

The following measures rely on specific provider specialty codes, and are therefore affected by this change in methodology:

- Prenatal Care
- Children and Adolescents’ Access to Primary Care Providers
- Frequency of Prenatal Care
- Well-Child Visits in the First 15 Months of Life
- Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life
- Adolescent Well-Care Visits
- Follow-up Care for Children Prescribed ADHD Medication
- Follow-up After Hospitalization for Mental Illness

For these measures, the name HEDIS® has been removed from the titles as these measures do not adhere precisely to NCQA specifications, and likely inflate the results. Thus, the discussion of results for these measures will not include comparison to HEDIS® national Medicaid rates, derived from the Medicaid Managed Care Plans reporting to NCQA.

Pediatric Quality Indicators (PDIs) and Adult Prevention Quality Indicators (PQIs) developed by the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate the performance of STAR related to inpatient admissions for ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.”¹⁹ The specifications used to calculate rates for these measures come from AHRQ’s PDI and PQI versions 4.2. Rates are calculated based on the number of hospital discharges divided by the number of people in the area (except for appendicitis and low birth weight). Unlike most other measures provided in this chart book, low quality indicator rates are desired as they suggest a better quality health care system outside the hospital setting.
Pediatric admissions for the following ambulatory care sensitive conditions (ACSCs) are assessed: (1) Asthma; (2) Diabetes Short-Term Complications; (3) Gastroenteritis; (4) Perforated Appendix; and (5) Urinary Tract Infection. The age eligibility for these measures is up to age 17.

Adult admissions for the following ASCSs are assessed: (1) Diabetes Short-Term Complications; (2) Perforated Appendix; (3) Diabetes Long-Term Complications; (4) Chronic Obstructive Pulmonary Disease; (5) Hypertension; (6) Congestive Heart Failure; (7) Low Birth Weight; (8) Dehydration; (9) Bacterial Pneumonia; (10) Urinary Tract Infection; (11) Angina without Procedure; (12) Uncontrolled Diabetes; (13) Adult Asthma; and (14) Rate of Lower Extremity Amputation among Patients with Diabetes. For these measures, adults are those individuals ages 18 or older.

In addition to the narrative and figures contained in this report, technical appendices were provided to HHSC that contain all of the data to support key findings. The interested reader can review those for more details. The corresponding reference table is listed beneath each figure.
### Appendix B: AHRQ Quality Indicators

#### Table B1. AHRQ Pediatric Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI 14</td>
<td>Asthma Admission Rate</td>
<td>Number of admissions for long-term asthma per 100,000 population</td>
</tr>
<tr>
<td>PDI 15</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PDI 16</td>
<td>Gastroenteritis Admission Rate</td>
<td>Number of admissions for pediatric gastroenteritis per 100,000 population</td>
</tr>
<tr>
<td>PDI 17</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PDI 18</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary tract infection per 100,000 population</td>
</tr>
</tbody>
</table>

#### Table B2. AHRQ Adult Prevention Quality Indictors

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQI 1</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PQI 2</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PQI 3</td>
<td>Diabetes Long-term Complications Admission Rate</td>
<td>Number of admissions for long-term diabetes per 100,000 population</td>
</tr>
<tr>
<td>PQI 5</td>
<td>Chronic Obstructive Pulmonary Disease Admission Rate</td>
<td>Number of admissions for COPD per 100,000 population</td>
</tr>
<tr>
<td>PQI 7</td>
<td>Hypertension Admission Rate</td>
<td>Number of admissions for hypertension per 100,000 population</td>
</tr>
<tr>
<td>PQI 8</td>
<td>Congestive Heart</td>
<td></td>
</tr>
<tr>
<td>AHRQ Indicator Number</td>
<td>Indicator Name</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PQI 9</td>
<td>Low Birth Weight Rate</td>
<td>Number of low birth weight births as a share of all births in an area</td>
</tr>
<tr>
<td>PQI 10</td>
<td>Dehydration Admission Rate</td>
<td>Number of admissions for dehydration per 100,000 population</td>
</tr>
<tr>
<td>PQI 11</td>
<td>Bacterial Pneumonia Admission Rate</td>
<td>Number of admissions for bacterial pneumonia per 100,000 population</td>
</tr>
<tr>
<td>PQI 12</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary infection per 100,000 population</td>
</tr>
<tr>
<td>PQI 13</td>
<td>Angina without Procedure Admission Rate</td>
<td>Number of admissions for angina without procedure per 100,000 population</td>
</tr>
<tr>
<td>PQI 14</td>
<td>Uncontrolled Diabetes Admission Rate</td>
<td>Number of admissions for uncontrolled diabetes per 100,000 population (Note: This indicator is designed to be combined with diabetes short-term complications.)</td>
</tr>
<tr>
<td>PQI 15</td>
<td>Adult Asthma Admission Rate</td>
<td>Number of admissions for asthma in adults per 100,000 population</td>
</tr>
<tr>
<td>PQI 16</td>
<td>Rate of Lower Extremity Amputation Among Patients with Diabetes</td>
<td>Number of admissions for lower extremity amputation among patients with diabetes per 100,000 population</td>
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</tbody>
</table>
Table B3. Supplemental AHRQ Prevention Quality Indicator Results

<table>
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<tr>
<th>MCO</th>
<th>AHRQ Prevention Quality Indicator</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>COPD</td>
</tr>
<tr>
<td>Aetna</td>
<td>280</td>
</tr>
<tr>
<td>AMERIGROUP</td>
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<td>Parkland</td>
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<tr>
<td>Superior</td>
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<td>UniCare</td>
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<tr>
<td>UnitedHealthcare-Texas</td>
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</tr>
</tbody>
</table>

Note: COPD = Chronic Obstructive Pulmonary Disease; CHF = Chronic Heart Failure; LBW = Low Birth Weight; UTI = Urinary Tract Infection

Note: All rates are per 100,000 members except Low Birth Weight, which is per 100 live births.
Endnotes


3 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at [www.ncqa.org](http://www.ncqa.org).


6 [http://www.ahrq.gov/about/casestudies/pcm/pcm2008c.htm](http://www.ahrq.gov/about/casestudies/pcm/pcm2008c.htm)


12 [http://www.uspreventiveservicestaskforce.org/uspstf/uspscerv.htm](http://www.uspreventiveservicestaskforce.org/uspstf/uspscerv.htm)


16 ICHP, 2011.a

17 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at www.ncqa.org


20 ICHP. 2011.b Texas Medicaid Managed Care, STAR Program, Quality of Care Report, Fiscal Year 2010: Technical Appendix. Gainesville, FL: The Institute for Child Health Policy, University of Florida.
Attachment B.20.B
FY2010 TX STAR PLUS QOC Measures
Texas Medicaid Managed Care
STAR+PLUS
Quality of Care Report

Fiscal Year 2010

Measurement Period:
September 1, 2009 through August 31, 2010

The Institute for Child Health Policy
University of Florida

The External Quality Review Organization
for Texas Medicaid Managed Care and CHIP

Submitted: September 15, 2011
Final Submitted: January 2, 2012
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Executive Summary

Introduction

This report provides an annual update of the quality of care provided to members in the STAR+PLUS Medicaid Managed Care program for the State of Texas, prepared by the Institute for Child Health Policy (ICHP) at the University of Florida, the External Quality Review Organization (EQRO) for Texas Medicaid Managed Care. This update is for September 1, 2009 to August 31, 2010, covering fiscal year 2010.

STAR+PLUS is a Texas Medicaid Managed Care program designed to provide health care, acute and long-term services and support to the aged and disabled through a managed care system. In fiscal year 2010, the STAR+PLUS program was administered through four managed care organizations (MCOs) – AMERIGROUP, Evercare, Molina, and Superior HealthPlan – operating in 29 counties in the Bexar, Nueces, Travis, and Harris Expansion Service Areas (SAs).

This report provides descriptive information about the STAR+PLUS population, and evaluation of members’ access to care, utilization of services, and effectiveness of preventive care and treatment. Results for the following quality of care measures are presented in this report:

- **Access to Care** – Prenatal and Postpartum Care, and HEDIS® Adult Access to Preventive/Ambulatory Health Services.

- **Utilization of Services** – Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life, Adolescent Well-Care Visits, HEDIS® Ambulatory Care, and AHRQ Pediatric Quality Indicators (PDIs) and Adult Prevention Quality Indicators (PQIs).

- **Effectiveness of Care**
  - Respiratory Conditions – HEDIS® Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis, and HEDIS® Use of Appropriate Medications for People with Asthma.
  - Diabetes – HEDIS® Comprehensive Diabetes Care.
  - Women’s Preventive Care and Screening – HEDIS® Cervical Cancer Screening and HEDIS® Breast Cancer Screening.
  - Behavioral Health – HEDIS® Antidepressant Medication Management, Follow-up after Hospitalization for Mental Illness, and Readmission within 30 days after an Inpatient Stay for Mental Health.
**Methodology**

A detailed description of the methodology used in this report is presented in Appendix A. Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Specifications Report, July 2011.”¹

Rates for Healthcare Effectiveness and Data Information Set (HEDIS®) measures were calculated using National Committee for Quality Assurance (NCQA) certified software. Discussion of results includes comparison with HEDIS® national Medicaid rates, which are derived from rates reported to the NCQA by Medicaid Managed Care plans nationally.²

At the request of the Texas Health and Human Services Commission (HHSC), the EQRO developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for certain HEDIS® measures. The following measures rely on specific provider specialty codes, and are therefore affected by this change in methodology:

- Prenatal Care
- Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life
- Adolescent Well-Care Visits
- Follow-up After Hospitalization for Mental Illness

For these measures, the name HEDIS® has been removed from the titles, as these measures do not adhere precisely to NCQA specifications and their results are likely inflated from the lifting of provider constraints. Thus, the discussion of results for these measures does not include comparison to HEDIS® national Medicaid rates.

Pediatric Quality Indicators (PDIs) and Adult Prevention Quality Indicators (PQIs) developed by the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate STAR+PLUS program rates of inpatient admissions for ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.”³

**Summary of Findings**

**Access to Care**

- **Prenatal and postpartum care.** Fifty-eight percent of pregnant women in STAR+PLUS had prenatal care during their first trimester, and 35 percent had a postpartum visit three to eight weeks after giving birth. All MCOs performed below the HHSC Dashboard standards for prenatal and postpartum care.

- **Adult access to preventive health services.** Middle-age and older adults (45+ years old) in STAR+PLUS generally had good access to preventive health services, with greater than 87 percent having an outpatient or preventive care visit during the measurement period. Seventy-four percent of younger adults (20 to 44 years old) had an outpatient or preventive care visit, which is below the national average of 81 percent.
Utilization of Services

- **Preventive care for children and adolescents.** Sixty-nine percent of children and 46 percent of adolescents had a well-care visit.

- **Ambulatory care.** The rate of outpatient visits in STAR+PLUS was 578 per 1,000 member months, and the rate of emergency department visits was 88 per 1,000 member months.

- **Pediatric inpatient admissions.** The highest rate of potentially avoidable pediatric inpatient admissions in STAR+PLUS was for asthma.

- **Adult inpatient admissions.** Rates of potentially avoidable inpatient admissions in STAR+PLUS were more than four times the AHRQ national rates for four diabetes-related conditions, adult asthma, and hypertension.

Effectiveness of Care

- **Respiratory conditions.** Only 1 out of 5 members diagnosed with acute bronchitis were appropriately treated for this condition and not prescribed an antibiotic (18 percent). The vast majority of STAR+PLUS members who have asthma received appropriate medications for their condition (over 90 percent).

- **Diabetes care.** The majority of STAR+PLUS members received effective diabetic care, such as HbA1c testing, LDL-C screening, and medical attention for diabetic nephropathy. A considerably smaller percentage of members with diabetes had an eye exam (39 percent).

- **Women’s preventive care and screening.** Forty-two percent of adult women in STAR+PLUS had a Pap test to screen for cervical cancer, and 43 percent had a mammogram to screen for breast cancer.

- **Behavioral health care and treatment.** Among members diagnosed with a new episode of major depression and treated with an antidepressant medication, 50 percent took the medication for at least three months, and 36 percent took the medication for at least six months. Among STAR+PLUS members hospitalized for a mental health disorder, 46 percent had a follow-up visit within 7 days of discharge, and 72 percent had a follow-up visit within 30 days of discharge. The STAR+PLUS program rate for mental health readmission within 30 days was 19 percent.
**Recommendations**

The performance of the STAR+PLUS program and MCOs participating in STAR+PLUS was generally good for most quality of care measures in SFY 2010. The EQRO recommends that MCOs focus quality improvement efforts on areas where program-level rates were below national averages or where the majority of MCOs performed below HHSC Dashboard standards.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Recommendations</th>
<th>Rationale</th>
<th>HHSC Recommendations/Strategies</th>
</tr>
</thead>
</table>
| Breast and cervical cancer screening | - Develop an intervention that addresses the barriers to breast and cervical cancer screenings among disabled women, and is tailored to meet the needs of women with different types of disabilities. Features of this intervention may include:  
  - Providing transportation and accessibility to facilities.  
  - Increasing women’s knowledge about the importance of preventive screenings.  
  - Educating providers about the preventive health needs of women with disabilities.  
  - Improving the quality of the screening experience (e.g., characteristics of facilities, staff attitudes).  
  - Establish programs for monitoring provider compliance with breast and cervical cancer screenings. If a program is already in place, conduct quality improvement studies to ensure it is effective. | Women in the STAR+PLUS program had lower rates of breast and cervical cancer screenings, than women in Medicaid nationally. Less than half had a mammogram screening for breast cancer (43 percent), or a Pap test to screen for cervical cancer (42 percent). | - HEDIS® Breast Cancer Screening and Cervical Cancer Screening added to 2011 Performance Indicator Dashboard to monitor MCO improvement.  
- Review standard of care for breast and cervical cancer screening to determine if current baseline measurement reflects the industry standard.  
- Encourage MCOs to educate providers on the importance of preventive screening for breast cancer and cervical cancer. |
<table>
<thead>
<tr>
<th>Domain</th>
<th>Recommendations</th>
<th>Rationale</th>
<th>HHSC Recommendations/Strategies</th>
</tr>
</thead>
</table>
| Avoidance of antibiotics for acute bronchitis | • Develop a multidimensional intervention involving patient and clinician education to reduce the excessive use of antibiotics for treating acute bronchitis in the adult STAR+PLUS population. Features of this intervention may include:  
  - Mailing linguistically and culturally appropriate educational materials to members about colds, flus, and bronchitis, the over-use of antibiotics, and self-care strategies.  
  - Distributing educational materials, such as posters and information sheets, to provider offices, and training staff to provide counseling to adult members (and their caregivers) with respiratory symptoms.  
  - Providing education to providers regarding clinical practice guidelines for treating acute bronchitis in adults, and how to say "no" when patients demand antibiotics. | The vast majority of STAR+PLUS members were given an antibiotic prescription to treat acute bronchitis. Only 18 percent were appropriately treated for acute bronchitis and not given an antibiotic prescription, compared to 26 percent nationally. Acute bronchitis is usually caused by a viral infection, thus symptom management is considered the appropriate treatment for this condition. | • HEDIS® Avoidance of Antibiotics Treatment in Adults with Acute Bronchitis (AAB) added to 2011 Performance Indicator Dashboard to monitor MCO performance improvement.  
  • Encourage MCOs to educate providers and members on the appropriate use of prescribing antibiotics for the treatment of acute bronchitis. |
<table>
<thead>
<tr>
<th>Domain</th>
<th>Recommendations</th>
<th>Rationale</th>
<th>HHSC Recommendations/Strategies</th>
</tr>
</thead>
</table>
| Preventive care for young adults | • Ensure that STAR+PLUS Service Coordinators actively work with PCPs and young adults with disabilities to ensure scheduling of an annual preventive care visit, with follow-up reminders and phone calls.  
• Develop self-efficacy training for young adults in STAR+PLUS to improve use of preventive care, using the Chronic Care Model. Self-efficacy in the context of health care involves a person’s beliefs about their power to influence their health and health outcomes. Self-efficacy training has been shown to be positively associated with health-promoting behaviors, across various chronic conditions. | A smaller percentage of young adults 20 to 44 years old in STAR+PLUS had an outpatient or preventive care visit, compared to the same age cohort in the national Medicaid population (74 vs. 81 percent). One out of four young adults in STAR+PLUS did not have an outpatient or preventive care visit in SFY 2010 (26 percent), which suggests there are access barriers to preventive care services for a certain segment of the STAR+PLUS population. | • HHSC has targeted “Improving Members Understanding and Utilization of Service Coordination” as an overarching improvement goal for the STAR+PLUS program.  
• Percentage of STAR+PLUS members with good access to Service Coordination has been added to the MCO Quality Performance Indicators. |

Texas Contract Year 2011  
SFY 2010 Texas STAR+PLUS Quality of Care Report  
Version: 2.0  
HHSC Approval Date: January 18, 2012
The STAR+PLUS Population

There were 80,259 unduplicated Medicaid-only members in the STAR+PLUS program in August 2010. Slightly more than half of the STAR+PLUS population was female (54 percent). The average age of members was 42.2 years (SD = 16.18).

Figure 1 provides the number of unduplicated STAR+PLUS Medicaid-only members in the four STAR+PLUS Managed Care Organizations in August 2010.

AMERIGROUP had the largest membership in STAR+PLUS, accounting for 36 percent of the STAR+PLUS population (28,856 members). Molina had the smallest membership, which comprised 10 percent of the STAR+PLUS population (8,088 members).

Figure 1. Total Number of Unduplicated Medicaid-only Members in STAR+PLUS in August 2010, by MCO

Reference: Table 1_Medicaid

Table 1 provides the number of unduplicated STAR+PLUS Medicaid-only members by Service Area and MCO.

More than half of the STAR+PLUS membership lived in the Harris Service Area (54 percent; 43,485 members), with the majority of these members receiving their health care through either AMERIGROUP or Evercare.

The Nueces and Travis Service Areas had the fewest STAR+PLUS members, with each comprising approximately 10 percent of the STAR+PLUS population (7,740 and 8,046 members, respectively).
Table 1. Number of Unduplicated STAR+PLUS Medicaid-only Members by Service Area and MCO

<table>
<thead>
<tr>
<th>Service Area</th>
<th>AMERIGROUP</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR Service Area</td>
<td>3,382</td>
<td>2,729</td>
<td>14,877</td>
</tr>
<tr>
<td>HARRIS Service Area</td>
<td>AMERIGROUP</td>
<td>Evercare</td>
<td>Molina</td>
</tr>
<tr>
<td></td>
<td>20,108</td>
<td>18,018</td>
<td>5,359</td>
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<td>Evercare</td>
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</tr>
<tr>
<td>TRAVIS Service Area</td>
<td>Evercare</td>
<td>AMERIGROUP</td>
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<tr>
<td></td>
<td>2,680</td>
<td>5,366</td>
<td></td>
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</tbody>
</table>

Reference: Table 1_Medicaid

Figure 2 provides the distribution of STAR+PLUS members by race/ethnicity in August 2010. Thirty-three percent of STAR+PLUS members were Hispanic, followed by Black, non-Hispanic (31 percent), and White, non-Hispanic (26 percent).

STAR+PLUS members of Asian race/ethnicity accounted for less than three percent of the member population, and those of American Indian race/ethnicity accounted for less than one percent. Seven percent of STAR+PLUS members could not be classified by race/ethnicity using the claims data.

Figure 2. Distribution of STAR+PLUS Members by Race/Ethnicity in August 2010

Reference: Table 2
Access to Care

Prenatal and Postpartum Care

Figure 3 provides the percentage of live birth deliveries among women in STAR+PLUS who received prenatal care in their first trimester (or within 42 days of enrollment in STAR+PLUS), and who had a postpartum visit on or between 21 days and 56 days after delivery, by MCO. Table 2 provides rates of prenatal and postpartum care, by STAR+PLUS Service Area.

There were 699 women in STAR+PLUS who were eligible for this measure in SFY 2010.

The STAR+PLUS Program. Fifty-eight percent of pregnant women in STAR+PLUS had prenatal care in their first trimester, and 35 percent had a postpartum visit three to eight weeks after giving birth.

Although a small number of women gave birth in STAR+PLUS during SFY 2010, a fairly large percentage (42 percent) did not have access to timely prenatal care. Access to postpartum care was even more restricted, with the majority of women not getting postpartum care within eight weeks after delivery (65 percent).

STAR+PLUS MCOs. Overall, members in AMERIGROUP and Superior had slightly better access to prenatal and postpartum care than members in Evercare and Molina. However, none of the STAR+PLUS MCOs met the HHSC Performance Indicator Dashboard standards for prenatal care (72 percent) or postpartum care (65 percent).

STAR+PLUS Service Areas. STAR+PLUS members living in the Nueces Service Area had better access to prenatal care than members living in other regions of the State. The Nueces Service Area exceeded the HHSC Dashboard standard for prenatal care (77 vs. 72 percent).

The rates of postpartum care across the STAR+PLUS Service Areas ranged from 31 percent in the Harris Service Area to 46 percent in the Travis Service Area (a difference of 15 percentage points).

Table 2. Prenatal and Postpartum Care in STAR+PLUS, by Service Area

<table>
<thead>
<tr>
<th>STAR+PLUS Service Area</th>
<th>Prenatal Care</th>
<th>Postpartum Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>56.59%</td>
<td>35.61%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>55.71%</td>
<td>31.20%</td>
</tr>
<tr>
<td>NUECES</td>
<td>76.92%</td>
<td>44.23%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>61.45%</td>
<td>45.78%</td>
</tr>
</tbody>
</table>

Reference: Table PPC
Adult Access to Preventive/Ambulatory Health Services

Figures 4 through 6 provide results for the HEDIS® Adults’ Access to Preventive/Ambulatory Health Services measure, which represents the percentage of STAR+PLUS adult members 20 years and older who had an ambulatory or preventive care visit during the measurement period, distributed by MCO. Rates are calculated separately for three age groups – 20 to 44 years old, 45 to 64 years old, and 65 years and older. Table 3 provides the results for this measure, by STAR+PLUS Service Area.

The STAR+PLUS Program. Adult members over the age of 45 years generally had good access to preventive care. Eighty-eight percent of members 45 to 64 years old and 87 percent of members 65 years and older had an ambulatory or preventive care visit in SFY 2010. For each of these age cohorts, the STAR+PLUS program had higher rates of preventive care visits than Medicaid Managed Care Plans reporting to the NCQA.
Preventive care was lower among young adults 20 to 44 years old than older adults. Seventy-four percent had an ambulatory or preventive care visit in SFY 2010, which is below the HEDIS® Medicaid average of 81 percent.

**STAR+PLUS MCOs.** MCO performance on adult preventive care was more variable with the younger age cohort (20 to 44 years old), ranging from 63 percent in Molina to 82 percent in Superior (a difference of 19 percentage points). Superior was the only STAR+PLUS MCO that performed above the HEDIS® Medicaid average for this age cohort (82 vs. 81 percent). In addition, Superior was the best performing MCO in providing preventive care to younger, middle age, and older adults.

**STAR+PLUS Service Areas.** Overall, adult members living in the Nueces Service Area had the best access to preventive care.

**Table 3. HEDIS® Adults’ Access to Preventive/Ambulatory Health Services in STAR+PLUS, by Service Area and Age cohort**

<table>
<thead>
<tr>
<th>STAR+PLUS Service Area</th>
<th>20 to 44 years old</th>
<th>45 to 64 years old</th>
<th>65 years and older</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>76.46%</td>
<td>89.92%</td>
<td>87.07%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>72.84%</td>
<td>87.48%</td>
<td>89.04%</td>
</tr>
<tr>
<td>NUECES</td>
<td>79.73%</td>
<td>91.31%</td>
<td>90.24%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>68.68%</td>
<td>84.72%</td>
<td>78.53%</td>
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</tbody>
</table>

Reference: Table AAP
Figure 4. HEDIS® Adults’ Access to Preventive/Ambulatory Health Services – STAR+PLUS Members 20 to 44 Years Old

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>74.06%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>71.94%</td>
</tr>
<tr>
<td>Evercare</td>
<td>73.96%</td>
</tr>
<tr>
<td>Molina</td>
<td>62.50%</td>
</tr>
<tr>
<td>Superior</td>
<td>82.00%</td>
</tr>
</tbody>
</table>

HEDIS® mean - 81%

Reference: Table AAP

Figure 5. HEDIS® Adult Access to Preventive/Ambulatory Health Services – STAR+PLUS Members 45 to 64 Years Old

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>88.35%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>86.02%</td>
</tr>
<tr>
<td>Evercare</td>
<td>88.01%</td>
</tr>
<tr>
<td>Molina</td>
<td>82.51%</td>
</tr>
<tr>
<td>Superior</td>
<td>93.02%</td>
</tr>
</tbody>
</table>

HEDIS® mean - 85%

Reference: Table AAP
Utilization of Services in the STAR+PLUS Program

Well-Child and Adolescent Well-Care Visits

Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life

Figure 7 provides results for the Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life measure, which represents the percentage of STAR+PLUS members between three and six years old who received one or more well-child visits with a provider during the measurement period, distributed by MCO. Table 4 provides results for this measure by STAR+PLUS Service Area, along with results for the adolescent well-care measure presented in this report.

There were 572 STAR+PLUS child members eligible for this measure.

The STAR+PLUS Program. Sixty-nine percent of children 3 to 6 years old in STAR+PLUS had a well-child visit in SFY 2010.

STAR+PLUS MCOs. All STAR+PLUS MCOs exceeded the HHSC Performance Indicator Dashboard standard of 56 percent for this measure. The MCO with the greatest percentage of members 3 to 6 years old having at least one well-child visit was Superior at 78 percent.
**STAR+PLUS Service Areas.** The percentage of STAR+PLUS members 3 to 6 years old having at least one well-child visit ranged from 66 percent in Harris to 77 percent in Bexar (the rate for Nueces is not presented due to low denominator).

Figure 7. The Percentage of STAR+PLUS Members 3 to 6 Years Old With One or More Well-Child Visits

<table>
<thead>
<tr>
<th>STAR+PLUS Program</th>
<th>Well-Child Visits</th>
<th>Adolescent Well-Care Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STAR+PLUS</strong></td>
<td><strong>69.41%</strong></td>
<td><strong>61.21%</strong></td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td><strong>68.60%</strong></td>
<td><strong>77.94%</strong></td>
</tr>
<tr>
<td>Evercare</td>
<td><strong>69.35%</strong></td>
<td></td>
</tr>
<tr>
<td>Molina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superior</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: Table W34

Table 4. Child and Adolescent Well-Care Visits in STAR+PLUS, by Service Area

<table>
<thead>
<tr>
<th>STAR+PLUS Service Area</th>
<th>Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life</th>
<th>Adolescent Well-Care Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>76.86%</td>
<td>50.88%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>66.41%</td>
<td>44.94%</td>
</tr>
<tr>
<td>NUECES</td>
<td>-</td>
<td>44.55%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>72.97%</td>
<td>43.66%</td>
</tr>
</tbody>
</table>

Reference: Table W34 and AWC

**Adolescent Well-Care Visits**

Figure 8 provides results for the Adolescent Well-Care Visits measure, which represents the percentage of STAR+PLUS members 12 to 21 years old who received one or more comprehensive adolescent well-care visits with a provider during the measurement period, distributed by MCO. Table 4 provides results for this measure by STAR+PLUS Service Area, along with results for the well-child visits measure presented in this report.

There were 4,446 STAR+PLUS adolescent members eligible for this measure.
The **STAR+PLUS Program**. Forty-six percent of adolescents in STAR+PLUS had a well-care visit in SFY 2010.

**STAR+PLUS MCOs.** Superior had the highest rate of adolescent well-care visits in the STAR+PLUS program at 52 percent. All STAR+PLUS MCOs exceeded the HHSC Performance Indicator Dashboard standard of 38 percent for this measure. However, it should be noted that in each health plan, approximately half of the adolescent membership did not have a well-care visit during the measurement year.

**STAR+PLUS Service Areas.** Rates of adolescent well-care visits ranged from 44 percent in Travis to 51 percent in Bexar.

**Figure 8. The Percentage of Adolescent STAR+PLUS Members with One or More Well-Care Visits**

Reference: Table AWC
**Utilization of Ambulatory Care**

**Outpatient Care**

Figures 9 provides results for the HEDIS® Ambulatory Care outpatient measure, showing the rate of outpatient visits per 1,000 member months in the STAR+PLUS program, distributed by MCO. **Table 5** provides results for this measure by STAR+PLUS MCO and age cohort, and **Table 6** provides results for this measure by STAR+PLUS Service Area and age cohort.

The **STAR+PLUS Program**. Overall, STAR+PLUS members had 578 outpatient visits per 1,000 member months during the measurement year. This rate is higher than the national HEDIS® rate of 367 per 1,000 member months.

In STAR+PLUS, utilization of outpatient care was highest among:

- Infants less than one year old – 1,248 per 1,000 member months.
- Adults 45 to 64 years old – 753 per 1,000 member months.
- Older adults 65 to 74 years old – 653 per 1,000 member months.

The lowest rates of outpatient care utilization were observed for members 10 to 19 years old (274 per 1,000 members months) and members 85 years old and above (350 per 1,000 member months).

Utilization of outpatient care was higher than the corresponding rates reported by Medicaid Managed Care Plans to the NCQA on this measure for the three age cohorts between birth and 19 years old, and for members 45 to 64 years old.

**STAR+PLUS MCOs.** The highest rate of outpatient utilization was observed in Superior (671 per 1,000 member months) and the lowest in Molina (478 per 1,000 member months). In addition, Superior had the highest rate of outpatient visits per 1,000 member months for five out of the eight age cohorts for this measure.

**STAR+PLUS Service Areas.** Rates of outpatient utilization ranged from 432 per 1,000 member months in Travis to 641 per 1,000 member months in Bexar, with rates varying by STAR+PLUS Service Area and the age of members. For example, members between 45 and 84 years old living in the Harris Service Area had the highest outpatient utilization rates, and members between 10 and 74 years old living in the Travis Service Area had the lowest outpatient utilization rates.
Figure 9. HEDIS® Ambulatory Care – The Overall Rate of Outpatient Visits per 1,000 Member Months in the STAR+PLUS Program

Reference: Table AMB

Table 5. HEDIS® Ambulatory Care Outpatient Utilization in STAR+PLUS, by MCO and Age Cohort

<table>
<thead>
<tr>
<th>Age cohort</th>
<th>HEDIS® Ambulatory Care Rate of Outpatient Visits per 1,000 Member Months</th>
<th>HEDIS®</th>
<th>STAR+PLUS Program</th>
<th>AMERIGROUP</th>
<th>Evercare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 yr</td>
<td></td>
<td>718.3</td>
<td>1,247.83</td>
<td>1,153.85</td>
<td>1,312.50</td>
<td>1,379.31</td>
<td>1,586.21</td>
</tr>
<tr>
<td>1 to 9 yrs</td>
<td></td>
<td>312.7</td>
<td>433.54</td>
<td>370.26</td>
<td>432.61</td>
<td>521.82</td>
<td>502.65</td>
</tr>
<tr>
<td>10 to 19 yrs</td>
<td></td>
<td>243.1</td>
<td>274.05</td>
<td>237.55</td>
<td>260.20</td>
<td>291.09</td>
<td>386.93</td>
</tr>
<tr>
<td>20 to 44 yrs</td>
<td></td>
<td>432.9</td>
<td>409.07</td>
<td>368.32</td>
<td>408.30</td>
<td>335.43</td>
<td>504.37</td>
</tr>
<tr>
<td>45 to 64 yrs</td>
<td></td>
<td>606.7</td>
<td>753.32</td>
<td>676.86</td>
<td>806.23</td>
<td>642.16</td>
<td>819.72</td>
</tr>
<tr>
<td>65 to 74 yrs</td>
<td></td>
<td>880.3</td>
<td>652.74</td>
<td>616.63</td>
<td>678.92</td>
<td>627.86</td>
<td>712.50</td>
</tr>
<tr>
<td>75 to 84 yrs</td>
<td></td>
<td>541.0</td>
<td>537.00</td>
<td>602.18</td>
<td>516.43</td>
<td>404.55</td>
<td>333.33</td>
</tr>
<tr>
<td>85+ yrs</td>
<td></td>
<td>441.8</td>
<td>350.10</td>
<td>307.69</td>
<td>405.17</td>
<td>500.00</td>
<td>305.56</td>
</tr>
</tbody>
</table>

Reference: Table AMB
### Table 6. HEDIS® Ambulatory Care Outpatient Utilization in STAR+PLUS, by Service Area and Age Cohort

<table>
<thead>
<tr>
<th>Age cohort</th>
<th>HEDIS® Ambulatory Care Rate of Outpatient Visits per 1,000 Member Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HEDIS®</td>
</tr>
<tr>
<td>Total</td>
<td>367.2</td>
</tr>
<tr>
<td>Less than 1 yr</td>
<td>718.3</td>
</tr>
<tr>
<td>1 to 9 yrs</td>
<td>312.7</td>
</tr>
<tr>
<td>10 to 19 yrs</td>
<td>243.1</td>
</tr>
<tr>
<td>20 to 44 yrs</td>
<td>432.9</td>
</tr>
<tr>
<td>45 to 64 yrs</td>
<td>606.7</td>
</tr>
<tr>
<td>65 to 74 yrs</td>
<td>880.3</td>
</tr>
<tr>
<td>75 to 84 yrs</td>
<td>541.0</td>
</tr>
<tr>
<td>85+ yrs</td>
<td>441.8</td>
</tr>
</tbody>
</table>

Reference: Table AMB

### Emergency Department Utilization

**Figure 10** provides results for the HEDIS® Ambulatory Care emergency department (ED) measure, showing the rate of ED visits per 1,000 member months in the STAR+PLUS program, distributed by MCO. **Table 7** provides results for this measure by STAR+PLUS MCO and age cohort, and **Table 8** provides results by STAR+PLUS Service Area and age cohort.

**The STAR+PLUS Program.** Overall, STAR+PLUS members had 88 ED visits per 1,000 member months during the measurement year. This rate is above the national HEDIS® rate of 67 per 1,000 member months.

In STAR+PLUS, utilization of the ED was highest among:

- Infants less than one year old – 178 per 1,000 member months.
- Young adults 20 to 44 years old – 101 per 1,000 member months.
- Adults 45 to 64 years old – 88 per 1,000 member months.

The lowest rates of ED use were observed for members older than 74 years old.
Utilization of the ED was higher than the corresponding rates reported by Medicaid Managed Care Plans to the NCQA on this measure for members less than one year old and for members 45 to 64 years old.

**STAR+PLUS MCOs.** The membership in Superior had the total highest utilization of the ED at 96 per 1,000 member months. Across MCOs, the highest rate of ED use was for members less than one year old in Evercare (500 per 1,000 member months), and the lowest was for members 85 years and older in AMERIGROUP (5 per 1,000 member months).

**STAR+PLUS Service Areas.** Overall, rates of ED utilization ranged from 74 per 1,000 member months in Harris to 138 per 1,000 member months in Travis. Across age cohorts, rates of ED use were generally highest in Travis (except for members 65 to 74 years old) and lowest in Harris (except for members less than one year old and members 75 years and older).

**Figure 10. HEDIS® Ambulatory Care - The Overall Rate of ED Visits per 1,000 Member Months in the STAR+PLUS Program**

Reference: Table AMB
### Table 7. HEDIS® Ambulatory Care Emergency Department Utilization in STAR+PLUS, by MCO and Age Cohort

<table>
<thead>
<tr>
<th>Age cohort</th>
<th>HEDIS® Ambulatory Care Rate of Emergency Department Visits per 1,000 Member Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HEDIS®</td>
</tr>
<tr>
<td>Less than 1 yr</td>
<td>98.3</td>
</tr>
<tr>
<td>1 to 9 yrs</td>
<td>56.3</td>
</tr>
<tr>
<td>10 to 19 yrs</td>
<td>46.9</td>
</tr>
<tr>
<td>20 to 44 yrs</td>
<td>105.2</td>
</tr>
<tr>
<td>45 to 64 yrs</td>
<td>79.6</td>
</tr>
<tr>
<td>65 to 74 yrs</td>
<td>57.5</td>
</tr>
<tr>
<td>75 to 84 yrs</td>
<td>37.2</td>
</tr>
<tr>
<td>85+ yrs</td>
<td>25.5</td>
</tr>
</tbody>
</table>

Reference: Table AMB

### Table 8. HEDIS® Ambulatory Care Emergency Department Utilization in STAR+PLUS, by Service Area and Age Cohort

<table>
<thead>
<tr>
<th>Age cohorts</th>
<th>HEDIS® Ambulatory Care Rate of Emergency Department Visits per 1,000 Member Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HEDIS®</td>
</tr>
<tr>
<td>Total</td>
<td>67.4</td>
</tr>
<tr>
<td>Less than 1 yr</td>
<td>98.3</td>
</tr>
<tr>
<td>1 to 9 yrs</td>
<td>56.3</td>
</tr>
<tr>
<td>10 to 19 yrs</td>
<td>46.9</td>
</tr>
<tr>
<td>20 to 44 yrs</td>
<td>105.2</td>
</tr>
<tr>
<td>45 to 64 yrs</td>
<td>79.6</td>
</tr>
<tr>
<td>65 to 74 yrs</td>
<td>57.5</td>
</tr>
<tr>
<td>75 to 84 yrs</td>
<td>37.2</td>
</tr>
<tr>
<td>85+ yrs</td>
<td>25.5</td>
</tr>
</tbody>
</table>

Reference: Table AMB
AHRQ Quality Indicators

The Agency for Healthcare Research and Quality (AHRQ) Pediatric Quality Indicators (PDIs) and Prevention Quality Indicators (PQIs) use hospital inpatient discharge data to calculate rates of admission for various ambulatory care sensitive conditions for children and adults, respectively. These indicators screen for inpatient stays that were potentially avoidable with better access to care in the outpatient setting. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

Pediatric Quality Indicators

Table 9 provides PDI rates for asthma, diabetes short-term complications, gastroenteritis, and urinary tract infections among children and adolescents in the STAR+PLUS program, up to 17 years of age, distributed by MCO. Table 10 shows results for these four indicators by STAR+PLUS Service Area.

Table B1 in Appendix B describes each of the five AHRQ PDIs shown here. Discussion of PDIs in the key points below includes comparisons with national rates reported by AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2008 and are area-level indicators, including commercial and Medicaid populations.

The STAR+PLUS Program. At the program level, inpatient admission rates for all PDI conditions except urinary tract infection were comparable to or lower than the corresponding national averages, which is indicative of good pediatric outpatient care. Among PDIs calculated per 100,000 members, the highest rate in the STAR+PLUS program was for asthma, and the lowest was for diabetes short-term complications.

- **Asthma.** The inpatient admissions rate for asthma was 127 per 100,000 members in the STAR+PLUS program overall, which is slightly above, but comparable to the national rate of 124 per 100,000.

- **Diabetes short-term complications.** The inpatient admissions rate for diabetes short-term complications was 28 per 100,000 members in the STAR+PLUS program overall, which is comparable to the national rate of 28 per 100,000.

- **Gastroenteritis.** The inpatient admissions rate for gastroenteritis was 113 per 100,000 members in the STAR+PLUS program overall, which is slightly above, but comparable to the national rate of 105 per 100,000.

- **Urinary tract infection.** The inpatient admissions rate for urinary tract infection was 75 per 100,000 members in the STAR+PLUS program overall, which is higher than the national rate of 43 per 100,000.
**STAR+PLUS MCOs.** Rates of inpatient admissions for ACSCs among children in STAR+PLUS varied across MCOs, with the highest admissions related to asthma and diabetes short-term complications occurring in Superior, and the highest admissions related to gastroenteritis and urinary tract infection occurring in Molina.

**STAR+PLUS Service Areas.** Across STAR+PLUS Service Areas, PDI rates were highest in Bexar; above the national AHRQ rates for all four conditions.

### Table 9. AHRQ Pediatric Quality Indicators in STAR+PLUS, by MCO

<table>
<thead>
<tr>
<th>AHRQ Pediatric Quality Indicators</th>
<th>AHRQ rate</th>
<th>STAR+PLUS Program</th>
<th>AMERIGROUP</th>
<th>Evercare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asthma</td>
<td>123.78</td>
<td>126.79</td>
<td>75.55</td>
<td>0.00</td>
<td>184.67</td>
<td>328.08</td>
</tr>
<tr>
<td>Diabetes Short-term Complications</td>
<td>28.17</td>
<td>28.13</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>149.03</td>
</tr>
<tr>
<td>Gastroenteritis</td>
<td>105.26</td>
<td>112.81</td>
<td>49.76</td>
<td>151.75</td>
<td>273.22</td>
<td>129.62</td>
</tr>
<tr>
<td>Urinary Tract Infection</td>
<td>43.09</td>
<td>75.21</td>
<td>49.76</td>
<td>0.00</td>
<td>182.15</td>
<td>129.62</td>
</tr>
</tbody>
</table>

Note: All rates are per 100,000 members. Reference: Table PDI

### Table 10. AHRQ Pediatric Quality Indicators in STAR+PLUS, by Service Area

<table>
<thead>
<tr>
<th>AHRQ Pediatric Quality Indicators</th>
<th>AHRQ rate</th>
<th>STAR+PLUS Program</th>
<th>BEXAR</th>
<th>HARRIS</th>
<th>NUECES</th>
<th>TRAVIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asthma</td>
<td>123.78</td>
<td>126.79</td>
<td>334.90</td>
<td>69.00</td>
<td>0.00</td>
<td>268.10</td>
</tr>
<tr>
<td>Diabetes Short-term Complications</td>
<td>28.17</td>
<td>28.13</td>
<td>150.38</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Gastroenteritis</td>
<td>105.26</td>
<td>112.81</td>
<td>132.36</td>
<td>119.64</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Urinary Tract Infection</td>
<td>43.09</td>
<td>75.21</td>
<td>132.36</td>
<td>68.36</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Note: All rates are per 100,000 members. Reference: Table PDI

**Adult Prevention Quality Indicators**

**Table 11** provide PQI rates of inpatient admissions for 12 out of 14 ambulatory care sensitive conditions in the STAR+PLUS program, among adults 18 years or older, distributed by MCO. Inpatient admissions rates for perforated appendix and low birth weight are not shown due to low denominators. **Table 12** shows PQI results in the four STAR+PLUS Service Areas.
In addition, Table B2 in Appendix B describes each of the AHRQ PQIs in more detail. The discussion below of PQIs includes comparisons with national rates reported by the AHRQ.\textsuperscript{10} It should be noted that these AHRQ national estimates are based on data collected in 2008 and are area-level indicators, including commercial and Medicaid populations.

The STAR+PLUS Program. At the program level, the highest inpatient admissions rate was for congestive heart failure, and the lowest was for angina without procedure. STAR+PLUS inpatient admissions rates for all PQIs reported were greater than the AHRQ national rates.

Inpatient admissions rates for the following conditions were \textit{more than four times greater} than the corresponding AHRQ national rates:

- **Diabetes short-term complications** – 417 per 100,000 members in the STAR+PLUS program, compared to 62 per 100,000 nationally.
- **Uncontrolled diabetes** – 150 per 100,000 members in the STAR+PLUS program, compared to 23 per 100,000 nationally.
- **Diabetes long-term complications** – 747 per 100,000 members in the STAR+PLUS program, compared to 128 per 100,000 nationally.
- **Adult asthma** – 696 per 100,000 adult members in the STAR+PLUS program, compared to 129 per 100,000 nationally.
- **Lower extremity amputation** – 167 per 100,000 members in the STAR+PLUS program, compared to 36 per 100,000 nationally.
- **Hypertension** – 288 per 100,000 members in the STAR+PLUS program, compared to 62 per 100,000 nationally.

STAR+PLUS MCOs. Across MCOs, rates of inpatient admissions varied depending on the condition. Evercare had the highest inpatient admission rates for uncontrolled diabetes, congestive heart failure, COPD, and dehydration. Superior had the highest inpatient admission rates for diabetes long-term complications, hypertension, angina without procedure, and bacterial pneumonia. The greatest range between MCOs in the rate of inpatient admissions for an ACSC was observed for:

- **COPD**, with rates ranging from 634 per 100,000 in Molina to 1,076 per 100,000 in Evercare.
- **Congestive heart failure**, with rates ranging from 1,058 per 100,000 in Superior to 1,476 per 100,000 in Evercare.

STAR+PLUS Service Areas. Rates of potentially avoidable inpatient admissions were variable across the STAR+PLUS Service Areas, with Nueces having the highest rate of inpatient admissions for five out of the 12 PQI conditions.
### Table 11. AHRQ Prevention Quality Indicator Results in STAR+PLUS, by MCO

<table>
<thead>
<tr>
<th>AHRQ Prevention Quality Indicators</th>
<th>AHRQ rate</th>
<th>STAR+PLUS Program</th>
<th>AMERIGROUP</th>
<th>Evercare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Asthma</td>
<td>129.30</td>
<td>696.47</td>
<td>748.69</td>
<td>702.80</td>
<td>585.22</td>
<td>659.01</td>
</tr>
<tr>
<td>Diabetes Short-term Comp.</td>
<td>61.51</td>
<td>417.16</td>
<td>424.84</td>
<td>372.76</td>
<td>536.45</td>
<td>414.38</td>
</tr>
<tr>
<td>Diabetes Long-term Comp.</td>
<td>128.21</td>
<td>747.25</td>
<td>713.86</td>
<td>749.40</td>
<td>682.76</td>
<td>818.77</td>
</tr>
<tr>
<td>Uncontrolled Diabetes</td>
<td>23.02</td>
<td>149.93</td>
<td>114.91</td>
<td>186.38</td>
<td>134.11</td>
<td>159.76</td>
</tr>
<tr>
<td>Lower Extremity Amputation</td>
<td>36.14</td>
<td>166.86</td>
<td>142.77</td>
<td>186.38</td>
<td>219.46</td>
<td>154.77</td>
</tr>
<tr>
<td>Hypertension</td>
<td>61.87</td>
<td>287.78</td>
<td>264.65</td>
<td>287.33</td>
<td>304.80</td>
<td>314.53</td>
</tr>
<tr>
<td>Angina w/out Procedure</td>
<td>24.93</td>
<td>53.20</td>
<td>45.27</td>
<td>58.24</td>
<td>48.77</td>
<td>59.91</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>398.47</td>
<td>1,232.12</td>
<td>1,072.54</td>
<td>1,475.50</td>
<td>1,450.87</td>
<td>1,058.41</td>
</tr>
<tr>
<td>COPD</td>
<td>242.99</td>
<td>891.14</td>
<td>894.94</td>
<td>1,075.56</td>
<td>633.99</td>
<td>753.87</td>
</tr>
<tr>
<td>Bacterial Pneumonia</td>
<td>360.29</td>
<td>807.71</td>
<td>706.90</td>
<td>865.88</td>
<td>743.72</td>
<td>903.64</td>
</tr>
<tr>
<td>Dehydration</td>
<td>110.85</td>
<td>118.50</td>
<td>111.43</td>
<td>132.02</td>
<td>85.35</td>
<td>124.81</td>
</tr>
<tr>
<td>Urinary Tract Infection</td>
<td>205.61</td>
<td>562.25</td>
<td>574.57</td>
<td>559.14</td>
<td>548.65</td>
<td>554.17</td>
</tr>
</tbody>
</table>

Note: All rates are per 100,000 members. Reference: Table PQI
Table 12. AHRQ Prevention Quality Indicator Results in STAR+PLUS, by Service Area

<table>
<thead>
<tr>
<th>AHRQ Prevention Quality Indicators</th>
<th>AHRQ rate</th>
<th>STAR+PLUS Program</th>
<th>BEXAR</th>
<th>HARRIS</th>
<th>NUECES</th>
<th>TRAVIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Asthma</td>
<td>129.30</td>
<td>696.47</td>
<td>601.69</td>
<td>687.74</td>
<td>751.07</td>
<td>919.08</td>
</tr>
<tr>
<td>Diabetes Short-term Comp.</td>
<td>61.51</td>
<td>417.16</td>
<td>344.48</td>
<td>408.06</td>
<td>572.25</td>
<td>493.16</td>
</tr>
<tr>
<td>Diabetes Long-term Comp.</td>
<td>128.21</td>
<td>747.25</td>
<td>799.19</td>
<td>712.96</td>
<td>894.13</td>
<td>650.08</td>
</tr>
<tr>
<td>Uncontrolled Diabetes</td>
<td>23.02</td>
<td>149.93</td>
<td>165.35</td>
<td>151.30</td>
<td>154.98</td>
<td>100.87</td>
</tr>
<tr>
<td>Lower Extremity Amputation</td>
<td>36.14</td>
<td>166.86</td>
<td>183.72</td>
<td>171.94</td>
<td>131.14</td>
<td>134.50</td>
</tr>
<tr>
<td>Hypertension</td>
<td>61.87</td>
<td>287.78</td>
<td>307.73</td>
<td>293.44</td>
<td>298.04</td>
<td>201.75</td>
</tr>
<tr>
<td>Angina w/ out Procedure</td>
<td>24.93</td>
<td>53.20</td>
<td>59.71</td>
<td>64.19</td>
<td>35.77</td>
<td>0.00</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>398.47</td>
<td>1,232.12</td>
<td>1,051.81</td>
<td>1,377.78</td>
<td>1,180.26</td>
<td>1,008.74</td>
</tr>
<tr>
<td>COPD</td>
<td>242.99</td>
<td>891.14</td>
<td>610.88</td>
<td>1,004.10</td>
<td>1,180.26</td>
<td>750.95</td>
</tr>
<tr>
<td>Bacterial Pneumonia</td>
<td>360.29</td>
<td>807.71</td>
<td>748.67</td>
<td>763.39</td>
<td>1,216.02</td>
<td>784.58</td>
</tr>
<tr>
<td>Dehydration</td>
<td>110.85</td>
<td>118.50</td>
<td>105.64</td>
<td>121.50</td>
<td>143.06</td>
<td>112.08</td>
</tr>
<tr>
<td>Urinary Tract Infection</td>
<td>205.61</td>
<td>562.25</td>
<td>459.31</td>
<td>580.00</td>
<td>631.86</td>
<td>661.29</td>
</tr>
</tbody>
</table>

Note: All rates are per 100,000 members. Reference: Table PQI
Effectiveness of Care in the STAR+PLUS Program

Respiratory Conditions

Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis

Figure 11 provides results for the HEDIS® Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis measure, which represents the percentage of STAR+PLUS members 18 to 64 years old who had a diagnosis of acute bronchitis and who were not dispensed an antibiotic prescription. The results for this measure are presented as inverted rates \[1 - \frac{\text{numerator}}{\text{eligible population}}\]. Higher rates are considered desirable and indicate that members were appropriately treated for acute bronchitis by the avoidance of antibiotics. Acute bronchitis is usually caused by a viral infection, and thus symptom management is considered the appropriate treatment for people with this condition (e.g., preventing or controlling the cough), rather than prescribing antibiotics.

The STAR+PLUS Program. Eighteen percent of members who were diagnosed with acute bronchitis in SFY 2010 were appropriately treated for this condition, compared to 26 percent among the Medicaid Managed Care Plans reporting to NCQA on this measure.

STAR+PLUS MCOs. MCO performance on this measure was comparable across plans, with the vast majority of members not receiving appropriate treatment for acute bronchitis.

STAR+PLUS Service Areas. The percentage of members who were appropriately treated for acute bronchitis ranged from 13 percent in the Travis SA to 19 percent in the Harris SA.

Figure 11. HEDIS® Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis in STAR+PLUS

![Graph showing HEDIS® Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis in STAR+PLUS](image)

<table>
<thead>
<tr>
<th>MCO</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>17.68%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>17.88%</td>
</tr>
<tr>
<td>Evercare</td>
<td>17.51%</td>
</tr>
<tr>
<td>Molina</td>
<td>19.82%</td>
</tr>
<tr>
<td>Superior</td>
<td>17.29%</td>
</tr>
</tbody>
</table>

HEDIS® mean - 26%

Reference Table AAB

Texas Contract Year 2011
SFY 2010 Texas STAR+PLUS Quality of Care Report
Version: 2.0
HHSC Approval Date: January 18, 2012
Figure 12. HEDIS® Avoidance of Antibiotic Treatment in Adults with Acute Bronchitis in STAR+PLUS, by Service Area

<table>
<thead>
<tr>
<th>Service Area</th>
<th>MCO</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR SERVICE AREA</td>
<td>AMERICIGROUP</td>
<td>14.81%</td>
</tr>
<tr>
<td></td>
<td>Molina</td>
<td>21.95%</td>
</tr>
<tr>
<td></td>
<td>Superior</td>
<td>18.73%</td>
</tr>
<tr>
<td>HARRIS SERVICE AREA</td>
<td>AMERICIGROUP</td>
<td>19.56%</td>
</tr>
<tr>
<td></td>
<td>Evercare</td>
<td>18.26%</td>
</tr>
<tr>
<td></td>
<td>Molina</td>
<td>18.57%</td>
</tr>
<tr>
<td>NUECES SERVICE AREA</td>
<td>Evercare</td>
<td>19.19%</td>
</tr>
<tr>
<td></td>
<td>Superior</td>
<td>13.02%</td>
</tr>
<tr>
<td>TRAVIS SERVICE AREA</td>
<td>AMERICIGROUP</td>
<td>14.72%</td>
</tr>
<tr>
<td></td>
<td>Evercare</td>
<td>9.37%</td>
</tr>
<tr>
<td>HEDIS® mean - 26%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference Table AAB

Use of Appropriate Medications for People with Asthma

The HEDIS® Use of Appropriate Medications for People with Asthma measure provides the percentage of members who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement period. For the present report, the 2009 HEDIS® specifications were used to calculate this measure, rather than the specifications for 2010, which assigned new age cohorts. The age cohorts specified in the 2009 HEDIS® specifications – 5 to 9 years old, 10 to 17 years old, and 18 to 56 years old – are still in use on the HHSC Performance Indicator Dashboard. Therefore, these age cohorts were used to permit comparisons with the Dashboard standards. Rates for members 5 to 9 years old are not presented due to low denominators.

Figure 13 provides the percentage of STAR+PLUS program members 10 to 17 years old who were prescribed appropriate asthma medication, distributed by MCO. Figure 14 provides the percentage of STAR+PLUS members 18 to 56 years old who were prescribed appropriate
asthma medication, distributed by MCO, and Figure 15 provides results for this age cohort by STAR+PLUS Service Area. Service Area rates for members 10 to 17 years old are not presented due to low denominators.

**The STAR+PLUS Program.** Ninety-four percent of STAR+PLUS members 10 to 17 years old were appropriately treated for asthma, and 91 percent of members 18 to 56 years old were appropriately treated for asthma.

**STAR+PLUS MCOs.** All MCOs provided appropriate asthma care for the vast majority of their memberships, with rates ranging from 87 percent for Molina members 18 to 56 years old to 97 percent for Molina members 10 to 17 years old. All MCOs exceeded the HHSC Performance Indicator Dashboard standards for appropriate asthma care for members 10 to 19 years old (57 percent) and members 18 to 56 years old (62 percent).

**STAR+PLUS Service Areas.** The quality of asthma care across the STAR+PLUS Service Areas was comparable for adults. Within STAR+PLUS Service Areas, MCO rates of prescribing appropriate asthma medication were within two percentage points of each other, except for in the Bexar Service Area where rates ranged from 84 percent in Molina to 93 percent in Superior.

**Figure 13. HEDIS® Use of Appropriate Medications for People with Asthma – STAR+PLUS Members 10 to 17 Years Old**

<table>
<thead>
<tr>
<th>MCO</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>93.56%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>93.58%</td>
</tr>
<tr>
<td>Evercare</td>
<td>90.63%</td>
</tr>
<tr>
<td>Molina</td>
<td>97.30%</td>
</tr>
<tr>
<td>Superior</td>
<td>93.02%</td>
</tr>
</tbody>
</table>

HHSC Dashboard Standard - 57%

Reference: Table ASM-Special
Figure 14. HEDIS® Use of Appropriate Medications for People with Asthma – STAR+PLUS Members 18 to 56 Years Old

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>90.57%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>90.37%</td>
</tr>
<tr>
<td>Evercare</td>
<td>89.56%</td>
</tr>
<tr>
<td>Molina</td>
<td>87.16%</td>
</tr>
<tr>
<td>Superior</td>
<td>91.95%</td>
</tr>
</tbody>
</table>

Reference: Table ASM-Special

Figure 15. HEDIS® Use of Appropriate Medications for People with Asthma – STAR+PLUS Members 18 to 56 Years Old, by Service Area

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR SERVICE AREA</td>
<td>92.13%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>91.01%</td>
</tr>
<tr>
<td>Molina</td>
<td>84.44%</td>
</tr>
<tr>
<td>Superior</td>
<td>92.87%</td>
</tr>
<tr>
<td>HARRIS SERVICE AREA</td>
<td>89.89%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>89.98%</td>
</tr>
<tr>
<td>Evercare</td>
<td>89.91%</td>
</tr>
<tr>
<td>Molina</td>
<td>89.06%</td>
</tr>
<tr>
<td>NUECES SERVICE AREA</td>
<td>88.49%</td>
</tr>
<tr>
<td>Evercare</td>
<td>87.50%</td>
</tr>
<tr>
<td>Superior</td>
<td>88.89%</td>
</tr>
<tr>
<td>TRAVIS SERVICE AREA</td>
<td>90.82%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>91.28%</td>
</tr>
<tr>
<td>Evercare</td>
<td>89.36%</td>
</tr>
</tbody>
</table>

Reference: Table ASM-Special
**Diabetes Care**

The HEDIS® Comprehensive Diabetes Care measure provides the percentage of STAR+PLUS program members 18 to 75 years of age with diabetes (type 1 and 2) who had hemoglobin A1c (HbA1c) testing, eye exams, LDL-C screenings, and medical attention for diabetic nephropathy during the measurement period. HEDIS® technical specifications for the Comprehensive Diabetes Care measures allow for the use of administrative and medical record review data. Results shown were calculated using administrative data only. Note that only eye exams conducted by a vision specialist are counted as eye exam visits.

Figures 16 through 19 provide results for each of the four Comprehensive Diabetes Care submeasures, distributed by MCO. Table 13 provides results for all four sub-measures by Service Area.

**The STAR+PLUS Program and MCOs.**

- **HbA1c Testing.** Seventy-six percent of STAR+PLUS members with diabetes received HbA1c testing, which is below the HEDIS® average of 81 percent for this measure. All MCOs met the HHSC Dashboard standard of 70 percent for this measure, with the highest rate observed for Superior at 79 percent.

- **Eye Exams.** Thirty-nine percent of STAR+PLUS members with diabetes received an eye exam, which is lower than the HEDIS® average of 52 percent for this measure. None of the STAR+PLUS MCOs met the HHSC Dashboard standard of 45 percent for this measure, with rates ranging from 34 percent in Molina to 43 percent in Superior.

- **LDL-C Screening.** Seventy-six percent of STAR+PLUS members with diabetes received LDL-C screening, which is slightly above the HEDIS® average of 74 percent for this measure. All MCOs met the HHSC Performance Indicator Dashboard standard of 65 percent for this measure, with rates ranging from 69 percent in Molina to 77 percent in Superior.

- **Monitoring for Nephropathy.** Seventy-eight percent of STAR+PLUS members with diabetes were monitored for diabetic nephropathy, which is slightly above the HEDIS® average of 76 percent for this measure. MCO performance on this measure was comparable, with all MCOs exceeding the HHSC Performance Indicator Dashboard standard of 41 percent for this measure.

**STAR+PLUS Service Areas.** The quality of diabetes care was similar across the STAR+PLUS Service Areas, with rates varying by only a few percentage points for each diabetes submeasure.
Figure 16. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR+PLUS Members with Diabetes who had Hemoglobin A1c Testing

<table>
<thead>
<tr>
<th>Program</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>76.27%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>75.65%</td>
</tr>
<tr>
<td>Evercare</td>
<td>75.58%</td>
</tr>
<tr>
<td>Molina</td>
<td>70.25%</td>
</tr>
<tr>
<td>Superior</td>
<td>78.66%</td>
</tr>
</tbody>
</table>

Reference: Table CDC

Figure 17. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR+PLUS Members with Diabetes who had an Eye Exam Performed

<table>
<thead>
<tr>
<th>Program</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>38.68%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>37.93%</td>
</tr>
<tr>
<td>Evercare</td>
<td>35.06%</td>
</tr>
<tr>
<td>Molina</td>
<td>34.19%</td>
</tr>
<tr>
<td>Superior</td>
<td>43.49%</td>
</tr>
</tbody>
</table>

Reference: Table CDC
Figure 18. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR+PLUS Members with Diabetes who had LDL-C Screening

Reference: Table CDC

Figure 19. HEDIS® Comprehensive Diabetes Care - The Percentage of STAR+PLUS Members with Diabetes who had Medical Attention for Nephropathy

Reference: Table CDC
Table 13. HEDIS® Comprehensive Diabetes Care in STAR+PLUS, by Service Area

<table>
<thead>
<tr>
<th>STAR+PLUS Service Area</th>
<th>HbA1c Testing</th>
<th>Eye Exams</th>
<th>LDL-C Screening</th>
<th>Monitoring for Nephropathy</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>76.52%</td>
<td>42.30%</td>
<td>74.88%</td>
<td>77.48%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>75.00%</td>
<td>35.51%</td>
<td>76.10%</td>
<td>79.18%</td>
</tr>
<tr>
<td>NUECES</td>
<td>80.50%</td>
<td>39.82%</td>
<td>77.90%</td>
<td>77.80%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>75.89%</td>
<td>41.09%</td>
<td>72.78%</td>
<td>78.62%</td>
</tr>
</tbody>
</table>

Reference: Table CDC

Women’s Preventive Care and Screenings

Cervical Cancer Screening

Figure 20 provides results for the HEDIS® Cervical Cancer Screening measure, which represents the percentage of women between 21 and 64 years of age in the STAR+PLUS Program who received one or more Pap tests to screen for cervical cancer during the measurement period, distributed by MCO. Figure 21 presents the results for this measure, by STAR+PLUS Service Area.

The STAR+PLUS Program. Of the 29,414 women eligible for this measure, 42 percent had a Pap test to screen for cervical cancer. The STAR+PLUS Program rate for cervical cancer screening is below the 10th percentile for Medicaid Managed Care Plans reporting to NCQA on this measure.

STAR+PLUS MCOs. Across the STAR+PLUS MCOs, the percentage of women screened for cervical cancer ranged from 34 percent in Molina to 46 percent in Superior (a difference in performance of 12 percentage points). None of the STAR+PLUS MCOs met the HHSC Performance Indicator Dashboard standard for this measure (60 percent).

STAR+PLUS Service Areas. Performance on this measure was comparable across the STAR+PLUS Service Areas, but variable by MCOs operating within a particular Service Area. The largest difference in MCO rates of cervical cancer screening was in the Harris Service Area, ranging from 32 percent in Molina to 46 percent in AMERIGROUP (a 14 percentage point difference).
Figure 20. HEDIS® Cervical Cancer Screening

- STAR+PLUS Program: 42.30%
- AMERIGROUP: 45.15%
- Evercare: 37.01%
- Molina: 34.08%
- Superior: 46.24%

HHSC Dashboard Standard - 60%
HEDIS® mean - 66%

Reference: Table CCS

Figure 21. HEDIS® Cervical Cancer Screening, by STAR+PLUS Service Area

- BEXAR SERVICE AREA
  - AMERIGROUP: 37.57%
  - Molina: 36.64%
  - Superior: 47.55%
- HARRIS SERVICE AREA
  - AMERIGROUP: 46.35%
  - Evercare: 37.16%
  - Molina: 32.19%
- NUECES SERVICE AREA
  - Evercare: 38.52%
  - Superior: 42.19%
- TRAVIS SERVICE AREA
  - AMERIGROUP: 45.48%
  - Evercare: 33.66%

HHSC Dashboard Standard - 60%
HEDIS® mean - 66%

Reference: Table CCS
Breast Cancer Screening

Figure 22 provides results for the HEDIS® Breast Cancer Screening measure, which represents the percentage of women in STAR+PLUS who had a mammogram to screen for breast cancer during the measurement period. Figure 23 provides the results for this measure, by STAR+PLUS Service Area.

The STAR+PLUS Program. Of the 17,585 women eligible for this measure, 43 percent had a mammogram screen for breast cancer. Overall, the STAR+PLUS program performed between the 10th and 25th percentile for Medicaid Managed Care Plans reporting to NCQA on this measure.

STAR+PLUS MCOs. Rates of mammogram screening ranged from a low of 35 percent in Molina to a high of 47 percent in Superior, with all of the STAR+PLUS MCOs performing below the HEDIS® mean of 52 percent.

STAR+PLUS Service Areas. The Nueces Service Area had the highest rate of mammogram screening for breast cancer (50 percent), and the Harris Service Area had the lowest (39 percent), particularly for Molina members in this region (28 percent).

Figure 22. HEDIS® Breast Cancer Screening

Reference: Table BCS
Figure 23. HEDIS® Breast Cancer Screening, by STAR+PLUS Service Area

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Amerigroup</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR SERVICE AREA</td>
<td>45.18%</td>
<td>39.58%</td>
<td>46.37%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Molina</td>
<td>42.80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superior</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HARRIS SERVICE AREA</td>
<td>39.01%</td>
<td>27.67%</td>
<td></td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evercare</td>
<td>40.47%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Molina</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NUECES SERVICE AREA</td>
<td>49.64%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evercare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superior</td>
<td></td>
<td></td>
<td>50.46%</td>
</tr>
<tr>
<td>TRAVIS SERVICE AREA</td>
<td>43.50%</td>
<td></td>
<td></td>
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<tr>
<td>AMERIGROUP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evercare</td>
<td>45.72%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NUECES SERVICE AREA</td>
<td></td>
<td></td>
<td>36.63%</td>
</tr>
</tbody>
</table>

Reference: Table BCS

Behavioral Health Care in STAR+PLUS

Antidepressant Medication Management

Figure 24 provides the HEDIS® Antidepressant Medication Management (AMM) measure, which assesses the effectiveness of pharmacological management of major depression in individuals 18 years of age and older. Figure 25 provides results for this measure by STAR+PLUS Service Area. This measure addresses both the acute and continuation phases of treatment:

- The **Effective Acute-Phase Treatment** measure shows the percentage of adults diagnosed with a new episode of major depression who were treated with an antidepressant medication and who remained on the medication for the entire 12 weeks of the acute treatment period.

- The **Effective Continuation-Phase Treatment** measure shows the percentage of adults diagnosed with a new episode of major depression who were treated with an antidepressant medication and who continued to take the medication for at least 180 days.
**The STAR+PLUS Program.** The results suggest that at least half of STAR+PLUS members with major depression are not receiving effective pharmacologic management for their disorder.

Only half of the adults in the STAR+PLUS program were effectively managed for major depression, remaining on antidepressant medication for at least 12 weeks during the acute phase of treatment (50 percent). Thirty-six percent continued to take antidepressant medication for at least six months (continuation phase of treatment).

Overall, the performance of the STAR+PLUS program in managing the antidepressant medication treatment of members with major depression was comparable to Medicaid Managed Care Plans reporting to the NCQA on this measure.

**STAR+PLUS MCOs.** MCO performance on this measure varied slightly (by between six and seven percentage points). The rate of members with major depression who remained on an antidepressant medication for 12 weeks ranged from 47 percent in Molina to 53 percent in AMERIGROUP. The rate of members with major depression who remained on an antidepressant medication for six months ranged from 30 percent in Molina to 37 percent in AMERIGROUP and Superior.

**STAR+PLUS Service Areas.** Members living in the Travis Service Area received slightly more effective pharmacologic management of major depression than members living in other regions of the State.

**Figure 24. HEDIS® Antidepressant Medication Management in STAR+PLUS**

Reference: Table AMM

Texas Contract Year 2011
SFY 2010 Texas STAR+PLUS Quality of Care Report
Version: 2.0
HHSC Approval Date: January 18, 2012
Figure 25. HEDIS® Antidepressant Medication Management, by STAR+PLUS Service Area

Follow-up Care after Hospitalization for Mental Illness

Figure 26 provides the percentage of STAR+PLUS program members six years of age or older who were hospitalized for mental illness and who had an outpatient visit, an intensive outpatient encounter, or a partial hospitalization with a provider during the measurement period, distributed by MCO. Two percentages are shown – one for follow-up within seven days of discharge, and
one for follow-up within 30 days of discharge. Figure 27 provides results for this measure, distributed by STAR+PLUS Service Area.

There were 4,418 STAR+PLUS members eligible for this measure.

**The STAR+PLUS Program.** Less than half of STAR+PLUS members hospitalized for mental illness (46 percent) had a follow-up visit with a provider within 7 days of discharge from the hospital. At the 30 day post-discharge period, a majority of these members (72 percent) had a follow-up visit with a provider.

**STAR+PLUS MCOs.** All MCOs met the HHSC Performance Dashboard standards of 32 percent for 7-day follow-up and 52 percent for 30-day follow-up.

**STAR+PLUS Service Areas.** The Travis Service Area had the highest percentage of members who had follow-up care with a provider within 7 days of discharge after hospitalization for mental illness (52 percent). Both the Travis and Nueces Service Areas had the highest percentages of members who had follow-up care with a provider within 30 days of discharge after hospitalization for mental illness (74 percent).

**Figure 26. The Percentage of STAR+PLUS Members Receiving Follow-up Care within 7 and 30 Days After Hospitalization for Mental Illness**

Reference: Table FUH
Figure 27. The Percentage of STAR+PLUS Members Receiving Follow-up Care within 7 and 30 Days After Hospitalization for Mental Illness, by Service Area

Reference: Table FUH
Readmission within 30 Days after an Inpatient Stay for Mental Health

The Readmission within 30 Days after an Inpatient Stay for Mental Health measure provides the percentage of members who were readmitted within 30 days following an inpatient stay for a mental health disorder. Mental health readmissions are frequently used as a measure of an adverse outcome, which potentially results from efforts to contain behavioral health care costs, such as reducing the initial length of stay. For this measure, low rates of readmission indicate good performance.

Figures 28 and 29 provide the percentage of STAR+PLUS program members who were readmitted within 30 days following an inpatient stay for a mental health disorder, distributed by MCO. The figures depict the data separately for members 18 years of age and younger, and members 19 years of age and older. Figure 30 provides the results for this measure for members 19 years of age and older, distributed by STAR+PLUS Service Area. Service Area rates are not provided for child and adolescent members (18 years of age and younger) due to low denominators.

The STAR+PLUS Program. One out of four STAR+PLUS adult members were readmitted to the hospital within 30 days following an inpatient stay for a mental health disorder (25 percent). The mental health readmission rate in the STAR+PLUS Program was slightly higher for adult members than for child and adolescent members (25 vs. 19 percent).

STAR+PLUS MCOs. Rates of mental health readmissions were comparable across the MCOs, especially for adult members.

STAR+PLUS Service Areas. Mental health readmission rates for members 19 years of age and older ranged from 19 percent in the Nueces Service Area to 28 percent in the Bexar Service Area.

Figure 28. The Percentage of STAR+PLUS Members (18 years of age and younger) Readmitted to the Hospital within 30 Days After an Inpatient Stay for Mental Health

<table>
<thead>
<tr>
<th>MCO</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS Program</td>
<td>18.75%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>18.39%</td>
</tr>
<tr>
<td>Evercare</td>
<td>19.30%</td>
</tr>
<tr>
<td>Superior</td>
<td>23.40%</td>
</tr>
</tbody>
</table>

Reference: Table MHReadmit v2
Figure 29. The Percentage of STAR+PLUS Adult Members (19+ Years Old) Readmitted to the Hospital within 30 Days After an Inpatient Stay for Mental Health

<table>
<thead>
<tr>
<th>Program</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR+PLUS</td>
<td>25.31%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>25.05%</td>
</tr>
<tr>
<td>Evercare</td>
<td>24.50%</td>
</tr>
<tr>
<td>Molina</td>
<td>25.12%</td>
</tr>
<tr>
<td>Superior</td>
<td>26.73%</td>
</tr>
</tbody>
</table>

Reference: Table MHReadmit v2

Figure 30. The Percentage of STAR+PLUS Adult Members (19+ Years Old) Readmitted to the Hospital within 30 Days After an Inpatient Stay for Mental Health, by Service Area

<table>
<thead>
<tr>
<th>Service Area</th>
<th>AMERIGROUP</th>
<th>Evercare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>27.86%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>25.32%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Molina</td>
<td>23.76%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superior</td>
<td>28.88%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HARRIS</td>
<td>24.71%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>24.51%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evercare</td>
<td>24.64%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Molina</td>
<td>25.69%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NUECES</td>
<td>19.20%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evercare</td>
<td>23.58%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Superior</td>
<td>15.82%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRAVIS</td>
<td>26.10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>27.25%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evercare</td>
<td>24.29%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: Table MHReadmit v2
Appendix A: Detailed Methodology

Three data sources were used to calculate the quality of care indicators: (1) member-level enrollment information, (2) member-level health care claims/encounter data, and (3) member-level pharmacy data. The enrollment files contain information about the person’s age, gender, the MCO in which the member is enrolled, and the number of months the member has been enrolled in the program. The member-level claims/encounter data contain Current Procedural Terminology (CPT) codes, International Classification of Diseases, 9th Revision (ICD-9-CM) codes, place of service (POS) codes, and other information necessary to calculate the quality of care indicators. The member-level pharmacy data contain information about filled prescriptions, including the drug name, dose, date filled, number of days prescribed, and refill information.

A six-month time lag was used for the claims and encounter data. Prior analyses with Texas data showed that, on average, over 96 percent of claims and encounters are complete by that time period.

Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Specifications Report, July 2011.” This document, prepared by the Institute for Child Health Policy, provides specifications for HEDIS® and other quality of care measures.

Quality of care indicators in this report include: 1) The Healthcare Effectiveness Data and Information Set (HEDIS®) 2010 measures; 2) The Agency for Healthcare Research and Quality (AHRQ), Pediatric Quality Indicators (PQIs) and Prevention Quality Indicators (PDIs); and 3) measures developed by ICHP.

Rates for HEDIS® measures were calculated using National Committee for Quality Assurance (NCQA) certified software. In addition, an NCQA-certified auditor reviewed all of the results and provided letters of certification to the Institute for Child Health Policy. These letters and an official letter from NCQA providing their seal for the results are available from the Texas Health and Human Services Commission (HHSC).

Results for the HEDIS® measures for which the specifications were strictly followed are compared to other Medicaid programs. NCQA gathers and compiles data from Medicaid managed care plans nationally. Submission of HEDIS® data to NCQA is a voluntary process; therefore, health plans that submit HEDIS® data are not fully representative of the industry. Health plans participating in NCQA HEDIS® reporting tend to be older, are more likely to be federally qualified, and are more likely to be affiliated with a national managed care company than the overall population of health plans in the United States. NCQA reports the national results as a mean and at the 10th, 25th, 50th, 75th, and 90th percentiles. The Medicaid Managed Care Plans 2010 mean results are shown and labeled “HEDIS® Mean” in the figures.
At the request of the HHSC, the EQRO developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for HEDIS® measures. As in the prior reporting period (fiscal 2009), ICHP modified the NCQA specifications to lift provider constraints when determining eligibility for HEDIS® measures. Provider specialty codes are an important component for some HEDIS® measures and lifting the provider constraints may result in some rate inflation for these measures. For example, NCQA specifications require that a mental health provider be the provider of record for a beneficiary to be considered compliant with the HEDIS® measures for 7-day and 30-day follow-up after an inpatient mental health stay. The current methodology allows a visit with any provider to count toward compliance with the mental health follow-up measures.

The following measures rely on specific provider specialty codes, and are therefore affected by this change in methodology:

- Prenatal Care
- Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life
- Adolescent Well-Care Visits
- Follow-up After Hospitalization for Mental Illness

For these measures, the name HEDIS® has been removed from the titles as these measures do not adhere precisely to NCQA specifications, and it is likely that the results are inflated. Thus, the discussion of results for these measures will not include comparison to HEDIS® national Medicaid rates, derived from the Medicaid Managed Care Plans reporting to NCQA.

Pediatric Quality Indicators (PDIs) and Adult Prevention Quality Indicators (PQIs) developed by the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate the performance of STAR+PLUS related to inpatient admissions for ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.” The specifications used to calculate rates for these measures come from AHRQ’s PDI and PQI versions 4.2. Rates are calculated based on the number of hospital discharges divided by the number of people in the area (except for appendicitis and low birth weight). Unlike most other measures provided in this chart book, low quality indicator rates are desired as they suggest a better quality health care system outside the hospital setting.

Pediatric admissions for the following ACSCs are assessed: (1) Asthma; (2) Diabetes Short-Term Complications; (3) Gastroenteritis; (4) Perforated Appendix; and (5) Urinary Tract Infection. The age eligibility for these measures is up to age 17.

Adult admissions for the following ASCSs are assessed: (1) Diabetes Short-Term Complications; (2) Perforated Appendix; (3) Diabetes Long-Term Complications; (4) Chronic Obstructive Pulmonary Disease; (5) Hypertension; (6) Congestive Heart Failure; (7) Low Birth
Weight; (8) Dehydration; (9) Bacterial Pneumonia; (10) Urinary Tract Infection; (11) Angina without Procedure; (12) Uncontrolled Diabetes; (13) Adult Asthma; and (14) Rate of Lower Extremity Amputation among Patients with Diabetes. For these measures, adults are those individuals ages 18 or older.

In addition to the narrative and figures contained in this report, technical appendices were provided to HHSC that contain all of the data to support key findings. The interested reader can review those for more details. The corresponding reference table is listed beneath each figure.
## Appendix B: AHRQ Quality Indicators

### Table B1. AHRQ Pediatric Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI 14</td>
<td>Asthma Admission Rate</td>
<td>Number of admissions for long-term asthma per 100,000 population</td>
</tr>
<tr>
<td>PDI 15</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PDI 16</td>
<td>Gastroenteritis Admission Rate</td>
<td>Number of admissions for pediatric gastroenteritis per 100,000 population</td>
</tr>
<tr>
<td>PDI 17</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PDI 18</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary tract infection per 100,000 population</td>
</tr>
</tbody>
</table>

### Table B2. AHRQ Adult Prevention Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQI 1</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PQI 2</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PQI 3</td>
<td>Diabetes Long-term Complications Admission Rate</td>
<td>Number of admissions for long-term diabetes per 100,000 population</td>
</tr>
<tr>
<td>PQI 5</td>
<td>Chronic Obstructive Pulmonary Disease Admission Rate</td>
<td>Number of admissions for COPD per 100,000 population</td>
</tr>
<tr>
<td>PQI 7</td>
<td>Hypertension Admission Rate</td>
<td>Number of admissions for hypertension per 100,000 population</td>
</tr>
<tr>
<td>PQI 8</td>
<td>Congestive Heart Failure Admission Rate</td>
<td>Number of admissions for CHF per 100,000 population</td>
</tr>
<tr>
<td>AHRQ Indicator Number</td>
<td>Indicator Name</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PQI 9</td>
<td>Low Birth Weight Rate</td>
<td>Number of low birth weight births as a share of all births in an area</td>
</tr>
<tr>
<td>PQI 10</td>
<td>Dehydration Admission Rate</td>
<td>Number of admissions for dehydration per 100,000 population</td>
</tr>
<tr>
<td>PQI 11</td>
<td>Bacterial Pneumonia Admission Rate</td>
<td>Number of admissions for bacterial pneumonia per 100,000 population</td>
</tr>
<tr>
<td>PQI 12</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary tract infection per 100,000 population</td>
</tr>
<tr>
<td>PQI 13</td>
<td>Angina without Procedure Admission Rate</td>
<td>Number of admissions for angina without procedure per 100,000 population</td>
</tr>
<tr>
<td>PQI 14</td>
<td>Uncontrolled Diabetes Admission Rate</td>
<td>Number of admissions for uncontrolled diabetes per 100,000 population</td>
</tr>
<tr>
<td></td>
<td>(Note: This indicator is designed to be combined with diabetes short-term complications.)</td>
<td></td>
</tr>
<tr>
<td>PQI 15</td>
<td>Adult Asthma Admission Rate</td>
<td>Number of admissions for asthma in adults per 100,000 population</td>
</tr>
<tr>
<td>PQI 16</td>
<td>Rate of Lower Extremity Amputation Among Patients with Diabetes</td>
<td>Number of admissions for lower extremity amputation among patients with diabetes per 100,000 population</td>
</tr>
</tbody>
</table>
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2 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at www.ncqa.org.


12 ICHP, 2011.°
13 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at www.ncqa.org


16 ICHP. 2011. b Texas Medicaid Managed Care, STAR+PLUS, Quality of Care Report, Fiscal Year 2010: Technical Appendix. Gainesville, FL: The Institute for Child Health Policy, University of Florida.
Texas Children’s Health Insurance Program (CHIP)

Quality of Care Report

Fiscal Year 2010

Measurement Period: September 1, 2009 through August 31, 2010

The Institute for Child Health Policy
University of Florida

The External Quality Review Organization
for Texas Medicaid Managed Care and CHIP

Submitted: October 12, 2011
Final Submitted:
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Executive Summary

Introduction

This report provides an annual update of the quality of care provided to members in the Texas Children’s Health Insurance Program (CHIP), prepared by the Institute for Child Health Policy at the University of Florida, the External Quality Review Organization (EQRO) for Texas Medicaid/CHIP Managed Care. This update is for September 1, 2009 to August 31, 2010, covering fiscal year 2010.

Texas CHIP provides health care coverage to children under 19 years of age, living in families with incomes above Medicaid eligibility thresholds, who are unable to purchase private insurance. CHIP is administered through 15 managed care organizations (MCOs), providing services in 10 geographic regions of Texas.

This report provides descriptive information about the CHIP population, and evaluation of members’ access to care, utilization of services, and effectiveness of preventive care and treatment. Results for the following quality of care measures are presented in this report:

- **Access to Care** – *Children and Adolescents’ Access to Primary Care Practitioners.*

- **Utilization of Services** – *Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life, Adolescent Well-Care Visits, HEDIS® Ambulatory Care, and AHRQ Pediatric Quality Indicators (PDIs).*

- **Effectiveness of Care**
  - Respiratory Conditions – *HEDIS® Appropriate Testing for Child with Pharyngitis, HEDIS® Appropriate Treatment for Children with Upper Respiratory Infection, and HEDIS® Use of Appropriate Medications for People with Asthma.*
  - Women’s Preventive Care and Screening – *HEDIS® Chlamydia Screening in Women.*
  - Behavioral Health – *Follow-up Care for Children Prescribed ADHD Medication, Follow-up after Hospitalization for Mental Illness, and Readmission within 30 Days after an Inpatient Stay for Mental Health.*

Methodology

A detailed description of the methodology used in this report is presented in Appendix A. Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Specifications Report, July 2011.”

Rates for Healthcare Effectiveness and Data Information Set (HEDIS®) measures were calculated using National Committee for Quality Assurance (NCQA) certified software.
Discussion of results includes comparison with HEDIS® national Medicaid rates, which are derived from rates reported to the NCQA by Medicaid Managed Care plans nationally.2

At the request of the Texas Health and Human Services Commission (HHSC), the EQRO developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for certain HEDIS® measures. The following measures rely on specific provider specialty codes, and are therefore affected by this change in methodology:

- Children and Adolescents’ Access to Primary Care Providers
- Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life
- Adolescent Well-Care Visits
- Follow-up Care for Children Prescribed ADHD Medication
- Follow-up After Hospitalization for Mental Illness

For these measures, the name HEDIS® has been removed from the titles, as these measures do not adhere precisely to NCQA specifications and their results are likely inflated from the lifting of provider constraints. Thus, figures displaying results for these measures do not include comparison to HEDIS® national Medicaid rates.

Pediatric Quality Indicators (PDIs) developed by the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate CHIP rates of inpatient admissions for ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.”3

Summary of Findings

Access to Care

- Access to primary care practitioners. Children and adolescents in CHIP had good access to primary care practitioners (PCPs). Over 90 percent had a recent visit with a PCP.

Utilization of Services

- Preventive care for infants and children. Sixty-eight percent of children three to six years old had a well-child visit.
• **Preventive care for adolescents.** Half of adolescents in CHIP had a comprehensive well-care visit (50 percent).

• **Ambulatory care.** The rate of outpatient visits in CHIP was 261 per 1,000 member months. The rate of emergency department visits in CHIP was 23 per 1,000 member months. For both outpatient and emergency department utilization, rates generally decreased with age.

• **Pediatric inpatient admissions.** Rates of ACSC-related pediatric inpatient admissions were below the national rates reported by the AHRQ. The highest rate of pediatric inpatient admissions in CHIP was for asthma (70 per 100,000), although this was lower than the AHRQ national rate (124 per 100,000).

### Effectiveness of Care

• **Respiratory conditions.** Fifty-four percent of children in CHIP received appropriate testing for sore throat (pharyngitis), and 78 percent received appropriate treatment for upper respiratory infection.

  The vast majority of CHIP members who have asthma received appropriate medications for their condition (over 95 percent).

• **Women’s preventive care and screening.** Thirty percent of young women 16 years and older were screened for Chlamydia.

• **Behavioral health care and treatment.** Less than half of children with ADHD in CHIP had a follow-up visit within 30 days after being dispensed an ADHD medication (45 percent).

  Among CHIP members hospitalized for mental illness, 45 percent had a follow-up visit within 7 days of discharge from the hospital, and 74 percent had a follow-up visit within 30 days of discharge from the hospital.

  The CHIP rate for mental health readmission within 30 days was eight percent.

### Recommendations

The performance of the CHIP and MCOs participating in CHIP was good for most quality of care measures in fiscal year 2010. The EQRO recommends that MCOs focus quality improvement efforts on areas where program-level rates were below national averages.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Recommendations</th>
<th>Rationale</th>
<th>HHSC Recommendations/Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate treatment for children with upper respiratory</td>
<td>• Ensure that primary care providers (PCPs) of CHIP members are following proper and up-to-date clinical</td>
<td>The rates of appropriate testing for children with pharyngitis and</td>
<td>• HHSC will consider adding an overarching goal which reduces inappropriate prescribing of antibiotic medication to children</td>
</tr>
</tbody>
</table>

Texas Contract Year 2011
Fiscal Year 2010 Texas CHIP Quality of Care Report
Version: 2.0
HHSC Approval Date:  
Page 3
<table>
<thead>
<tr>
<th>Infections (URI)</th>
<th>Practice guidelines for treatment of children with pharyngitis.</th>
<th>Appropriate treatment of children with upper respiratory infection were lower in CHIP than the HEDIS® national averages.</th>
<th>Presenting with upper respiratory infections.</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Consider physician training programs for PCPs of CHIP members to reduce inappropriate antibiotic prescribing:</td>
<td>- Train providers in the use of an interactive booklet to facilitate primary care consultations for childhood upper respiratory tract infections.</td>
<td>These findings suggest that many CHIP primary care providers are inappropriately prescribing antibiotic medications to children presenting with upper respiratory complaints.</td>
<td>- HHSC assigns overarching goals to all MCOs each year. Several MCOs have implemented a performance improvement project (PIP) to improve appropriate treatment for children with URI.</td>
</tr>
<tr>
<td></td>
<td>o Train providers in the use of an interactive booklet to facilitate primary care consultations for childhood upper respiratory tract infections.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Implement a physician behavior-change strategy that includes guideline dissemination, small-group education, updates,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chlamydia Screening in Women (CHL)</td>
<td>Provide physicians with STI training, specifically targeting physicians who have a lower likelihood of recommending Chlamydia screening (e.g., older physicians, males, and pediatricians).</td>
<td>Thirty percent of sexually active female CHIP members between 16 and 20 years old were screened for Chlamydia. This rate is considerably lower than the HEDIS® average</td>
<td>HEDIS® Chlamydia Screening in Women has been added to the performance indicator dashboard to monitor MCO performance.</td>
</tr>
<tr>
<td></td>
<td>o Training would involve</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thirty percent of sexually active female CHIP members between 16 and 20 years old were screened for Chlamydia. This rate is considerably lower than the HEDIS® average.
<table>
<thead>
<tr>
<th>clarifying screening guidelines and how to discuss sexual health with younger patients.</th>
<th>of 54 percent for this measure, and falls below the 10th percentile nationally.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide physicians with a toolkit to facilitate screenings that includes a women’s health maintenance record of preventive screenings, to be reviewed with patients annually.</td>
<td>The Centers for Disease Control and Prevention (CDC) recommend annual Chlamydia screening for sexually active young women, due to the high prevalence of the infection among this population.</td>
</tr>
<tr>
<td>Increase patient awareness and compliance with preventive screenings through education (e.g., newsletters, preventive service magazines, and self-help pamphlets), birthday card reminders for preventive appointments, and automated phone calls.</td>
<td>Chlamydia infections are typically asymptomatic in women, and if left untreated, can result in pelvic inflammatory disease, chronic pelvic pain, infertility, and adverse pregnancy outcomes such as preterm labor and neonatal infections.</td>
</tr>
</tbody>
</table>
The CHIP Population

There were 522,769 unduplicated members in CHIP in August 2010. Slightly more than half of the CHIP population was male (51 percent). The average age of members was 10.3 years (SD = 4.6).

Figure 1 provides the number of members in the 16 CHIP Managed Care Organizations in August 2010. Superior RSA had the largest membership, with 115,967 members accounting for 22 percent of the CHIP population. Texas Children’s had the second largest membership (81,798 members), followed by AMERIGROUP (70,811 members).

The MCOs with the smallest membership were UniCare (5,564 members) and FirstCare (5,247).

Table 1 provides the total number of unduplicated members in the ten CHIP Service Areas. Over half of the CHIP population lived in either the Harris SA or the Superior RSA (29 percent and 22 percent, respectively). The fewest number of members lived in the Webb SA, which contained approximately two percent of the CHIP population.

Table 1. Total Number of Unduplicated CHIP Members by Service Area/MCO

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR Service Area</td>
<td>43,018</td>
</tr>
<tr>
<td>Aetna</td>
<td>5,801</td>
</tr>
<tr>
<td>Community First</td>
<td>26,054</td>
</tr>
<tr>
<td>Superior</td>
<td>11,163</td>
</tr>
<tr>
<td>LUBBOCK Service Area</td>
<td>12,492</td>
</tr>
<tr>
<td>FirstCare</td>
<td>5,247</td>
</tr>
<tr>
<td>Superior</td>
<td>7,245</td>
</tr>
<tr>
<td>DALLAS Service Area</td>
<td>76,243</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>37,614</td>
</tr>
<tr>
<td>Parkland</td>
<td>33,065</td>
</tr>
<tr>
<td>UniCare</td>
<td>5,564</td>
</tr>
<tr>
<td>NUECES Service Area</td>
<td>14,263</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>796</td>
</tr>
<tr>
<td>Driscoll</td>
<td>12,212</td>
</tr>
<tr>
<td>Superior</td>
<td>1,255</td>
</tr>
<tr>
<td>EL PASO Service Area</td>
<td>23,205</td>
</tr>
<tr>
<td>El Paso First</td>
<td>15,014</td>
</tr>
<tr>
<td>Superior</td>
<td>8,191</td>
</tr>
<tr>
<td>TARRANT Service Area</td>
<td>52,915</td>
</tr>
<tr>
<td>Aetna</td>
<td>5,481</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>14,740</td>
</tr>
<tr>
<td>Cook Children’s</td>
<td>32,694</td>
</tr>
<tr>
<td>HARRIS Service Area</td>
<td>149,062</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>17,661</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>29,998</td>
</tr>
<tr>
<td>Molina</td>
<td>1,948</td>
</tr>
<tr>
<td>Texas Children’s</td>
<td>81,798</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>17,657</td>
</tr>
<tr>
<td>TRAVIS Service Area</td>
<td>27,547</td>
</tr>
<tr>
<td>Seton</td>
<td>18,177</td>
</tr>
<tr>
<td>Superior</td>
<td>9,370</td>
</tr>
<tr>
<td>WEBB Service Area</td>
<td>8,057</td>
</tr>
<tr>
<td>Molina</td>
<td>8,057</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>115,967</td>
</tr>
</tbody>
</table>

Reference: Table 1
Figure 1. Total Number of Unduplicated Members in CHIP by MCO - August 2010

Aetna 11,282
AMERIGROUP 70,811
Community First 26,054
Community Health Choice 29,998
Cook Children's 32,694
Driscoll 12,212
El Paso First 15,014
FirstCare 5,247
Molina 10,005
Parkland 33,065
Seton 18,177
Superior 37,224
Superior RSA 115,967
Texas Children's 81,798
UniCare 5,564
UnitedHealthcare-Texas 17,657

Reference: Table 1
Figure 2 provides the distribution of CHIP members by race/ethnicity in August 2010. Excluding members for whom race/ethnicity is unknown or missing in the enrollment files, two-thirds of CHIP members were Hispanic (62 percent), followed by Black, non-Hispanic (12 percent), and White, non-Hispanic (21 percent). CHIP members of Asian race/ethnicity accounted for four percent of the member population, and those of American Indian race/ethnicity accounted for less than one percent.

**Figure 2. Distribution of CHIP Members by Race/Ethnicity - August 2010**

Reference: Table 2

**Access to Care**

*Children and Adolescents’ Access to Primary Care Practitioners*

Figures 3 through 6 present results for Children and Adolescents’ Access to Primary Care Practitioners (PCPs), by CHIP MCO. This measure provides the percentage of members 12 to 24 months and 25 months to 6 years old who had a visit with a PCP in the past year, and the percentage of members 7 to 11 years old and 12 to 19 years old who had a visit with a PCP in the past two years. **Table 2** provides rates of access to PCPs by CHIP Service Area.

**CHIP Statewide.** Children and adolescents in CHIP had good access to primary care providers. The percentage of members who had a visit with a PCP was:

- 93 percent for members 12 to 24 months old.
- 92 percent for members 25 months to 6 years old.
- 94 percent for members 7 to 11 years old.
- 92 percent for members 12 to 19 years old.

The percentage of children and adolescents in CHIP who had a visit with a PCP was greater than the HEDIS® mean for all age cohorts except members 12 to 24 months.
CHIP MCOs. Access to PCPs across the CHIP MCOs ranged in performance from:

- 89 percent in Community Health Choice and Seton to 95 percent in Superior among members 12 to 24 months old (a 6 percentage point difference).
- 87 percent in Seton to 95 percent in Driscoll and Texas Children’s among members 25 months to 6 years old (an 8 percentage point difference).
- 89 percent in Seton and UniCare to 99 percent in Driscoll among members 7 to 11 years old (a 10 percentage point difference).
- 85 percent in Molina to 97 percent in Driscoll among members 12 to 19 years old (a 12 percentage point difference).

CHIP Service Areas. Geographic region had a slight effect on member’s access to PCPs, with members living in the Nueces Service Area having the best access to PCPs. Access to PCPs for members 12 to 24 months old ranged from 91 percent in Superior RSA to 95 percent in Tarrant. For children 25 months to 6 years old, rates ranged from 88 percent in Superior RSA and Travis to 95 percent in Nueces. For children 7 to 11 years old, rates ranged from 90 percent in Travis to 98 percent in Nueces. For adolescents, rates ranged from 88 percent in Travis to 96 percent in Nueces.

Table 2. Children and Adolescents’ Access to PCPs by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>Children and Adolescents’ Access to Primary Care Practitioners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 – 24 months</td>
</tr>
<tr>
<td>BEXAR</td>
<td>93.33%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>92.05%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>-</td>
</tr>
<tr>
<td>HARRIS</td>
<td>92.88%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>-</td>
</tr>
<tr>
<td>NUECES</td>
<td>-</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>90.78%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>94.66%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>92.65%</td>
</tr>
<tr>
<td>WEBB</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Missing data indicates denominators less than 30 in the Service Area.

Reference: Table CAP
Figure 3. The Percentage of CHIP Members 12 to 24 Months with Access to a PCP

The following MCOs had denominators less than 30 for this measure and were not included in this figure: Aetna, Driscoll, El Paso First, FirstCare, Molina, UniCare, and UnitedHealthcare-Texas.

Reference: Table CAP
Figure 4. The Percentage of CHIP Members 25 Months to 6 Years Old with Access to a PCP

CHIP Statewide: 91.64%
Aetna: 89.27%
AMERIGROUP: 93.04%
Community First: 91.72%
Community Health Choice: 92.41%
Cook Children’s: 90.58%
Driscoll: 94.84%
El Paso First: 93.88%
FirstCare: 88.25%
Molina: 92.69%
Parkland: 92.74%
Seton: 86.73%
Superior: 91.64%
Superior RSA: 88.15%
Texas Children’s: 94.97%
UniCare: 89.78%
UnitedHealthcare-Texas: 91.82%

Reference: Table CAP
Figure 5. The Percentage of CHIP Members 7 to 11 Years Old with Access to a PCP

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Statewide</td>
<td>94.02%</td>
</tr>
<tr>
<td>Aetna</td>
<td>91.90%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>95.24%</td>
</tr>
<tr>
<td>Community First</td>
<td>94.55%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>95.95%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>94.13%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>98.52%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>95.13%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>97.42%</td>
</tr>
<tr>
<td>Molina</td>
<td>94.38%</td>
</tr>
<tr>
<td>Parkland</td>
<td>95.28%</td>
</tr>
<tr>
<td>Seton</td>
<td>88.57%</td>
</tr>
<tr>
<td>Superior</td>
<td>94.50%</td>
</tr>
<tr>
<td>Superior RSA</td>
<td>90.85%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>96.35%</td>
</tr>
<tr>
<td>UniCare</td>
<td>88.74%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>93.57%</td>
</tr>
</tbody>
</table>

Reference: Table CAP
Figure 6. The Percentage of CHIP Members 12 to 19 Years Old with Access to a PCP

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Statewide</td>
<td>92.28%</td>
</tr>
<tr>
<td>Aetna</td>
<td>88.59%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>93.36%</td>
</tr>
<tr>
<td>Community First</td>
<td>92.97%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>93.06%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>91.73%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>96.52%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>93.77%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>94.84%</td>
</tr>
<tr>
<td>Molina</td>
<td>85.36%</td>
</tr>
<tr>
<td>Parkland</td>
<td>92.68%</td>
</tr>
<tr>
<td>Seton</td>
<td>87.38%</td>
</tr>
<tr>
<td>Superior</td>
<td>92.57%</td>
</tr>
<tr>
<td>Superior RSA</td>
<td>90.60%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>94.51%</td>
</tr>
<tr>
<td>UniCare</td>
<td>86.20%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>91.12%</td>
</tr>
</tbody>
</table>

Reference: Table CAP
Utilization of Services

*Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life*

Figure 7 provides results for the Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life measure, which represents the percentage of CHIP members between three and six years old who received one or more well-child visits with a provider during the measurement period, distributed by MCO. Table 3 provides results for this measure by CHIP Service Area.

**CHIP Statewide.** Sixty-eight percent of children 3 to 6 years old in CHIP had a well-child visit. This rate is slightly below the rate reported by Medicaid Managed Care Plans to the NCQA for this measure (72 percent).

**CHIP MCOs.** All CHIP MCOs exceeded the HHSC Performance Indicator Dashboard standard of 56 percent for this measure. The MCO with the greatest percentage of members three to six years old having at least one well-child visit was Community Health Choice at 75 percent, followed by AMERIGROUP at 74 percent, Texas Children’s at 73 percent, and Parkland at 72 percent. These four health plans were the only CHIP MCOs that performed at or above the HEDIS® mean of 72 percent for this measure. FirstCare had the lowest percentage of members three to six years old who had at least one well-child visit (57 percent).

**CHIP Service Areas.** The percentage of CHIP members three to six years old having at least one well-child visit ranged from 60 percent in Lubbock to 73 percent in Harris. All CHIP Service Areas exceeded the HHSC Dashboard standard for this measure.

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>Well-Child Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>67.84%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>72.19%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>68.44%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>72.98%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>60.03%</td>
</tr>
<tr>
<td>NUECES</td>
<td>66.86%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>60.52%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>65.68%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>68.05%</td>
</tr>
<tr>
<td>WEBB</td>
<td>63.45%</td>
</tr>
</tbody>
</table>

Reference: Table W34
Figure 7. The Percentage of CHIP Members 3 to 6 Years Old with One or More Well-Child Visits

Reference: Table W34
Adolescent Well-Care Visits

Figure 8 provides results for the Adolescent Well-Care Visits measure, which represents the percentage of CHIP members 12 to 21 years old who received one or more comprehensive adolescent well-care visits with a provider during the measurement period, distributed by MCO. Table 4 provides results for this measure by CHIP Service Area.

CHIP Statewide. Fifty percent of adolescents in CHIP had a well-care visit. This rate is slightly above the rate reported by Medicaid Managed Care Plans to the NCQA for this measure (48 percent).

CHIP MCOs. All CHIP MCOs except FirstCare exceeded the HHSC Performance Indicator Dashboard standard of 38 percent for this measure. The MCOs with the highest rates of adolescent well-care visits were Texas Children’s (58 percent), Community Health Choice (57 percent), AMERIGROUP (56 percent), and Parkland (55 percent).

CHIP Service Areas. Rates of adolescent well-care visits ranged from 38 percent in Lubbock to 55 percent in Dallas and Harris. All CHIP Service Areas met the HHSC Dashboard standard for this measure.

Table 4. Adolescent Well-Care Visits by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>Adolescent Well-Care Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>46.84%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>55.09%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>52.58%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>55.23%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>37.50%</td>
</tr>
<tr>
<td>NUECES</td>
<td>48.18%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>43.72%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>44.00%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>49.16%</td>
</tr>
<tr>
<td>WEBB</td>
<td>46.04%</td>
</tr>
</tbody>
</table>

Reference: Table AWC
Figure 8. The Percentage of Adolescent CHIP Members with One or More Well-Care Visits

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Statewide</td>
<td>49.65%</td>
</tr>
<tr>
<td>Aetna</td>
<td>42.88%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>55.98%</td>
</tr>
<tr>
<td>Community First</td>
<td>46.81%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>56.84%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>41.40%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>48.75%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>51.32%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>36.94%</td>
</tr>
<tr>
<td>Molina</td>
<td>45.95%</td>
</tr>
<tr>
<td>Parkland</td>
<td>55.33%</td>
</tr>
<tr>
<td>Seton</td>
<td>49.20%</td>
</tr>
<tr>
<td>Superior</td>
<td>48.37%</td>
</tr>
<tr>
<td>Superior RSA</td>
<td>43.72%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>58.14%</td>
</tr>
<tr>
<td>UniCare</td>
<td>44.84%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>43.10%</td>
</tr>
</tbody>
</table>

Reference: Table AWC
Utilization of Ambulatory Care

Outpatient Care

Figures 9 through 12 provide results for the HEDIS® Ambulatory Care outpatient measure, showing the rate of outpatient visits per 1,000 member months in CHIP, distributed by age group and MCO. Table 5 provides results for this measure by CHIP Service Area.

CHIP Statewide. Overall, CHIP members had 261 outpatient visits per 1,000 member months during the measurement year. This rate is lower than the national HEDIS® mean of 367 per 1,000 member months. Utilization of outpatient care was highest among members less than one year old, generally decreased with age, and was generally lower than the corresponding national HEDIS® average rates. The rate of outpatient visits was:

- 644 per 1,000 member months among members less than one year old.
- 302 per 1,000 member months among members one to nine years old.
- 227 per 1,000 member months among members 10 to 19 years old.

CHIP MCOs. Rates of outpatient utilization varied across CHIP MCOs. The lowest rate was observed in UniCare for members 10 to 19 years old (170 per 1,000 member months). The highest rates in all age groups (except members less than one year old) were observed in Driscoll. FirstCare had the highest outpatient utilization for members less than one year old (951 per 1,000 member months).

CHIP Service Areas. Total rates of outpatient utilization across the CHIP Service Areas ranged from 208 per 1,000 member months in Travis to 292 per 1,000 member months in Nueces.

Table 5. HEDIS® Ambulatory Care Outpatient Utilization by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>HEDIS® Ambulatory Care - Rate of Outpatient Visits per 1,000 Member Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>BEXAR</td>
<td>224.03</td>
</tr>
<tr>
<td>DALLAS</td>
<td>263.98</td>
</tr>
<tr>
<td>EL PASO</td>
<td>244.40</td>
</tr>
<tr>
<td>HARRIS</td>
<td>266.57</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>236.52</td>
</tr>
<tr>
<td>NUECES</td>
<td>291.88</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>283.57</td>
</tr>
<tr>
<td>TARRANT</td>
<td>253.43</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>208.40</td>
</tr>
<tr>
<td>WEBB</td>
<td>275.96</td>
</tr>
</tbody>
</table>

Reference: Table AMB
Figure 9. HEDIS® Ambulatory Care - The Overall Rate of Outpatient Visits per 1,000 Member Months in CHIP

<table>
<thead>
<tr>
<th>Provider</th>
<th>Rate (per 1,000 member months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Statewide</td>
<td>261.21</td>
</tr>
<tr>
<td>Aetna</td>
<td>201.33</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>261.75</td>
</tr>
<tr>
<td>Community First</td>
<td>223.85</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>280.27</td>
</tr>
<tr>
<td>Cook Children’s</td>
<td>257.46</td>
</tr>
<tr>
<td>Driscoll</td>
<td>295.28</td>
</tr>
<tr>
<td>El Paso First</td>
<td>235.01</td>
</tr>
<tr>
<td>FirstCare</td>
<td>261.99</td>
</tr>
<tr>
<td>Molina</td>
<td>249.87</td>
</tr>
<tr>
<td>Parkland</td>
<td>282.81</td>
</tr>
<tr>
<td>Seton</td>
<td>194.61</td>
</tr>
<tr>
<td>Superior</td>
<td>241.10</td>
</tr>
<tr>
<td>Superior RSA</td>
<td>283.57</td>
</tr>
<tr>
<td>Texas Children’s</td>
<td>275.24</td>
</tr>
<tr>
<td>UniCare</td>
<td>199.52</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>213.44</td>
</tr>
</tbody>
</table>

Reference: Table AMB

HEDIS® mean - 367

Texas Contract Year 2011
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Version: 2.0
HHSC Approval Date:
Figure 10. HEDIS® Ambulatory Care - The Rate of Outpatient Visits per 1,000 Member Months for CHIP Members < 1 Year of Age

<table>
<thead>
<tr>
<th>Insurance Plan</th>
<th>Rate (Visits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Statewide</td>
<td>643.78</td>
</tr>
<tr>
<td>Aetna</td>
<td>579.88</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>628.47</td>
</tr>
<tr>
<td>Community First</td>
<td>479.21</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>677.49</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>612.90</td>
</tr>
<tr>
<td>Driscoll</td>
<td>867.05</td>
</tr>
<tr>
<td>El Paso First</td>
<td>640.50</td>
</tr>
<tr>
<td>FirstCare</td>
<td>950.50</td>
</tr>
<tr>
<td>Molina</td>
<td>731.54</td>
</tr>
<tr>
<td>Parkland</td>
<td>754.30</td>
</tr>
<tr>
<td>Seton</td>
<td>503.81</td>
</tr>
<tr>
<td>Superior</td>
<td>510.75</td>
</tr>
<tr>
<td>Superior RSA</td>
<td>679.04</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>669.89</td>
</tr>
<tr>
<td>UniCare</td>
<td>443.88</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>592.59</td>
</tr>
</tbody>
</table>

HEDIS® mean - 718

Reference: Table AMB
Figure 11. HEDIS® Ambulatory Care - The Rate of Outpatient Visits per 1,000 Member Months for CHIP Members 1 to 9 Years Old

Reference: Table AMB
Figure 12. HEDIS® Ambulatory Care - The Rate of Outpatient Visits per 1,000 Member Months for CHIP Members 10 to 19 Years Old

Reference: Table AMB
Emergency Department Utilization

Figures 13 through 16 provide results for the HEDIS® Ambulatory Care emergency department (ED) measure, showing the rate of ED visits per 1,000 member months in CHIP, distributed by age group and MCO. Table 6 provides results for this measure by CHIP Service Area.

CHIP Statewide. Overall, CHIP members had 23 ED visits per 1,000 member months during the measurement year. This rate is lower than the national HEDIS® mean of 67 per 1,000 member months. Utilization of the ED was highest among members less than one year old and generally decreased with age. Program-level utilization rates were considerably lower than the corresponding national HEDIS® average rates for all age cohorts. The rate of ED visits was:

- 41 per 1,000 member months among members less than one year old.
- 25 per 1,000 member months among members one to nine years old.
- 21 per 1,000 member months among members 10 to 19 years old.

CHIP MCOs. Across age cohorts, Driscoll had the highest rate of ED visits, and Molina the lowest. The lowest rate was observed in Molina for members 10 to 19 years old (13 per 1,000 member months). The highest rate was observed for members less than one year old in Driscoll (81 per 1,000 member months).

CHIP Service Areas. Total rates of ED utilization ranged from 15 per 1,000 member months in Webb to 32 per 1,000 member months in Nueces.

Table 6. HEDIS® Ambulatory Care ED Utilization by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>HEDIS® Ambulatory Care Rate of ED Visits per 1,000 Member Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>BEXAR</td>
<td>26.07</td>
</tr>
<tr>
<td>DALLAS</td>
<td>25.39</td>
</tr>
<tr>
<td>EL PASO</td>
<td>19.26</td>
</tr>
<tr>
<td>HARRIS</td>
<td>18.53</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>24.05</td>
</tr>
<tr>
<td>NUECES</td>
<td>31.99</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>22.81</td>
</tr>
<tr>
<td>TARRANT</td>
<td>26.66</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>24.69</td>
</tr>
<tr>
<td>WEBB</td>
<td>14.53</td>
</tr>
</tbody>
</table>

Reference: Table AMB
Figure 13. HEDIS® Ambulatory Care - The Overall Rate of ED Visits per 1,000 Member Months in CHIP

Reference: Table AMB
Figure 14. HEDIS® Ambulatory Care - The Rate of ED Visits per 1,000 Members Months for CHIP Members < 1 Year of Age

<table>
<thead>
<tr>
<th>Provider</th>
<th>Rate (per 1,000 members months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Statewide</td>
<td>40.90</td>
</tr>
<tr>
<td>Aetna</td>
<td>32.54</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>52.58</td>
</tr>
<tr>
<td>Community First</td>
<td>17.82</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>35.90</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>55.91</td>
</tr>
<tr>
<td>Driscoll</td>
<td>80.92</td>
</tr>
<tr>
<td>El Paso First</td>
<td>33.06</td>
</tr>
<tr>
<td>FirstCare</td>
<td>39.60</td>
</tr>
<tr>
<td>Molina</td>
<td>20.13</td>
</tr>
<tr>
<td>Parkland</td>
<td>75.12</td>
</tr>
<tr>
<td>Seton</td>
<td>18.26</td>
</tr>
<tr>
<td>Superior</td>
<td>31.73</td>
</tr>
<tr>
<td>Superior RSA</td>
<td>33.66</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>34.53</td>
</tr>
<tr>
<td>UniCare</td>
<td>25.51</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>42.33</td>
</tr>
</tbody>
</table>

Reference: Table AMB

HEDIS® mean: 98
Figure 15. HEDIS® Ambulatory Care - The Rate of ED Visits per 1,000 Members Months for CHIP Members 1 to 9 Years Old

Reference: Table AMB
Figure 16. HEDIS® Ambulatory Care - The Rate of ED Visits per 1,000 Members Months for CHIP Members 10 to 19 Years Old

CHIP Statewide: 20.58
Aetna: 25.81
AMERIGROUP: 19.97
Community First: 23.45
Community Health Choice: 14.67
Cook Children's: 22.85
Driscoll: 29.33
El Paso First: 17.83
FirstCare: 25.08
Molina: 13.32
Parkland: 22.36
Seton: 22.90
Superior: 22.56
Superior RSA: 21.70
Texas Children's: 17.06
UniCare: 21.55
UnitedHealthcare-Texas: 17.71

Reference: Table AMB
AHRQ Pediatric Quality Indicators

The Agency for Healthcare Research and Quality (AHRQ) Pediatric Quality Indicators (PDIs) use hospital inpatient discharge data to calculate rates of admission for various ambulatory care sensitive conditions for children and adults, respectively. These indicators screen for inpatient stays that were potentially avoidable with better access to care in the outpatient setting. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

Figures 17 through 20 provide PDI rates for asthma, diabetes short-term complications, gastroenteritis, and urinary tract infections among children and adolescents in CHIP, up to 17 years of age, distributed by MCO. Table 7 shows results for these four indicators by CHIP Service Area. The inpatient admissions rate for perforated appendix is not presented in the figures or discussed below because of low denominators in a majority of CHIP health plans.

Table B1 in Appendix B describes each of the five AHRQ PDIs shown here. Discussion of PDIs in the key points below includes comparisons with national rates reported by AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2008 and are area-level indicators, including commercial and Medicaid populations.

CHIP Statewide. At the program level, inpatient admission rates for all PDI conditions were lower than the corresponding national averages, which is indicative of good pediatric outpatient care. Among PDIs calculated per 100,000 members, the highest rate in CHIP was for asthma, and the lowest was for diabetes short-term complications.

- **Asthma.** The inpatient admissions rate for asthma was 70 per 100,000 members in CHIP overall, which is below the AHRQ national rate of 124 per 100,000.
- **Diabetes short-term complications.** The inpatient admissions rate for diabetes short-term complications was 19 per 100,000 members in CHIP overall, which is lower than the AHRQ national rate of 28 per 100,000.
- **Gastroenteritis.** The inpatient admissions rate for gastroenteritis was 32 per 100,000 members in CHIP overall, which is considerably lower than the AHRQ national rate of 105 per 100,000.
- **Urinary tract infection.** The inpatient admissions rate for urinary tract infection was 21 per 100,000 members in CHIP overall, which is below the AHRQ national rate of 43 per 100,000.

CHIP MCOs. Rates of inpatient admissions for ACSCs among children in CHIP varied across MCOs.

- **Asthma.** Across the CHIP MCOs, rates ranged from 22 per 100,000 in Community Health Choice to 128 per 100,000 in FirstCare. All MCOs had rates lower than the AHRQ national average, except for FirstCare.
• **Diabetes short-term complications.** Across the CHIP MCOs, rates ranged from 0 per 100,000 in Molina and UniCare to 47 per 100,000 in El Paso First. All MCOs had rates lower than the AHRQ national rate, with the exception of El Paso First, FirstCare (34 per 100,000), Parkland (37 per 100,000), and Seton (29 per 100,000).

• **Gastroenteritis.** Across the CHIP MCOs, rates ranged from 7 per 100,000 in Community Health Choice to 99 per 100,000 in Molina. All MCOs had rates below the AHRQ national average.

• **Urinary tract infection.** Across the CHIP MCOs, rates ranged from 0 per 100,000 in Aetna and UniCare to 69 per 100,000 in FirstCare. All MCOs had rates below the AHRQ national average except FirstCare, Molina (64 per 100,000), and El Paso First (55 per 100,000).

**CHIP Service Areas.** Overall, inpatient admission rates were highest in the Lubbock Service Area for asthma and diabetes short-term complications, and highest in the Webb Service Area for gastroenteritis and urinary tract infection.

**Table 7. AHRQ Pediatric Quality Indicators by CHIP Service Area**

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>AHRQ Pediatric Quality Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Asthma (per 100,000)</td>
</tr>
<tr>
<td>BEXAR</td>
<td>128.96</td>
</tr>
<tr>
<td>DALLAS</td>
<td>84.97</td>
</tr>
<tr>
<td>EL PASO</td>
<td>81.47</td>
</tr>
<tr>
<td>HARRIS</td>
<td>38.94</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>165.99</td>
</tr>
<tr>
<td>NUECES</td>
<td>106.14</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>71.95</td>
</tr>
<tr>
<td>TARRANT</td>
<td>50.91</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>50.10</td>
</tr>
<tr>
<td>WEBB</td>
<td>71.42</td>
</tr>
</tbody>
</table>

Reference: Table PDI
Figure 17. AHRQ PDI Asthma Inpatient Admissions Rates in CHIP (per 100,000)

CHIP Statewide 69.68
Aetna 97.61
AMERIGROUP 59.13
Community First 115.18
Community Health Choice -
Cook Children's 55.12
Driscoll 114.09
El Paso First 76.45
FirstCare 127.57
Molina 50.29
Parkland 91.74
Seton 61.60
Superior 111.82
Superior RSA 71.95
Texas Children's 42.50
UniCare 101.7
UnitedHealthcare-Texas 59.76

Note. The value for Community Health Choice was not displayed due to low admission rate (21.84).
Reference: Table PDI
Figure 18. AHRQ PDI Diabetes Short-Term Complications Inpatient Admissions Rates in CHIP (per 100,000)

Note: The values for the following MCOs were not displayed due to low admission rates: Community Health Choice (3.06), Molina (0.00), and UniCare (0.00).

Reference: Table PDI
Figure 19. AHRQ PDI Gastroenteritis Inpatient Admissions Rates in CHIP (per 100,000)

- CHIP Statewide: 32.25
- Aetna: 17.90
- AMERIGROUP: 16.97
- Community First: 14.11
- Community Health Choice: (value below threshold, not displayed)
- Cook Children’s: 13.49
- Driscoll: 94.32
- El Paso First: 80.32
- FirstCare: 27.75
- Molina: 99.14
- Parkland: 8.53
- Seton: 12.07
- Superior: 37.09
- Superior RSA: 58.33
- Texas Children’s: 18.07
- UniCare: 22.30
- UnitedHealthcare-Texas: 33.67

Note: The value for Community Health Choice was not displayed due to a low admission rate (7.03).
Reference: Table PDI
Figure 20. AHRQ PDI Urinary Tract Infection Inpatient Admissions Rates in CHIP (per 100,000)

CHIP Statewide: 21.46
Aetna: 14.98
AMERIGROUP: 8.46
Community First: 14.07
Community Health Choice: 35.37
Cook Children’s: 55.22
Driscoll: 69.37
El Paso First: 63.73
FirstCare: 28.15
Molina: 37.67
Parkland: 18.54
Seton: 9.94
Superior: 25.25
Superior RSA: UnitedHealthcare-Texas

Note: The values for the following MCOs were not displayed due to low admission rates: Aetna (0.00), Cook Children’s (4.50), and UniCare (0.00).
Reference: Table PDI

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Effectiveness of Care

Respiratory Conditions

Appropriate Testing for Children with Pharyngitis

Figure 21 provides results for the HEDIS® Appropriate Testing for Children with Pharyngitis measure, which represents the percentage of children 2 to 18 years of age in CHIP who were diagnosed with pharyngitis, dispensed an antibiotic, and received a group A streptococcus test for the episode, distributed by MCO. Table 8 presents results for this measure, distributed by MCO/SA.

CHIP Statewide. A little more than half of all children in CHIP diagnosed with pharyngitis and given an antibiotic also received a Strep Test from their provider (54 percent). CHIP performed 8 percentage points below the national HEDIS® Medicaid rate, between the 10th and 25th percentiles nationally.

CHIP MCOs. Parkland had the highest percentage of children who were appropriately tested for pharyngitis, and was the only CHIP MCO that performed above the HEDIS® mean of 62 percent for this measure. Molina was the lowest performing CHIP MCO on this measure, with 39 percent of children in this health plan receiving appropriate testing for sore throat.

CHIP Service Areas. Child members in the Dallas Service Area had the highest rate of appropriate testing for pharyngitis at 67 percent, and the Webb Service Area the lowest rate at 41 percent.

Table 8. HEDIS® Appropriate Testing for Children with Pharyngitis by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>HEDIS® Appropriate Testing for Children with Pharyngitis</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>60.39%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>67.11%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>44.36%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>52.11%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>47.81%</td>
</tr>
<tr>
<td>NUECES</td>
<td>43.87%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>50.83%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>56.01%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>58.73%</td>
</tr>
<tr>
<td>WEBB</td>
<td>41.05%</td>
</tr>
</tbody>
</table>

Reference: Table CWP
Figure 21. HEDIS® Appropriate Testing for Children with Pharyngitis

CHIP Statewide: 54.23%
Aetna: 59.29%
AMERIGROUP: 55.89%
Community First: 60.81%
Community Health Choice: 41.37%
Cook Children's: 55.00%
Driscoll: 44.76%
El Paso First: 42.12%
FirstCare: 45.78%
Molina: 39.13%
Parkland: 70.37%
Seton: 61.38%
Superior: 52.47%
Superior RSA: 50.83%
Texas Children's: 59.58%
UniCare: 62.12%
UnitedHealthcare-Texas: 52.20%

HEDIS® mean - 62%

Reference: Table CWP
Appropriate Treatment for Children with Upper Respiratory Infection

Figure 22 provides the HEDIS® Appropriate Treatment for Children with Upper Respiratory Infections, which is the percentage of children three months to 18 years of age who received a diagnosis of upper respiratory infection (URI) and who were not dispensed an antibiotic prescription. Pediatric clinical guidelines do not recommend antibiotic treatment for most upper respiratory infections. Thus, high percentages on this measure indicate good performance. Table 9 presents results for this measure, distributed by CHIP Service Area.

CHIP Statewide. Seventy-eight percent of children in CHIP were appropriately treated for an upper respiratory infection, and not prescribed an antibiotic, compared to 86 percent of children in Medicaid Managed Care Plans reporting to the NCQA on this measure.

CHIP MCOs. The rates of appropriate testing for pharyngitis ranged across the CHIP MCOs from 71 percent in Cook Children’s, Driscoll, and Superior RSA to 89 percent in Seton. Seton and El Paso First were the only two MCOs to meet or exceed the national Medicaid HEDIS® rate for this measure, at 89 and 86 percent, respectively.

CHIP Service Areas. The Travis Service Area had the highest performance on this measure, with 89 percent of children living in this region receiving appropriate treatment for upper respiratory infection.

### Table 9. HEDIS® Appropriate Treatment for Children with Upper Respiratory Infections by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>HEDIS® Appropriate Treatment for Children with Upper Respiratory Infections</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>82.74%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>79.49%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>86.87%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>80.95%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>76.63%</td>
</tr>
<tr>
<td>NUECES</td>
<td>70.12%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>70.74%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>73.60%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>89.10%</td>
</tr>
<tr>
<td>WEBB</td>
<td>85.41%</td>
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</tbody>
</table>

Reference: Table URI
Figure 22. HEDIS® Appropriate Testing for Children with Upper Respiratory Infection

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Statewide</td>
<td>77.97%</td>
</tr>
<tr>
<td>Aetna</td>
<td>77.26%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>77.69%</td>
</tr>
<tr>
<td>Community First</td>
<td>82.10%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>81.47%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>71.35%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>70.86%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>86.03%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>73.16%</td>
</tr>
<tr>
<td>Molina</td>
<td>80.89%</td>
</tr>
<tr>
<td>Parkland</td>
<td>79.53%</td>
</tr>
<tr>
<td>Seton</td>
<td>89.18%</td>
</tr>
<tr>
<td>Superior</td>
<td>84.41%</td>
</tr>
<tr>
<td>Superior RSA</td>
<td>70.74%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>82.93%</td>
</tr>
<tr>
<td>UniCare</td>
<td>83.33%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>76.13%</td>
</tr>
</tbody>
</table>

HEDIS® mean - 86%

Reference: Table URI
Use of Appropriate Medications for People with Asthma

The HEDIS® Use of Appropriate Medications for People with Asthma measure provides the percentage of members who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement period. For the present report, the 2009 HEDIS® specifications were used to calculate this measure, rather than the specifications for 2010, which assigned new age cohorts. The age cohorts specified in the 2009 HEDIS® specifications – 5 to 9 years old, 10 to 17 years old, and 18 to 56 years old – are still in use on the HHSC Performance Indicator Dashboard. Therefore, these age cohorts were used to permit comparisons with the Dashboard standards.

Figure 23 provides the percentage of CHIP members 5 to 9 years old having appropriately prescribed asthma medication, distributed by MCO. Figure 24 provides the percentage of CHIP members 10 to 17 years old having appropriately prescribed asthma medication, distributed by MCO. Results are not provided at the MCO level for members in the 18- to 56-year-old cohort due to low denominators. Table 10 provides results for each age cohort by CHIP Service Area.

CHIP Statewide. Ninety-seven percent of CHIP members 5 to 9 years old were appropriately treated for asthma, and 95 percent of members 10 to 17 years old were appropriately treated for asthma.

CHIP MCOs. All MCOs provided appropriate asthma care for the vast majority of their memberships, with MCO rates at or above 94 percent for members 5 to 9 years old, and rates at or above 92 percent for members 10 to 17 years old. All MCOs exceeded the HHSC Performance Indicator Dashboard standards for appropriate asthma care for members 10 to 17 years old (57 percent).

CHIP Service Areas. Asthma care across the CHIP Service Areas was fairly uniform for children, indicating that the quality of asthma care for children was not affected by the geographic region in which they lived.
Figure 23. HEDIS® Use of Appropriate Medications for People with Asthma - CHIP Members 5 to 9 Years Old

CHIP Statewide: 97.10%
AMERIGROUP: 95.76%
Community First: 95.18%
Community Health Choice: 100.00%
Cook Children's: 94.44%
Driscoll: 100.00%
El Paso First: 100.00%
Parkland: 96.59%
Seton: 97.50%
Superior: 96.70%
Superior RSA: 98.47%
Texas Children's: 98.09%

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Aetna, FirstCare, Molina, UniCare, and UnitedHealthcare-Texas.

Reference: Table ASM_Special
Figure 24. HEDIS® Use of Appropriate Medications for People with Asthma - CHIP Members 10 to 17 Years Old

CHIP Statewide: 94.57%
Aetna: 96.88%
AMERIGROUP: 93.52%
Community First: 94.66%
Community Health Choice: 93.02%
Cook Children’s: 93.53%
Driscoll: 96.59%
El Paso First: 98.33%
FirstCare: 92.86%
Parkland: 93.96%
Seton: 92.00%
Superior: 96.53%
Superior RSA: 93.58%
Texas Children’s: 95.97%
UnitedHealthcare-Texas: 97.14%

HHSC Dashboard Standard - 57%

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Aetna, Community Health Choice, Molina, and UniCare.

Reference: Table ASM_Special
Table 10. HEDIS® Use of Appropriate Medications for Asthma by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>HEDIS® Use of Appropriate Medications for Asthma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 to 9 years old</td>
</tr>
<tr>
<td>BEXAR</td>
<td>94.78%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>95.68%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>98.00%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>98.16%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>100.00%</td>
</tr>
<tr>
<td>NUECES</td>
<td>100.00%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>98.47%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>94.12%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>98.04%</td>
</tr>
<tr>
<td>WEBB</td>
<td>-</td>
</tr>
</tbody>
</table>

Note. Results for the Webb Service Area are not provided due to denominators less than 30. Reference: Table ASM_Special

Women’s Preventive Care and Screenings

Chlamydia Screening

The HEDIS® Chlamydia Screening measure provides the percentage of female members between 16 and 24 years old who were identified as sexually active and who had at least one test for Chlamydia during the measurement period, distributed by MCO. Figure 25 shows the percentage of female CHIP members 16 to 20 years old who had a Chlamydia screening. Table 11 presents the rates for this measure, distributed by CHIP Service Area.

CHIP Statewide. Thirty percent of women in CHIP 16 to 20 years old had a Chlamydia test during the measurement period, which is considerably lower than the national HEDIS® mean of 54 percent (below the 10th percentile nationally).

CHIP MCOs. Across CHIP MCOs, rates of Chlamydia screening for women 16 to 20 years old ranged from 17 percent in FirstCare to 42 percent in Seton. All the MCOs performed lower than the HEDIS® mean for this age group.
CHIP Service Areas. Rates of Chlamydia screening for women 16 to 20 years old ranged from 22 percent in Webb to 40 percent in Travis.

Table 11. HEDIS® Chlamydia Screening by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>HEDIS® Chlamydia Screening Members 16 - 20 years old</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>35.33%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>28.79%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>26.98%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>32.03%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>23.14%</td>
</tr>
<tr>
<td>NUECES</td>
<td>37.11%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>26.99%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>30.15%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>39.77%</td>
</tr>
<tr>
<td>WEBB</td>
<td>22.41%</td>
</tr>
</tbody>
</table>

Reference: Table CHL
Figure 25. HEDIS® Chlamydia Screening in Women – 16 to 20 Years Old

Reference: Table CHL
Behavioral Health Care

ADHD Follow-up Care for Children

The Follow-Up Care for Children Prescribed ADHD Medication measure provides the percentage of children 6 to 12 years of age and newly diagnosed with ADHD, who received follow-up care during the measurement period. Two separate rates are usually reported: 1) The *Initiation Phase* is the percentage of children with an ambulatory prescription dispensed for ADHD medication who had a follow-up visit with a provider within 30 days after beginning medication treatment; and 2) The *Continuation and Maintenance Phase* is the percentage of children with an ambulatory prescription dispensed for ADHD medication who continued taking the medication for at least 210 days (30 weeks), and who had at least two follow-up visits with the provider within nine months after the initiation phase ended.

Rates for the long-term medication management of ADHD (Continuation and Maintenance Phase) are not provided due to low denominators (less than 30) across the CHIP health plans.

Figure 26 shows only results for the *Initiation Phase* of ADHD treatment, distributed by CHIP MCO. Table 12 provides the results of the *Initiation Phase*, distributed by CHIP Service Area.

**CHIP Statewide.** Less than half of children had an initial follow-up visit with a provider within 30 days of beginning an ADHD medication (45 percent). However, this rate is above the HEDIS® mean of 37 percent for this measure.

**CHIP MCOs.** Follow-up care for ADHD varied across the CHIP MCOs (by as much as 25 percentage points), ranging from 28 percent in UniCare to 53 percent in Community Health Choice. All MCOs performed at or above the HEDIS® mean for this measure, with the exception of Seton and UniCare.

**CHIP Service Areas.** The Bexar Service Area had the highest percentage of children receiving follow-up care for ADHD during the Initiation Phase of treatment (53 percent), and the Travis Service Area the lowest (36 percent).
Figure 26. The Percentage of Children Prescribed ADHD Medication Receiving Follow-up Care

- CHIP Statewide: 45.02%
- Aetna: 41.18%
- AMERIGROUP: 47.53%
- Community First: 50.85%
- Community Health Choice: 53.08%
- Cook Children's: 42.86%
- Driscoll: 45.64%
- El Paso First: 44.44%
- FirstCare: 52.27%
- Parkland: 39.62%
- Seton: 34.82%
- Superior: 50.17%
- Superior RSA: 45.69%
- Texas Children's: 43.92%
- UniCare: 28.26%
- UnitedHealthcare-Texas: 37.09%

Note. Molina had a denominator less than 30 for this measure and was not included in this figure.

Reference: Table ADD
Table 12. Follow-up Care for Children Prescribed ADHD Medication by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>The Initiation Phase of ADHD Medication</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>52.60%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>41.27%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>47.77%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>43.93%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>46.99%</td>
</tr>
<tr>
<td>NUECES</td>
<td>47.16%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>45.69%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>45.00%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>35.63%</td>
</tr>
<tr>
<td>WEBB</td>
<td>46.81%</td>
</tr>
</tbody>
</table>

Reference: Table ADD

Follow-up Care after Hospitalization for Mental Illness

Figure 27 provides the percentage of CHIP members six years of age or older who were hospitalized for mental illness and who had an outpatient visit, an intensive outpatient encounter, or a partial hospitalization with a provider during the measurement period, distributed by MCO. Two percentages are shown – one for follow-up within seven days of discharge, and one for follow-up within 30 days of discharge. Table 13 provides results for this measure, distributed by CHIP Service Area. There were 1,464 CHIP members eligible for this measure.

CHIP Statewide. Less than half of CHIP members hospitalized for mental illness (45 percent) had a follow-up visit with a provider within 7 days of discharge from the hospital. However, a majority of these members (74 percent) had a follow-up visit with a provider within 30 days of discharge from the hospital.

CHIP MCOs. All CHIP MCOs met the HHSC Performance Dashboard standards of 32 percent for 7-day follow-up (except for Aetna and Seton) and 52 percent for 30-day follow-up. The MCOs with the highest percentage of members receiving follow-up care in the 7-day and 30-day periods after hospitalization for mental illness were:

- Driscoll (77 percent and 95 percent)
- Texas Children’s (59 percent and 84 percent)
- Community First (58 percent and 82 percent)

CHIP Service Areas. Members living in the Nueces Service Area had the highest percentage of follow-up care with a provider within 7 days and within 30 days after hospitalization for mental
illness (70 and 89 percent). It should be noted that 46 members were eligible for this measure in the Nueces Service Area. Among larger CHIP Service Areas, members residing in Harris had the highest percentage of follow-up care at the 7-day and 30-day periods (55 and 79 percent).

The Travis Service Area had the lowest rate of post-discharge follow-up care within 7 days (29 percent), and the Dallas Service had the lowest rate of post-discharge follow-up care with 30 days (59 percent).

Table 13. Follow-up Care within 7 and 30 Days after Hospitalization for Mental Illness by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>7-Day Follow-up</th>
<th>30-Day Follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>52.11%</td>
<td>77.46%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>40.59%</td>
<td>59.41%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>54.72%</td>
<td>73.58%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>54.60%</td>
<td>78.64%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>46.67%</td>
<td>86.67%</td>
</tr>
<tr>
<td>NUECES</td>
<td>69.57%</td>
<td>89.13%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>34.99%</td>
<td>73.52%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>44.49%</td>
<td>72.24%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>28.79%</td>
<td>63.64%</td>
</tr>
<tr>
<td>WEBB</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note. The Webb SA group had a denominator less than 30 for this measure; therefore its results were not included in this table.

Reference: Table FUH
Figure 27. The Percentage of CHIP Members Receiving Follow-up Care within 7 and 30 Days after Hospitalization for Mental Illness

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: FirstCare, Parkland, and UniCare.
Reference: Table FUH

Texas Contract Year 2011
Fiscal Year 2010 Texas CHIP Quality of Care Report
Version: 2.0
HHSC Approval Date:
Readmission within 30 Days after an Inpatient Stay for Mental Health

The Readmission within 30 Days after an Inpatient Stay for Mental Health measure provides the percentage of members who were readmitted within 30 days following an inpatient stay for a mental health disorder. Mental health readmissions are frequently used as a measure of an adverse outcome, which potentially results from efforts to contain behavioral health care costs, such as reducing the initial length of stay.\textsuperscript{12} For this measure, low rates of readmission indicate good performance.

Figure 28 provides the percentage of CHIP members 0 to 19 years old who were readmitted within 30 days following an inpatient stay for a mental health disorder, distributed by MCO. Table 14 provides the results for this measure, distributed by CHIP Service Area.

**CHIP Statewide.** The mental health readmission rate in CHIP was eight percent.

**CHIP MCOs.** The percentage of members readmitted within 30 days following an inpatient stay for mental health problems ranged from 2 percent in Seton to 13 percent in Superior. Readmission rates were not reported for the following six CHIP MCOs that had denominators less than 30: Aetna, FirstCare, Molina, Parkland, and UniCare.

**CHIP Service Areas.** Mental health readmission rates ranged from 3 percent in the Travis Service Area to 13 percent in the El Paso and Lubbock Service Areas.

### Table 14. Readmission within 30 Days by CHIP Service Area

<table>
<thead>
<tr>
<th>CHIP Service Area</th>
<th>Readmission within 30 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEXAR</td>
<td>12.66%</td>
</tr>
<tr>
<td>DALLAS</td>
<td>3.70%</td>
</tr>
<tr>
<td>EL PASO</td>
<td>13.33%</td>
</tr>
<tr>
<td>HARRIS</td>
<td>9.19%</td>
</tr>
<tr>
<td>LUBBOCK</td>
<td>12.82%</td>
</tr>
<tr>
<td>NUECES</td>
<td>8.93%</td>
</tr>
<tr>
<td>SUPERIOR RSA</td>
<td>7.32%</td>
</tr>
<tr>
<td>TARRANT</td>
<td>8.56%</td>
</tr>
<tr>
<td>TRAVIS</td>
<td>2.78%</td>
</tr>
<tr>
<td>WEBB</td>
<td>-</td>
</tr>
</tbody>
</table>

Note. The Webb Service Area had a denominator less than 30.
Reference: Table MHReadmit_V2
Figure 28. The Percentage of CHIP Members (0 to 18 Years Old) Readmitted to the Hospital within 30 Days after an Inpatient Stay for Mental Health

Note. The following MCOs had denominators less than 30 for this measure and were not included in this figure: Aetna, FirstCare, Molina, Parkland, and UniCare.

Reference: Table MHReadmit_V2
Appendix A: Detailed Methodology

Three data sources were used to calculate the quality of care indicators: (1) member-level enrollment information, (2) member-level health care claims/encounter data, and (3) member-level pharmacy data. The enrollment files contain information about the person’s age, gender, the MCO in which the member is enrolled, and the number of months the member has been enrolled in the program. The member-level claims/encounter data contain Current Procedural Terminology (CPT) codes, International Classification of Diseases, 9th Revision (ICD-9-CM) codes, place of service (POS) codes, and other information necessary to calculate the quality of care indicators. The member-level pharmacy data contain information about filled prescriptions, including the drug name, dose, date filled, number of days prescribed, and refill information.

A six-month time lag was used for the claims and encounter data. Prior analyses with Texas data showed that, on average, over 96 percent of claims and encounters are complete by that time period.

Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Specifications Report, July 2011.” This document, prepared by the Institute for Child Health Policy, provides specifications for HEDIS® and other quality of care measures.

Quality of care indicators in this report include: 1) HEDIS® 2010 measures; 2) The Agency for Healthcare Research and Quality (AHRQ), Pediatric Quality Indicators (PQIs); and 3) measures developed by ICHP.

Rates for HEDIS® measures were calculated using National Committee for Quality Assurance (NCQA) certified software. In addition, an NCQA-certified auditor reviewed all of the results and provided letters of certification to the Institute for Child Health Policy. These letters and an official letter from NCQA providing their seal for the results are available from the Texas Health and Human Services Commission (HHSC).

Results for the HEDIS® measures for which the specifications were strictly followed are compared to other Medicaid programs. NCQA gathers and compiles data from Medicaid managed care plans nationally. Submission of HEDIS® data to NCQA is a voluntary process; therefore, health plans that submit HEDIS® data are not fully representative of the industry. Health plans participating in NCQA HEDIS® reporting tend to be older, are more likely to be federally qualified, and are more likely to be affiliated with a national managed care company than the overall population of health plans in the United States. NCQA reports the national results as a mean and at the 10th, 25th, 50th, 75th, and 90th percentiles. The Medicaid Managed
Care Plans 2010 mean results are shown and labeled “HEDIS® Mean” in the figures (except for measure for which provider constraints have been lifted).

At the request of the HHSC, the EQRO developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for HEDIS® measures. As in the prior reporting period (fiscal year 2009), ICHP modified the NCQA specifications to lift provider constraints when determining eligibility for HEDIS® measures. Provider specialty codes are an important component for some HEDIS® measures and lifting the provider constraints may result in some rate inflation for these measures. For example, NCQA specifications require that a mental health provider be the provider of record for a beneficiary to be considered compliant with the HEDIS® measures for 7-day and 30-day follow-up after an inpatient mental health stay. The current methodology allows a visit with any provider to count toward compliance with the mental health follow-up measures.

The following measures rely on specific provider specialty codes, and are therefore affected by this change in methodology:

- Children and Adolescents’ Access to Primary Care Providers
- Well-Child Visits in the First 15 Months of Life
- Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life
- Adolescent Well-Care Visits
- Follow-up Care for Children Prescribed ADHD Medication
- Follow-up After Hospitalization for Mental Illness

For these measures, the name HEDIS® has been removed from the titles as these measures do not adhere precisely to NCQA specifications, and likely inflate the results.

Pediatric Quality Indicators (PDIs) developed by the AHRQ were used to evaluate the performance of CHIP related to inpatient admissions for ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.”16 The specifications used to calculate rates for these measures come from AHRQ’s PDI version 4.2. Rates were calculated based on the number of hospital discharges divided by the number of people in the area (except for appendicitis and low birth weight). Unlike most other measures provided in this chart book, low quality indicator rates are desired as they suggest a better quality health care system outside the hospital setting.

Pediatric admissions for the following ACSCs were assessed: (1) Asthma; (2) Diabetes Short-Term Complications; (3) Gastroenteritis; (4) Perforated Appendix; and (5) Urinary Tract Infection. The age eligibility for these measures is up to age 17.
In addition to the narrative and figures contained in this report, technical appendices were provided to HHSC that contain all of the data to support key findings. The interested reader can review those for more details. The corresponding reference table is listed beneath each figure.

**Appendix B: AHRQ Pediatric Quality Indicators**

**Table B1. AHRQ Pediatric Quality Indicators**

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI 14</td>
<td>Asthma Admission Rate</td>
<td>Number of admissions for long-term asthma per 100,000 population</td>
</tr>
<tr>
<td>PDI 15</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PDI 16</td>
<td>Gastroenteritis Admission Rate</td>
<td>Number of admissions for pediatric gastroenteritis per 100,000 population</td>
</tr>
<tr>
<td>PDI 17</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PDI 18</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary tract infection per 100,000 population</td>
</tr>
</tbody>
</table>
Endnotes


2 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at www.ncqa.org.


8 NCQA, 2007.


13 ICHP, 2011.a

14 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at [www.ncqa.org](http://www.ncqa.org).


17 ICHP. 2011.b *Texas Medicaid Managed Care, CHIP, Quality of Care Report, Fiscal Year 2010: Technical Appendix*. Gainesville, FL: The Institute for Child Health Policy, University of Florida.
Attachment B.20.D
FY2008 TX STAR QOC Measures
Executive Summary- STAR QOC FY 2008 Report

The 2008 Annual Quality of Care Report provides an annual update of the quality of care provided to enrollees in the STAR Program in Texas. This update is for September 1, 2007, through August 31, 2008. Overall, enrollees in the STAR program reported many positive results. Specifically, the STAR program performed better than the national average in the following areas:

1. Well-child visits in the 3rd, 4th, and 6th years of life (71 percent vs. 65 percent)
2. Adolescent well-care visits (51 percent vs. 42 percent).
3. Children and adolescent access to primary care practitioners (93 percent vs. 87 percent).
4. Appropriate medications for asthma (95 percent vs. 87 percent).
5. Follow-up within 30 days after hospitalization for mental illness (65 percent vs. 61 percent).
6. Adult inpatient admission rates for:
   a. Long-term diabetes complications (64 per 100,000 vs. 127 per 100,000).
   b. Chronic obstructive pulmonary disease (75 per 100,000 vs. 230 per 100,000).
   c. Congestive heart failure (149 per 100,000 vs. 489 per 100,000).
   d. Dehydration (64 per 100,000 vs. 127 per 100,000).
   e. Bacterial pneumonia (174 per 100,000 vs. 418 per 100,000).
   f. Angina without procedure (31 per 100,000 vs. 46 per 100,000).
   g. Lower extremity amputation in diabetes (7 per 100,000 vs. 39 per 100,000).
7. Pediatric inpatient admission rates for:
   a. Pediatric gastroenteritis (146 per 100,000 vs. 183 per 100,000).

In STAR, the average cost and number of prescriptions per member was lower in both cases than the national average ($34.45 vs. $36.67 and 8.6 vs. 10.3, respectively).

The STAR program displayed considerable improvement from fiscal year 2007 to fiscal year 2008 in several key indicators associated with effective primary and preventative care:
1. Low birth weight (8.5 per 100 improved to 6 per 100).
2. Prenatal care (57 percent improved to 83 percent).
3. Cervical cancer screening (32 percent improved to 47 percent).
4. Prescription drug costs ($36.67 improved to $34.45).
5. Adult inpatient admission rates for:
   a. Short-term diabetes complications (71 per 100,000 improved to 66 per 100,000).
   b. Long-term diabetes complications (84 per 100,000 improved to 64 per 100,000).
   c. Chronic obstructive pulmonary disease (89 per 100,000 improved to 75 per 100,000).
   d. Congestive heart failure (171 per 100,000 improved to 149 per 100,000).
While high performance or noticeable improvement was achieved for many measures, for some measures performance is less than national benchmarks or the prior year’s results:

**Performance Below National Benchmarks:**
1. Well-child visits in the first 15 months of life (48 percent vs. 53 percent).
2. Postpartum care (57 percent vs. 59 percent).
3. Cervical cancer screening (47 percent vs. 65 percent).
4. Follow up within 7 days after hospitalization for mental illness (37 percent vs. 43 percent).
5. Comprehensive diabetes care (59 percent vs. 68 percent).
6. Appropriate testing for children with pharyngitis (46 percent vs. 58 percent).
7. Emergency visits with a primary diagnosis of Ambulatory Care Sensitive Conditions (ACSC) (49 percent vs. 32 percent).
8. Adult inpatient admission rates for:
   a. Asthma (159 per 100,000 vs. 121 per 100,000).
   b. Short-term diabetes complications (66 per 100,000 vs. 55 per 100,000).
   c. Urinary tract infections (303 per 100,000 vs. 177 per 100,000).
   d. Hypertension (184 per 100,000 vs. 50 per 100,000).
   e. Uncontrolled diabetes (53 per 100,000 vs. 22 per 100,000).
9. Pediatric inpatient admission rates for:
   a. Asthma (226 per 100,000 vs. 181 per 100,000).
   b. Urinary tract infections (84 per 100,000 vs. 53 per 100,000).
   c. Perforated appendix (39 per 100 vs. 31 per 100).

**Performance Below Prior Year’s Results:**
10. Mental health readmission rates (21 percent vs. 18 percent).

To address areas of less than desired performance noted above, MCD Managed Care Operations (MCO) has taken the following actions related to improving these rates:

**Internal Improvements**

1. Initiated a review of performance indicators targets for MCO performance measures to determine if the targets reflect current national quality assurance guidelines and are appropriate to the population served in STAR.
2. Established analytical reviews, including trending of performance over time.
3. Established a process to share results of analytical reviews with managed care organizations and document actions taken to improve deficient performance.
4. Initiated quarterly performance management meetings with the External Quality Review Organization (EQRO) and HHSC staff that oversee contracts with MCOs to improve staff understanding and expertise.
External Performance Gap Improvements

1. Managed Care Operations, assisted by the EQRO is implementing a plan to investigate program, MCO, individual beneficiary, and community factors that may be contributing to low performance in the following areas:
   a. Well-child visits.
   b. Postpartum care.
   c. Screening for cervical cancer.
   d. Appropriate testing for children with pharyngitis.
   e. Inpatient admissions for asthma, urinary tract infections, hypertension, and perforated appendix.

This plan is being put in place to identify area of under-addressed needs in the following ways:
1. Establish education and self-monitoring programs to reduce potentially avoidable admissions for diabetes.
2. Establish outpatient monitoring improvement programs to reduce the percentage of emergency department visits involving a primary diagnosis of ACSC.
3. Establish educational programs to inform members about the importance of follow-up visits after hospitalization for mental illness.

Population groups for the focus for this investigation include:

1. Women (as indicated by low rates of postpartum visits and cervical cancer screening).
2. Enrollees with serious mental illness.
3. Enrollees with substance use disorders (and those with dual-diagnoses).
4. Adult and child enrollees with chronic health conditions.
5. Adolescent and young adult enrollees.

In summary, the report highlights many areas of excellent or satisfactory performance or for which performance has improved from the prior reporting period. However, it also points to areas where performance needs to improve. For these areas, MCO is establishing a plan to investigate the reasons for less than satisfactory performance and to work with managed care organizations to address those factors that will foster better performance in the future.
Introduction

Purpose

This report provides an annual update of the quality of care provided to enrollees in the STAR Program in Texas. This update is for September 1, 2007, through August 31, 2008, covering State Fiscal Year (SFY) 2008. Results for the quality of care measures are presented at the individual managed care organization (MCO) and service delivery area (SDA) levels. When possible, comparisons to national-level results are provided. The rates are presented for the Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI) populations combined.

Rates for the Healthcare Effectiveness Data and Information Set (HEDIS®) 2009 measures were calculated using National Committee for Quality Assurance (NCQA) certified software. The Health and Human Services Commission (HHSC) approved the use of this software so that all HEDIS® results could be reported using an NCQA recognized tool. At HHSC’s request, the Institute for Child Health Policy (ICHP) developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for HEDIS® measures. As in the prior reporting period (SFY 2007), ICHP modified the NCQA specifications to lift provider constraints when determining eligibility for HEDIS® measures. Provider specialty codes are an important component for certain HEDIS® measures and lifting the provider constraints may result in some rate inflation for these measures. For example, NCQA specifications require that a mental health provider be the provider of record for a beneficiary to be considered compliant with the HEDIS® measures for seven-day and 30-day follow-up after an inpatient mental health stay. However, the current methodology allows any visit with a physician provider to count towards compliance with the mental health follow-up measures. The following HEDIS® measures rely on specific provider specialty codes, and therefore are inflated by this change in methodology:

- HEDIS® Follow-Up after Hospitalization for Mental Illness
- HEDIS® Children and Adolescents’ Access to Primary Care Practitioners
- HEDIS® Prenatal Care
- HEDIS® Postpartum Care
- HEDIS® Well-Child Visits in the First 15 Months of Life
- HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life
- HEDIS® Adolescent Well-Care Visits

Some HEDIS® measures require multiple years of claims data for calculation. Compared to the prior year, ICHP could calculate and report additional measures due to the availability of data:
• Use of Appropriate Medications for People with Asthma
• Well-Child Visits in the First 15 Months of Life
• Children and Adolescents’ Access to Primary Care Practitioners (PCPs) (age groups requiring two years of claims data only)

Specifications for the HEDIS® Cervical Cancer Screening measure recommend three years of claims and encounter data (the measurement year and two years prior to the measurement year), thus a pap test in the current year or the two years prior to the current year count toward numerator compliance. Since only two years of data are available for MCO members with program inception dates of September 2006, results for the HEDIS® Cervical Cancer Screening measure could be lower than otherwise expected.

This report does not include charts for measures that rely on medical record review because of unavailability of data. These measures include HEDIS® Comprehensive Diabetes Care (record review components) and HEDIS® Controlling High Blood Pressure. Results for these measures will be provided in an addendum as the data become available.

A six month time lag was used for the claims and encounter data. Prior analyses with Texas data showed that, on average, over 96 percent of the claims and encounters are submitted and adjudicated by that time.

This chart book contains the following indicators:

1) Descriptive Information
   • Total Unduplicated Members
   • Total Unduplicated Members by Race/Ethnicity

2) AHRQ Pediatric and Prevention Quality Indicators
   • AHRQ Pediatric Quality Indicators (PDIs)
   • AHRQ Adult Prevention Quality Indicators (PQIs)

3) Quality of Care
   • HEDIS® Well-Child Visits in the First 15 Months of Life
   • HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life
   • HEDIS® Adolescent Well-Care Visits
   • HEDIS® Prenatal Care
   • HEDIS® Postpartum Care
   • HEDIS® Cervical Cancer Screening
   • HEDIS® Follow-Up after Hospitalization for Mental Illness
   • Readmission within 30 Days after an Inpatient Stay for Mental Health
   • HEDIS® Comprehensive Diabetes Care (administrative components only)
   • HEDIS® Appropriate Testing for Children with Pharyngitis
   • HEDIS® Children and Adolescents’ Access to Primary Care Practitioners
- HEDIS® Outpatient Drug Utilization
- HEDIS® Use of Appropriate Medications for People with Asthma
- Percent of Emergency Department Visits with a Primary Diagnosis of an Ambulatory Care Sensitive Condition

The charts provide results for the above listed indicators, distributed by MCO and by MCO/SDA group, allowing for comparison of findings across the 14 health plans that serve the STAR Program in Texas.

Data Sources and Measures

Three data sources were used to calculate the quality of care indicators: (1) member-level enrollment information, (2) member-level health care claims/encounter data, and (3) member-level pharmacy data. The enrollment files contain information about the member’s age, gender, the MCO in which the member is enrolled, and the number of months the member has been enrolled in the program. The member-level claims/encounter data contain Current Procedural Terminology (CPT) codes, International Classification of Diseases, 9th Revision (ICD-9-CM) codes, place of service (POS) codes, and other information necessary to calculate the quality of care indicators. The member-level pharmacy data contain information about filled prescriptions, including the drug name, dosage, date filled, and refill information.

Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Report Specifications, October 2009.” The Institute for Child Health Policy prepared this document which provides specifications for HEDIS® and other quality of care measures.

Whenever possible, results from other Medicaid Programs are provided in addition to the overall Texas state mean. NCQA gathers and compiles data from Medicaid managed care plans nationally. Submission of HEDIS® data to NCQA is a voluntary process; therefore, health plans that submit HEDIS® data are not fully representative of the industry. Health plans participating in NCQA HEDIS® reporting tend to be older, are more likely to be federally qualified, and are more likely to be affiliated with a national managed care company than the overall population of health plans in the United States. NCQA reports the national results as a mean and at the 10th, 25th, 50th, 75th, and 90th percentiles. For comparison with the STAR Program findings, the NCQA Medicaid Managed Care Plans 2008 mean results are shown and labeled “HEDIS® Mean” in the graphs. For measures which are non-HEDIS® quality of care indicators, comparisons are made to the HHSC 2008 Performance Indicator Dashboard standard.

Indicators developed for the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate the performance of STAR MCOs related to inpatient admissions for various ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.” The Quality Indicators use hospital inpatient discharge data and are measured as rates of admission to the hospital. Specifically, two sets of indicators were used in the analysis and are reported herein: Pediatric Quality Indicators (PDIs) for child enrollees and Prevention Quality Indicators (PQIs) for adult enrollees. The specifications used to calculate rates for these measures come from AHRQ’s PDI version 3.2 and PQI version 4.0. Rates are calculated based on the number of hospital discharges divided by the number of people in the area (except for appendicitis and low birth weight). Unlike most other measures provided in this chart book, low quality indicator rates are desired as they suggest better quality of the health care system outside the hospital setting.
For children, there are five quality indicators measuring pediatric admissions for ambulatory care sensitive conditions: (1) Asthma; (2) Diabetes Short-term Complications; (3) Gastroenteritis; (4) Perforated Appendix; and (5) Urinary Tract Infection. The age eligibility for these measures is up to age 17.

The following indicators were used to assess adult admissions for ambulatory care sensitive conditions: (1) Diabetes Short-term Complications; (2) Perforated Appendix; (3) Diabetes Long-term Complications; (4) Chronic Obstructive Pulmonary Disease; (5) Low Birth Weight; (6) Hypertension; (7) Congestive Heart Failure; (8) Dehydration; (9) Bacterial Pneumonia; (10) Urinary Tract Infection; (11) Angina without Procedure; (12) Uncontrolled Diabetes; (13) Adult Asthma; and (14) Rate of Lower Extremity Amputation among Patients with Diabetes. For these measures, adults are those individuals ages 18 or older.

In addition to the narrative and graphs contained in this chart book, technical appendices were provided to HHSC that contain all of the data to support key findings. As previously noted, many, but not all, of the quality of care indicator results are presented for each MCO. Some results were not displayed for each MCO (1) to facilitate ease of presentation and understanding of the material, (2) because the findings were similar for each MCO, and/or (3) because the denominator for a measure was less than 30 (low denominator). However, all of the findings are contained in the technical appendices. The interested reader can review those for more details. The corresponding reference table is listed beneath each graph.
Chart 1. Total Unduplicated Members by MCO

STAR MCOs - August 2008

<table>
<thead>
<tr>
<th>MCO</th>
<th>STAR Unduplicated Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>25,428</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>335,861</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>65,288</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>28,422</td>
</tr>
<tr>
<td>Driscoll</td>
<td>34,787</td>
</tr>
<tr>
<td>El Paso First</td>
<td>37,369</td>
</tr>
<tr>
<td>FirstCare</td>
<td>24,366</td>
</tr>
<tr>
<td>Molina</td>
<td>9,025</td>
</tr>
<tr>
<td>Parkland</td>
<td>110,966</td>
</tr>
<tr>
<td>Superior</td>
<td>202,914</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>143,761</td>
</tr>
<tr>
<td>UniCare</td>
<td>14,122</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>9,405</td>
</tr>
</tbody>
</table>

Reference: STAR Table1

Note: The eligibility figures used in this chart are for August 2008 and represent a snapshot of people enrolled in each plan. Please note that these numbers may not match the denominators used to calculate various measures, since measures are calculated using the number of people enrolled in the plan throughout the measurement year.

Key Points:

1. Chart 1 provides the total number of unduplicated members enrolled in the STAR Program, distributed by managed care organization (MCO). In August 2008, there were 1,137,592 enrollees.

2. The MCO with the largest membership was AMERIGROUP at 30 percent of all STAR Program enrollees, followed by Superior at 18 percent, and Texas Children’s at 13 percent.
3. STAR Program enrollees had a mean age of 8.08 years (SD 7.86).

Chart 2A. Total Unduplicated Members – SDA Breakout

STAR MCOs - August 2008

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna-Bexar</td>
<td>143,785</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Community First-Bexar</td>
<td>65,288</td>
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<td></td>
</tr>
<tr>
<td>Superior-Bexar</td>
<td>64,397</td>
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<td></td>
</tr>
<tr>
<td>AMERIGROUP-Dallas</td>
<td>96,565</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>Parkland-Dallas</td>
<td>110,966</td>
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<td></td>
</tr>
<tr>
<td>UniCare-Dallas</td>
<td>14,122</td>
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<tr>
<td>El Paso First-El Paso</td>
<td>37,369</td>
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<tr>
<td>Superior-El Paso</td>
<td>53,464</td>
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<tr>
<td>AMERIGROUP-Harris</td>
<td>124,193</td>
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<tr>
<td>Community Health Choice-Harris</td>
<td>95,878</td>
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</tr>
<tr>
<td>Molina-Harris</td>
<td>9,025</td>
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<tr>
<td>Texas Children's-Harris</td>
<td></td>
<td>9,405</td>
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<tr>
<td>UnitedHealthcare-Texas-Harris</td>
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</tr>
</tbody>
</table>

Reference: STAR Table1
Note: The eligibility figures used in this chart are for August 2008.

Key Points:

1. Charts 2A and 2B present the distribution of STAR Program members by MCO and Service Delivery Area (SDA). There were eight SDAs and 23 MCO/SDA groups in SFY 2008. Key points for both charts are provided under Chart 2B.
Chart 2B. Total Unduplicated Members – SDA Breakout

STAR MCOs - August 2008

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
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<tbody>
<tr>
<td>FirstCare-Lubbock</td>
<td>24,366</td>
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<tr>
<td>Superior-Lubbock</td>
<td>6,259</td>
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<tr>
<td>AMERIGROUP-Nueces</td>
<td>9,417</td>
<td>12,086</td>
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<tr>
<td>Driscoll-Nueces</td>
<td>34,787</td>
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<tr>
<td>Superior-Nueces</td>
<td></td>
<td></td>
<td></td>
<td>11,328</td>
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<tr>
<td>Aetna-Tarrant</td>
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<td>88,774</td>
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<td>AMERIGROUP-Tarrant</td>
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<td>28,422</td>
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<td>Cook Children-Tarrant</td>
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<td>16,912</td>
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<td>AMERIGROUP-Travis</td>
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<tr>
<td>Superior-Travis</td>
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<td></td>
</tr>
</tbody>
</table>

Reference: STAR Table1

Note: The eligibility figures used in this chart are for August 2008.

Key Points:

1. The SDA with the largest membership was Harris at 34 percent of STAR Program enrollees, served by five health plans: AMERIGROUP, Community Health Choice, Molina, Texas Children's, and UnitedHealthcare-Texas.

2. The three largest MCO/SDA groups were Texas Children’s – Harris, AMERIGROUP – Harris, and Parkland – Dallas.
Chart 3. Total Unduplicated Members by Race/Ethnicity

STAR MCOs - August 2008

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Non-Hispanic</td>
<td>168,830</td>
</tr>
<tr>
<td>Black Non-Hispanic</td>
<td>221,997</td>
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<tr>
<td>Hispanic</td>
<td>715,017</td>
</tr>
<tr>
<td>American Indian</td>
<td>4,101</td>
</tr>
<tr>
<td>Asian</td>
<td>19,321</td>
</tr>
<tr>
<td>Unknown/Other</td>
<td>8,326</td>
</tr>
</tbody>
</table>

STAR Unduplicated Members = 1,137,592

Reference: STAR Table 2
Note: The eligibility figures used in this chart are for August 2008.

Key Points:

1. Chart 3 presents the racial/ethnic distribution of STAR Program enrollees in August 2008.
2. The majority of STAR Program enrollees were Hispanic (63 percent), followed by Black, non-Hispanic (20 percent), and White, non-Hispanic (15 percent). Two percent of enrollees were either Asian (1.7 percent) or American Indian (0.3 percent). Less than one percent of enrollees (0.7 percent) were of unknown or other race/ethnicity.
3. While the percentage of Hispanic enrollees increased from 59 percent in August 2007 to 63 percent in August 2008, it should be noted that the percentage of enrollees of unknown/other race/ethnicity decreased from five percent in August 2007 to less than one percent in August 2008. It is possible that the increase in the percentage of Hispanic enrollees occurred due to re-classification of members of unknown/other race/ethnicity rather than to an actual increase in the percentage of Hispanic members in STAR.
Chart 4. Total Unduplicated Members by Race/Ethnicity and MCO

STAR MCOs - August 2008

<table>
<thead>
<tr>
<th>Health Plan</th>
<th>White Non-Hispanic</th>
<th>Black Non-Hispanic</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>5,622</td>
<td>4,187</td>
<td>15,034</td>
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<tr>
<td>AMERIGROUP</td>
<td>57,111</td>
<td>83,566</td>
<td>183,602</td>
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<tr>
<td>Community First</td>
<td>8,282</td>
<td>4,891</td>
<td>51,289</td>
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<tr>
<td>Community Health Choice</td>
<td>14,575</td>
<td>24,482</td>
<td>53,984</td>
</tr>
<tr>
<td>Cook Children’s</td>
<td>8,674</td>
<td>5,723</td>
<td>13,264</td>
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<tr>
<td>Driscoll</td>
<td>5098</td>
<td>1,576</td>
<td>27,760</td>
</tr>
<tr>
<td>El Paso First</td>
<td>1,215</td>
<td>473</td>
<td>35,443</td>
</tr>
<tr>
<td>FirstCare</td>
<td>11,71</td>
<td>2,903</td>
<td>15,836</td>
</tr>
<tr>
<td>Molina</td>
<td>14,587</td>
<td>2,986</td>
<td>4,590</td>
</tr>
<tr>
<td>Parkland</td>
<td>23,804</td>
<td>32,430</td>
<td>60,984</td>
</tr>
<tr>
<td>Superior</td>
<td>19,152</td>
<td>18,192</td>
<td>154,911</td>
</tr>
<tr>
<td>Texas Children’s</td>
<td>2,671</td>
<td>32,788</td>
<td>6693</td>
</tr>
<tr>
<td>UniCare</td>
<td>1,337</td>
<td>4,329</td>
<td>4,379</td>
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<tr>
<td>UnitedHealthcare-Texas</td>
<td>1,022</td>
<td>1,187</td>
<td>1,120</td>
</tr>
</tbody>
</table>

Reference: STAR Table 2

Note: The eligibility figures used in this chart are for August 2008. Only the three largest racial/ethnic groups are displayed.

Key Points:


2. The percentage of health plan members who were White, non-Hispanic ranged from three percent in El Paso First to 31 percent in Cook Children’s. The health plans with the largest percentage of White, non-Hispanic members were Cook Children’s (31 percent), Aetna (22 percent), and FirstCare (22 percent). The overall membership used in these calculations includes enrollees whose race/ethnicity was not known.

3. The percentage of health plan members who were Black, non-Hispanic ranged from one percent in El Paso First to 36 percent in UnitedHealthcare-Texas. The health plans with the largest percentage of Black, non-Hispanic members were UnitedHealthcare-Texas (36 percent).
percent), Molina (33 percent), and UniCare (31 percent). The overall membership used in these calculations includes enrollees whose race/ethnicity was not known.

4. The percentage of health plan members who were Hispanic ranged from 47 percent in UnitedHealthcare-Texas to 95 percent in El Paso First. The health plans with the largest percentage of Hispanic members were El Paso First (95 percent), Driscoll (80 percent), and Community First (79 percent). The overall membership used in these calculations includes enrollees whose race/ethnicity was not known.
Reference: STAR Table PDI09
Note: Rates are per 100,000 enrollees except for perforated appendix which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in Aetna, Molina, UniCare and UnitedHealthcare-Texas; therefore this measure is not reported for these health plans. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 5A presents AHRQ Pediatric Quality Indicator (PDIs) results for seven MCOs. The PDI results for the remaining seven MCOs are shown in Chart 5B. Key points for both charts are provided under Chart 5B. Please note that the Y-axis is scaled differently for Charts 5A and 5B, in order to provide a clear, visual representation of the results.
Chart 5B. AHRQ Pediatric Quality Indicators by MCO

STAR Number of Appendicitis Cases: 1,514
STAR Number of Asthma Cases: 1,260,935
STAR Number of Diabetes Cases: 784,261
STAR Universe for All Other Measures: 1,546,736

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>Condition</th>
<th>FirstCare</th>
<th>Molina</th>
<th>Parkland</th>
<th>Superior</th>
<th>Texas Children's</th>
<th>UniCare</th>
<th>UnitedHealthcare-Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asthma</strong></td>
<td>226.10</td>
<td>267.70</td>
<td>169.28</td>
<td>293.70</td>
<td>224.87</td>
<td>293.30</td>
<td>799.50</td>
</tr>
<tr>
<td><strong>Diabetes Short-Term Complications</strong></td>
<td>28.43</td>
<td>23.86</td>
<td>14.66</td>
<td>33.84</td>
<td>32.08</td>
<td>34.14</td>
<td>28.31</td>
</tr>
<tr>
<td><strong>Gastroenteritis</strong></td>
<td>145.66</td>
<td>181.29</td>
<td>56.60</td>
<td>124.05</td>
<td>183.27</td>
<td>191.17</td>
<td>208.47</td>
</tr>
<tr>
<td><strong>Perforated Appendix</strong></td>
<td>12.93</td>
<td>29.41</td>
<td>53.27</td>
<td>36.09</td>
<td>42.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Urinary Tract Infection</strong></td>
<td>83.98</td>
<td>141.35</td>
<td>94.64</td>
<td>83.86</td>
<td>122.39</td>
<td>287.88</td>
<td>44.58</td>
</tr>
</tbody>
</table>

Reference: STAR Table PDI09
Note: Rates are per 100,000 enrollees except for perforated appendix which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in Aetna, Molina, UniCare and UnitedHealthcare-Texas; therefore this measure is not reported for these health plans. Eligible members are included in overall STAR rates.

Key Points:

1. The Agency for Healthcare Research and Quality (AHRQ) Pediatric Quality Indicators (PDIs) use hospital inpatient discharge data to calculate rates of admission for various ambulatory care sensitive conditions for children and adolescents. PDIs screen for inpatient stays that were potentially avoidable with better access to care in the outpatient setting. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

2. Charts 5A and 5B provide PDI rates for asthma, diabetes short-term complications, gastroenteritis, perforated appendix, and urinary tract infections among children and adolescents in the STAR Program, up to 17 years of age, distributed by MCO. Table 1 describes each of the five AHRQ PDIs shown here. Discussion of PDIs in the key points below includes comparisons with national rates reported by the AHRQ. It
should be noted that these AHRQ national estimates are based on data collected in 2003 and are area-level indicators, including commercial and Medicaid populations.

3. The inpatient admissions rate for asthma was 226 per 100,000 members in the STAR Program overall, which is above the national rate of 181 per 100,000. Across the STAR MCOs, rates ranged from 140 per 100,000 in Community Health Choice to 800 per 100,000 in UniCare. The highest rates were observed in UniCare (4.4 times the national rate), El Paso First (1.8 times the national rate), and Driscoll (1.8 times the national rate), suggesting a need for improved ambulatory care for asthma in these health plans.

4. The inpatient admissions rate for diabetes short-term complications was 28 per 100,000 members in the STAR Program overall, which is slightly lower than the national rate of 29 per 100,000. Across the STAR MCOs, rates ranged from six per 100,000 in Aetna to 56 per 100,000 in El Paso First. Four MCOs – El Paso First, Parkland, Superior, and Texas Children's - exceeded the national rate for this measure. The rate in El Paso First was 1.9 times the national rate.

5. The inpatient admissions rate for gastroenteritis was 146 per 100,000 members in the STAR Program overall, which is lower than the national rate of 183 per 100,000. Across the STAR MCOs, rates ranged from 57 per 100,000 in Molina to 438 per 100,000 in El Paso First. The highest rates were observed in El Paso First (2.4 times the national rate) and Driscoll (1.7 times the national rate), suggesting a need for improved ambulatory care for gastroenteritis in these health plans.

6. The inpatient admissions rate for perforated appendix was 39 per 100 admissions for appendicitis in the STAR Program overall, which is greater than the national rate of 31 per 100. Across the STAR MCOs, rates ranged from 22 per 100 in El Paso First to 53 per 100 in Parkland. The rate in Parkland was 1.7 times the national rate, suggesting a need for improved ambulatory care for appendicitis in this health plan.

7. The inpatient admissions rate for urinary tract infection was 84 per 100,000 members in the STAR Program overall, which is greater than the national rate of 53 per 100,000. Across the STAR MCOs, rates ranged from 32 per 100,000 in Community First to 288 per 100,000 in UniCare. Overall, rates were greater than that reported nationally in 11 of the 14 health plans, suggesting a need to improve ambulatory care for urinary tract infection at the program level. The highest rates were observed in UniCare (5.3 times the national rate), El Paso First (3.5 times the national rate), FirstCare (2.6 times the national rate), Molina (2.4 times the national rate), Texas Children's (2.3 times the national rate), Parkland (1.8 times the national rate), Driscoll (1.7 times the national rate), and Superior (1.6 times the national rate).

8. PDI rates for asthma, diabetes short-term complications, gastroenteritis, and urinary tract infections in the STAR Program increased from SFY 2007 to SFY 2008 as follows:

   a. Admission rate for asthma increased from 140 per 100,000 to 226 per 100,000;
   b. Admission rate for diabetes short-term complications increased from 11 per 100,000 to 28 per 100,000;
   c. Admission rate for gastroenteritis increased from 106 per 100,000 to 146 per 100,000;
   d. Admission rate for urinary tract infection increased from 48 per 100,000 to 84 per 100,000.
### Table 1. AHRQ Pediatric Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI 14</td>
<td>Asthma Admission Rate</td>
<td>Number of admissions for long-term asthma per 100,000 population</td>
</tr>
<tr>
<td>PDI 15</td>
<td>Diabetes Short-term Complications</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td></td>
<td>Admission Rate</td>
<td></td>
</tr>
<tr>
<td>PDI 16</td>
<td>Gastroenteritis Admission Rate</td>
<td>Number of admissions for pediatric gastroenteritis per 100,000 population</td>
</tr>
<tr>
<td>PDI 17</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PDI 18</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary infection per 100,000 population</td>
</tr>
</tbody>
</table>
**Chart 6A. AHRQ Pediatric Quality Indicators – SDA Breakout**

**STAR Number of Appendicitis Cases:** 1,514  
**STAR Number of Asthma Cases:** 1,260,935  
**STAR Number of Diabetes Cases:** 784,261  
**STAR Universe for All Other Measures:** 1,546,736

**STAR MCOs - September 1, 2007 to August 31, 2008**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asthma</strong></td>
<td>204.13</td>
<td>278.98</td>
<td>286.52</td>
<td>202.07</td>
<td>262.40</td>
<td>346.56</td>
<td>166.90</td>
<td>157.97</td>
</tr>
<tr>
<td><strong>Diabetes Short-Term Complications</strong></td>
<td>24.88</td>
<td>30.58</td>
<td>51.67</td>
<td>27.98</td>
<td>23.95</td>
<td>9.85</td>
<td>27.63</td>
<td>19.50</td>
</tr>
<tr>
<td><strong>Gastroenteritis</strong></td>
<td>103.18</td>
<td>112.09</td>
<td>403.68</td>
<td>135.76</td>
<td>180.27</td>
<td>355.28</td>
<td>75.37</td>
<td>56.92</td>
</tr>
<tr>
<td><strong>Perforated Appendix</strong></td>
<td>46.84</td>
<td>53.21</td>
<td>21.94</td>
<td>38.88</td>
<td>29.27</td>
<td>28.57</td>
<td>36.36</td>
<td>44.87</td>
</tr>
<tr>
<td><strong>Urinary Tract Infection</strong></td>
<td>50.07</td>
<td>84.46</td>
<td>154.32</td>
<td>94.58</td>
<td>128.41</td>
<td>113.53</td>
<td>44.14</td>
<td>51.32</td>
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</table>

**Reference:** STAR Table PD109  
**Note:** Rates are per 100,000 enrollees except for perforated appendix which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in Aetna-Bexar, UniCare-Dallas, Molina-Harris, UnitedHealthcare-Texas-Harris, Superior-Lubbock, AMERIGROUP-Nueces, Aetna-Tarrant, and AMERIGROUP-Travis; therefore rates are not reported for these MCO/SDA groups. Eligible members are included in overall STAR rates.

**Key Points:**

1. Charts 6A, 6B, and 6C present AHRQ PDI results for the 23 MCO/SDA groups evaluated in this report. Key points for all charts are provided under Chart 6C. Please note that the Y-axis is scaled differently in Chart 6A than in Charts 6B and 6C, in order to provide a clear, visual representation of the results.
### Reference: STAR Table PDI09

**Note:** Rates are per 100,000 enrollees except for perforated appendix which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in Aetna-Bexar, UniCare-Dallas, Molina-Harris, UnitedHealthcare-Texas-Harris, Superior-Lubbock, AMERIGROUP-Nueces, Aetna-Tarrant, and AMERIGROUP-Travis; therefore rates are not reported for these MCO/SDA groups. Eligible members are included in overall STAR rates.
Chart 6C. AHRQ Pediatric Quality Indicators – SDA Breakout

STAR Number of Appendicitis Cases: 1,514
STAR Number of Asthma Cases: 1,260,935
STAR Number of Diabetes Cases: 784,261
STAR Universe for All Other Measures: 1,546,736

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>SDA Rate</th>
<th>All STAR MCO Mean</th>
<th>Superior-Lubbock</th>
<th>AMERIGROUP-Nueces</th>
<th>Oriscoll-Nueces</th>
<th>Superior-Nueces</th>
<th>Aetna-Tarrant</th>
<th>AMERIGROUP-Tarrant</th>
<th>Cook Children's-Tarrant</th>
<th>AMERIGROUP-Travis</th>
<th>Superior-Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asthma</td>
<td>226.10</td>
<td>241.47</td>
<td>400.98</td>
<td>324.15</td>
<td>378.23</td>
<td>112.99</td>
<td>159.93</td>
<td>204.28</td>
<td>153.71</td>
<td>159.07</td>
</tr>
<tr>
<td>Diabetes Short-Term Complications</td>
<td>28.43</td>
<td>24.32</td>
<td>16.77</td>
<td>7.67</td>
<td>11.64</td>
<td>0.00</td>
<td>30.91</td>
<td>24.96</td>
<td>10.15</td>
<td>21.73</td>
</tr>
<tr>
<td>Gastroenteritis</td>
<td>145.66</td>
<td>176.08</td>
<td>463.80</td>
<td>306.62</td>
<td>420.38</td>
<td>66.98</td>
<td>68.01</td>
<td>101.33</td>
<td>40.48</td>
<td>61.22</td>
</tr>
<tr>
<td>Perforated Appendix</td>
<td>39.23</td>
<td>30.51</td>
<td>25.81</td>
<td>103.18</td>
<td>112.09</td>
<td>180.24</td>
<td>27.63</td>
<td>36.36</td>
<td>19.50</td>
<td>43.75</td>
</tr>
<tr>
<td>Urinary Tract Infection</td>
<td>83.98</td>
<td>75.46</td>
<td>120.24</td>
<td>90.93</td>
<td>175.68</td>
<td>22.33</td>
<td>36.68</td>
<td>74.79</td>
<td>58.48</td>
<td>49.45</td>
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</table>

Reference: STAR Table PDI09

Note: Rates are per 100,000 enrollees except for perforated appendix which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in Aetna-Bexar, UniCare-Dallas, Molina-Harris, UnitedHealthcare-Texas-Harris, Superior-Lubbock, AMERIGROUP-Nueces, Aetna-Tarrant, and AMERIGROUP-Travis; therefore rates are not reported for these MCO/SDA groups. Eligible members are included in overall STAR rates.

Key Points:

1. Charts 6A, 6B, 6C provide AHRQ PDI rates for asthma, diabetes short-term complications, gastroenteritis, perforated appendix, and urinary tract infection among children and adolescents in the STAR Program, up to 17 years old, distributed by MCO/SDA. These PDIs are described in more detail under Chart 5, and are listed in Table 1. Discussion of PDIs in the key points below includes comparisons with national rates reported by the AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2003 and are area-level indicators, including commercial and Medicaid populations.
2. Inpatient admissions rates for asthma ranged from 113 per 100,000 in Aetna – Tarrant to 800 per 100,000 in UniCare – Dallas, compared with a national rate of 181 per 100,000. Rates were substantially greater than that reported nationally in UniCare – Dallas (4.4 times), AMERIGROUP – Nueces (2.2 times), Superior – Nueces (2 times), El Paso First – El Paso (1.8 times), and Driscoll – Nueces (1.8 times). At the SDA level, the Nueces SDA had the highest rate at 347 per 100,000 members. Across SDAs, inpatient admissions rates for asthma increased from SFY2007 to SFY2008. Efforts toward improving ambulatory care for asthma should focus on the above MCO/SDA groups, particularly in the Nueces SDA.

3. Inpatient admissions rates for diabetes short-term complications ranged from 0 per 100,000 in Aetna – Tarrant to 56 per 100,000 in El Paso First – El Paso, compared with a national rate of 29 per 100,000. Six MCO/SDA groups, El Paso First – El Paso, Superior – El Paso, Texas Children’s – Harris, Parkland – Dallas, Superior – Bexar, and AMERIGROUP – Tarrant, had rates greater than that reported nationally. At the SDA level, the El Paso SDA had the highest rate at 52 per 100,000 members. Across SDAs, inpatient admissions rates for diabetes short-term complications increased from SFY2007 to SFY2008.

4. Inpatient admissions rates for gastroenteritis ranged from 40 per 100,000 in AMERIGROUP – Travis to 464 per 100,000 in AMERIGROUP – Nueces, compared with a national rate of 183 per 100,000. Rates were substantially greater than that reported nationally in AMERIGROUP – Nueces (2.5 times), El Paso First – El Paso (2.4 times), Superior – Nueces (2.3 times), Superior – El Paso (2.0 times), and Driscoll – Nueces (1.7 times). At the SDA level, the El Paso SDA had the highest rate at 404 per 100,000 members. Across SDAs, inpatient admissions rates for gastroenteritis increased from SFY2007 to SFY2008. Efforts toward improving ambulatory care for gastroenteritis should focus on these MCO/SDA groups, particularly in the El Paso and Nueces SDAs.

5. Inpatient admissions rates for perforated appendix ranged from 22 per 100 in El Paso First – El Paso and Superior – El Paso to 56 per 100 in AMERIGROUP – Dallas, compared with a national rate of 31 per 100. Rates were substantially greater than that reported nationally in AMERIGROUP – Dallas (1.8 times), Parkland – Dallas (1.7 times), and Superior – Bexar (1.6 times). At the SDA level, the Dallas SDA had the highest rate at 53 per 100 admissions for appendicitis. Efforts toward improving ambulatory care for perforated appendix should focus on the MCO/SDA groups, particularly in the Dallas SDA.

6. Inpatient admissions rates for urinary tract infection ranged from 22 per 100,000 in Aetna – Tarrant to 288 per 100,000 in UniCare – Dallas, compared with a national rate of 53 per 100,000. Rates were substantially greater than that reported nationally in UniCare – Dallas (5.4 times), El Paso First – El Paso (3.6 times), Superior – Nueces (3.3 times), FirstCare – Lubbock (2.6 times), Molina – Harris (2.4 times), Superior – El Paso (2.4 times), Texas Children’s – Harris (2.3 times), AMERIGROUP – Nueces (2.2 times), Parkland – Dallas (1.8 times), and Driscoll – Nueces (1.7 times). At the SDA level, the El Paso SDA had the highest rate at 154 per 100,000 members. Across SDAs, inpatient admissions rates for urinary tract infection increased from SFY2007 to SFY2008. Efforts toward improving ambulatory care for urinary tract infection should focus on the STAR Program overall, particularly in the El Paso, Lubbock, and Nueces SDAs.

7. These findings indicate that certain MCO/SDAs should work to reduce their rates of ambulatory care sensitive conditions (ACSC) hospitalizations, particularly for asthma, gastroenteritis, perforated appendix, and urinary tract infection.

   a. Various individual-level, contextual, and systemic factors are associated with decreased emergency room visits and hospitalizations for ACSCs. For example, infants who have the recommended number of periodic visits to a physician have lower rates of ACSC emergency room visits. In such cases, shifting care to primary providers reduces the need for families to utilize hospitals and emergency rooms.
b. Quality of care also appears to be a factor in preventing emergency room visits and hospitalizations. For example, parental-reported quality of care indicators such as timeliness of appointments and family centeredness may be associated with fewer hospital visits.\textsuperscript{10} Studies suggest that improving communication and working relationships between primary care providers and parents could offset the need for hospitalization. However, studies also have identified discrepancies in physician and parental beliefs about how to avoid unnecessary hospitalizations, with physicians emphasizing parental behavior (i.e., refilling medications, avoiding disease triggers) and parents emphasizing physician knowledge and behavior (i.e., more knowledge about the child’s condition, better quality of care).\textsuperscript{11}

c. HHSC may wish to consider developing innovate programs that bring physicians and parents into a mutual working alliance, understanding the responsibilities of each other in protecting and monitoring children’s health, and ultimately reducing the rate of hospital admissions for ACSCs.
**Reference:** STAR Table PQI09

**Note:** Rates are per 100,000 enrollees ages 18 years and older except for perforated appendix which is per 100 admissions for appendicitis and low birth weight which is per 100 births. The denominator for perforated appendix was less than 30 in most MCOs; therefore, this measure is not reported.

**Key Points:**

1. Chart 7A presents AHRQ Prevention Quality Indicators (PQIs) for diabetes short-term complications, diabetes long-term complications, chronic obstructive pulmonary disease, hypertension, congestive heart failure, and low birth weight in seven of the 14 MCOs evaluated in this report. AHRQ PQI rates for the remaining seven MCOs are shown in Chart 7B. Key points for both charts are provided under Chart 7B. Please note that the Y-axis is scaled differently for Charts 7A, 7B, 7C, and 7D in order to provide a clear, visual representation of the results.
Chart 7B. AHRQ Adult Prevention Quality Indicators by MCO

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>Measure</th>
<th>Molina</th>
<th>FirstCare</th>
<th>Parkland</th>
<th>Superior</th>
<th>Texas Children’s</th>
<th>UniCare</th>
<th>UnitedHealthcare - Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes Short-term Complications</td>
<td>65.73</td>
<td>168.55</td>
<td>0.00</td>
<td>76.20</td>
<td>58.41</td>
<td>56.93</td>
<td>36.79</td>
</tr>
<tr>
<td>Diabetes Long-term Complications</td>
<td>64.30</td>
<td>129.65</td>
<td>0.00</td>
<td>86.14</td>
<td>77.88</td>
<td>34.16</td>
<td>0.00</td>
</tr>
<tr>
<td>Chronic Obstructive Pulmonary Disease</td>
<td>75.37</td>
<td>360.06</td>
<td>50.11</td>
<td>139.16</td>
<td>35.40</td>
<td>22.77</td>
<td>389.87</td>
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<tr>
<td>Hypertension</td>
<td>194.33</td>
<td>194.48</td>
<td>202.11</td>
<td>136.29</td>
<td>250.50</td>
<td>452.41</td>
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<td>202.02</td>
<td>407.53</td>
<td>74.01</td>
<td>125.60</td>
<td>36.79</td>
</tr>
<tr>
<td>Low Birth Weight</td>
<td>6.43</td>
<td>9.91</td>
<td>7.99</td>
<td>4.27</td>
<td>7.00</td>
<td>7.17</td>
<td>6.47</td>
</tr>
</tbody>
</table>

Reference: STAR Table PQI09
Note: Rates are per 100,000 enrollees ages 18 years and older except for perforated appendix which is per 100 admissions for appendicitis and low birth weight which is per 100 births. The denominator for perforated appendix was less than 30 in most MCOs; therefore, this measure is not reported.

Key Points:

1. The Agency for Healthcare Research and Quality (AHRQ) Prevention Quality Indicators (PQIs) use hospital patient discharge data to calculate rates of admission for various ambulatory care sensitive conditions among adults. PQIs screen for inpatient stays that were potentially avoidable with better access to care in outpatient settings. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

2. Charts 7A and 7B provide rates of inpatient admissions for six ambulatory care sensitive conditions among adults in the STAR Program, 18 years or older, distributed by MCO. Table 2 describes each of the AHRQ PQIs shown in Charts 7A and 7B. Discussion of PQIs in the key points below includes comparisons with national rates reported by the AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2004 and are area-level indicators, including commercial and Medicaid populations.

3. The inpatient admissions rate for diabetes short-term complications was 66 per 100,000 members in the STAR Program overall, which is greater than the national rate of 55 per 100,000, but lower than the rate reported for STAR in SFY2007 (71 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 in Molina to 169 per 100,000 in FirstCare. The highest rates were observed in FirstCare (3.1 times...
the national rate), UniCare (1.9 times the national rate), and AMERIGROUP (1.6 times the national rate), suggesting a need for improved ambulatory care for diabetes short-term complications in these health plans.

4. The inpatient admissions rate for diabetes long-term complications was 64 per 100,000 members in the STAR Program overall, which is lower than the national rate of 127 per 100,000 and lower than the rate reported for STAR in SFY2007 (84 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 in Community First, Molina, and UnitedHealthcare-Texas to 167 per 100,000 in UniCare. Only UniCare and FirstCare exceeded the national rate, although the differences were not substantial.

5. The inpatient admissions rate for chronic obstructive pulmonary disease was 75 per 100,000 members in the STAR Program overall, which is lower than the national rate of 230 per 100,000 and lower than the rate reported for STAR in SFY2007 (89 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 in Cook Children’s and Driscoll to 356 per 100,000 in UniCare. The highest rates were observed in UniCare (1.5 times the national rate) and FirstCare (1.5 times the national rate), suggesting a need for improved ambulatory care for chronic obstructive pulmonary disease in these health plans.

6. The inpatient admissions rate for hypertension was 184 per 100,000 members in the STAR Program overall, which is greater than the national rate of 50 per 100,000, and greater than the rate reported for STAR in 2007 (32 per 100,000) Across the STAR MCOs, rates ranged from 12 per 100,000 in Driscoll to 502 per 100,000 in UniCare. Rates were substantially greater than that reported nationally (1.5 times or more) in all MCOs except Driscoll, Community First, and Cook Children’s. The highest rates were observed in UniCare (10.1 times the national rate) and UnitedHealthcare-Texas (8.1 times the national rate). There is a need for improved ambulatory care for hypertension in the STAR Program overall, particularly in UniCare and UnitedHealthcare-Texas.

7. The inpatient admissions rate for congestive heart failure was 149 per 100,000 in the STAR Program overall, which is much lower than the national rate of 489 per 100,000 and lower than the rate reported for STAR in SFY2007 (171 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 in Driscoll to 415 per 100,000 in FirstCare. None of the STAR MCOs exceeded the national rate of inpatient admissions for congestive heart failure.

8. The inpatient admissions rate for low birth weight was 6 per 100 births in the STAR Program overall, which is the same as the national rate of 6 per 100, but lower than the rate reported for STAR in SFY2007 (8.5 per 100). Across the STAR MCOs, rates ranged from 4 per 100 in Parkland to 10 per 100 in FirstCare. The highest rate was observed in FirstCare (1.6 times the national rate), suggesting a need for improved ambulatory care for low birth weight in this health plan.
### Table 2. Adult Prevention Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQI 1</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PQI 3</td>
<td>Diabetes Long-term Complications Admission Rate</td>
<td>Number of admissions for long-term diabetes per 100,000 population</td>
</tr>
<tr>
<td>PQI 5</td>
<td>Chronic Obstructive Pulmonary Disease Admission Rate</td>
<td>Number of admissions for COPD per 100,000 population</td>
</tr>
<tr>
<td>PQI 7</td>
<td>Hypertension Admission Rate</td>
<td>Number of admissions for hypertension per 100,000 population</td>
</tr>
<tr>
<td>PQI 8</td>
<td>Congestive Heart Failure Admission Rate</td>
<td>Number of admissions for CHF per 100,000 population</td>
</tr>
<tr>
<td>PQI 9</td>
<td>Low Birth Weight Rate</td>
<td>Number of low birth weight births as a share of all births in an area</td>
</tr>
</tbody>
</table>
Chart 7C. AHRQ Adult Prevention Quality Indicators by MCO

STAR MCOs - September 1, 2007 to August 31, 2008

Reference: STAR Table PQI09

Note: Rates are per 100,000 enrollees ages 18 years and older, except for perforated appendix which is per 100 admissions for appendicitis and low birth weight which is per 100 births. The denominator for perforated appendix was less than 30 in most MCOs; therefore, this measure is not reported.

Key Points:

1. Chart 7C presents AHRQ Prevention Quality Indicators (PQIs) for dehydration, bacterial pneumonia, urinary tract infection, angina without procedure, uncontrolled diabetes, adult asthma, and lower extremity amputation in diabetes patients in seven of the 14 MCOs evaluated in this report. AHRQ PQI rates for the remaining seven MCOs are shown in Chart 7D. Key points for both charts are provided under Chart 7D.
Chart 7D. AHRQ Adult Prevention Quality Indicators by MCO

STAR MCOs - September 1, 2007 to August 31, 2008

Reference: STAR Table PQI09
Note: Rates are per 100,000 enrollees ages 18 years and older except for perforated appendix which is per 100 admissions for appendicitis and low birth weight which is per 100 births. The denominator for perforated appendix was less than 30 in most MCOs; therefore this measure is not reported.

Key Points:

1. Charts 7C and 7D provide rates of inpatient admissions for seven ambulatory care sensitive conditions among adults in the STAR Program, 18 years or older, distributed by MCO. Table 3 describes each of the AHRQ PQIs shown in Charts 7C and 7D. Discussion of PQIs in the key points below includes comparisons with national rates reported by the AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2004 and are area-level indicators, including commercial and Medicaid populations.

2. The inpatient admissions rate for dehydration was 64 per 100,000 members in the STAR Program overall, which is much lower than the national rate of 127 per 100,000, but greater than the rate reported for STAR in SFY2007 (30 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 in Community First to 207 per 100,000 in FirstCare. The highest rate was observed in FirstCare (1.6 times the national rate), suggesting a need for improved ambulatory care for dehydration in this health plan.

3. The inpatient admissions rate for bacterial pneumonia was 174 per 100,000 members in the STAR Program overall, which is much lower than the national rate of 418 per 100,000, but greater than the rate reported for STAR in SFY2007 (132 per 100,000). Across the STAR...
MCOs, rates ranged from 13 per 100,000 in Community First to 363 per 100,000 in FirstCare. No STAR MCO was below the national rate for this measure. Although the rate for FirstCare was below the national rate, it was 2.1 times the STAR Program rate.

4. The inpatient admissions rate for urinary tract infection was 303 per 100,000 members in the STAR Program overall, which is greater than the national rate of 177 per 100,000 and greater than the rate reported for STAR in SFY2007 (90 per 100,000). Across the STAR MCOs, rates ranged from 32 per 100,000 in Community First to 481 per 100,000 in UniCare. The highest rates were observed in UniCare (2.7 times the national rate), El Paso First (2.7 times the national rate), FirstCare (2.6 times the national rate), Aetna (2.1 times the national rate), Texas Children’s (2.0 times the national rate), Superior (1.9 times the national rate), Community Health Choice (1.8 times the national rate), Cook Children’s (1.7 times the national rate), Parkland (1.7 times the national rate), and AMERIGROUP (1.7 times the national rate). Only Community First and Driscoll were below the national rate for this measure, suggesting a need for improved ambulatory care for dehydration in the STAR Program overall.

5. The inpatient admissions rate for angina without procedure was 31 per 100,000 members in the STAR Program overall, which is lower than the national rate of 46 per 100,000, but greater than the rate reported for STAR in SFY2007 (9 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 members in Community First, Cook Children’s, and Driscoll to 91 per 100,000 in FirstCare. The highest rates were observed in FirstCare (2.0 times the national rate), El Paso First (1.8 times the national rate), UniCare (1.8 times the national rate), and UnitedHealthcare-Texas (1.6 times the national rate), suggesting a need to improve ambulatory care for angina without procedure in these health plans.

6. The inpatient admissions rate for uncontrolled diabetes was 53 per 100,000 members in the STAR Program overall, which is greater than the national rate of 22 per 100,000 and greater than the rate reported for STAR in SFY2007 (19 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 in Molina and UnitedHealthcare-Texas to 147 per 100,000 in UniCare. The highest rates were observed in UniCare (6.7 times the national rate), FirstCare (4.1 times the national rate), Community Health Choice (3.1 times the national rate), AMERIGROUP (2.9 times the national rate), Parkland (2.7 times the national rate), Superior (2.4 times the national rate), El Paso First (2.4 times the national rate), and Aetna (2.0 times the national rate). These findings suggest there is a need to improve ambulatory care for uncontrolled diabetes in the STAR Program overall, particularly in the UniCare and FirstCare health plans.

7. The inpatient admissions rate for adult asthma was 159 per 100,000 members in the STAR Program overall, which is greater than the national rate of 121 per 100,000 and greater than the rate reported for STAR in SFY2007 (102 per 100,000). Across the STAR MCOs, rates ranged from 0 per 100,000 in UnitedHealthcare-Texas to 415 per 100,000 in FirstCare. The highest rates were observed in FirstCare (3.4 times the national rate), UniCare (2.6 times the national rate), Parkland (1.9 times the national rate), Cook Children’s (1.9 times the national rate), El Paso First (1.7 times the national rate), and AMERIGROUP (1.5 times the national rate), suggesting a need to improve ambulatory care for adult asthma in these health plans.

8. The inpatient admissions rate for lower extremity amputation in diabetes patients was 7 per 100,000 members in the STAR Program overall, which is much lower than the national rate of 39 per 100,000. Across the STAR MCOs, rates ranged from 0 per 100,000 members in Community First, Cook Children’s, Driscoll, FirstCare, Molina, Texas Children’s, and UnitedHealthcare-Texas to 23 per 100,000 in Parkland. All STAR MCOs were below the national rate for this measure.
<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQI 10</td>
<td>Dehydration Admission Rate</td>
<td>Number of admissions for dehydration per 100,000 population</td>
</tr>
<tr>
<td>PQI 11</td>
<td>Bacterial Pneumonia Admission Rate</td>
<td>Number of admissions for bacterial pneumonia per 100,000 population</td>
</tr>
<tr>
<td>PQI 12</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary infection per 100,000 population</td>
</tr>
<tr>
<td>PQI 13</td>
<td>Angina without Procedure Admission Rate</td>
<td>Number of admissions for angina without procedure per 100,000 population</td>
</tr>
<tr>
<td>PQI 14</td>
<td>Uncontrolled Diabetes Admission Rate</td>
<td>Number of admissions for uncontrolled diabetes per 100,000 population (Note: This indicator is designed to be combined with diabetes short-term complications.)</td>
</tr>
<tr>
<td>PQI 15</td>
<td>Adult Asthma Admission Rate</td>
<td>Number of admissions for asthma in adults per 100,000 population</td>
</tr>
<tr>
<td>PQI 16</td>
<td>Rate of Lower Extremity Amputation Among Patients with Diabetes</td>
<td>Number of admissions for lower extremity amputation among patients with diabetes per 100,000 population</td>
</tr>
</tbody>
</table>
Key Points:

1. Chart 8 provides the percentage of STAR members who turned 15 months old during the measurement year and who had six or more well-child visits with a physician provider during their first 15 months of life, distributed by MCO. Note that the HEDIS® measure specified visits with a primary care practitioner. After lifting provider constraints, the results shown here are therefore slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. The STAR Program performed slightly lower than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure, with 48 percent of children receiving six or more well-child visits in the first 15 months of life compared to 53 percent nationally. The STAR Program performed higher than the HHSC Performance Indicator Dashboard standard of 36 percent. Given these findings, HHSC may wish to consider raising the HHSC Performance Indicator Dashboard standard for this measure to conform to program and/or national rates.

3. There was some variation across the STAR MCOs on this measure, with rates ranging from 35 percent in UniCare to 62 percent in Cook Children’s. The lowest-performing MCOs were UniCare (35 percent), Texas Children’s (38 percent), UnitedHealthcare-Texas (40 percent),
and Molina (40 percent). All four performed lower than the national HEDIS® mean, suggesting there is a need to improve access to well-child visits in the first 15 months of life for children in these health plans.
Chart 9. HEDIS® Well-Child Visits in the First 15 Months of Life – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Eligible = 38,335

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>49.48%</td>
<td>44.98%</td>
<td>46.99%</td>
<td>44.44%</td>
<td>59.41%</td>
<td>51.67%</td>
<td>58.28%</td>
<td>43.04%</td>
</tr>
</tbody>
</table>

Reference: STAR Table W1509

Key Points:

1. Chart 9 provides results for the HEDIS® Well-Child Visits in the First 15 Months of Life measure, distributed by MCO/SDA.

2. There was some variation across the MCO/SDA groups on this measure, with rates ranging from 35 percent in UniCare – Dallas to 62 percent in Cook Children’s – Tarrant. Six MCO/SDA groups performed at or above the national HEDIS® mean: Community Health Choice – Harris (53 percent), FirstCare – Lubbock (61 percent), Superior – Nueces (55 percent), Aetna – Tarrant (58 percent), AMERIGROUP – Tarrant (58 percent), and Cook Children’s – Tarrant (62 percent). The lowest-performing MCO/SDA groups were UniCare – Dallas (35 percent), AMERIGROUP – Travis (37 percent), and Texas Children’s – Harris (38 percent). While these three MCO/SDA groups performed comparably to the HHSC Performance Indicator Dashboard standard of 36 percent, they performed well below the national HEDIS® mean for this measure.

3. At the SDA level, rates ranged from 43 percent in the Travis SDA to 59 percent in the Lubbock SDA.
Chart 10. HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Enrollees in Age Group = 154,972

<table>
<thead>
<tr>
<th>MCO</th>
<th>3rd Year</th>
<th>4th Year</th>
<th>5th Year</th>
<th>6th Year</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>65.27%</td>
<td>71.24%</td>
<td>74.61%</td>
<td>71.08%</td>
<td>66.86%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>66.86%</td>
<td>78.16%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>69.67%</td>
</tr>
<tr>
<td>Community First</td>
<td>71.08%</td>
<td>78.16%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
</tr>
<tr>
<td>Community Health Who</td>
<td>78.16%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>71.08%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>74.61%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
<td>69.67%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>77.52%</td>
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<td>70.95%</td>
<td>69.67%</td>
<td>69.67%</td>
</tr>
<tr>
<td>Molina</td>
<td>71.08%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
</tr>
<tr>
<td>Parkland</td>
<td>74.61%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
</tr>
<tr>
<td>Superior</td>
<td>71.08%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>71.08%</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
</tr>
<tr>
<td>UniCare</td>
<td>77.52%</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
<td>69.67%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>63.67%</td>
<td>70.95%</td>
<td>69.67%</td>
<td>69.67%</td>
<td>69.67%</td>
</tr>
</tbody>
</table>

Reference: STAR Table W3409

Key Points:

1. Chart 10 provides the percentage of STAR enrollees between three and six years old who received one or more well-child visits with a physician provider during the measurement period, distributed by MCO. Note that the HEDIS® measure specifies that visits be with a primary care practitioner. Due to not enforcing provider type constraints in the calculation, the results shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. The STAR Program performed better than the national average for Medicaid Managed Care Plans reporting to the NCQA for this measure, with 71 percent of children receiving well-child visits in their 3rd, 4th, 5th, and 6th years of life, compared to 65 percent nationally. The STAR Program also performed considerably better than the SFY 2008 HHSC Performance Indicator Dashboard standard of 56 percent for this measure. Given these findings, HHSC may wish to consider raising the Performance Indicator Dashboard standard for this measure to conform to national and/or program-level rates.

3. Most MCOs were at or above the national HEDIS® mean, with the exception of FirstCare (64 percent), Molina (64 percent), UniCare (62 percent), and UnitedHealthcare-Texas (62 percent).
Reference: STAR Table W3409

Key Points:

1. Chart 11 presents results for the HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life measure, distributed by MCO/SDA.

2. Eight MCO/SDA groups were slightly below the national HEDIS® mean for this measure: UniCare – Dallas (62 percent), Molina – Harris (64 percent), UnitedHealthcare-Texas – Harris (62 percent), FirstCare – Lubbock (64 percent), Superior – Lubbock (60 percent), Aetna – Tarrant (58 percent), AMERIGROUP – Travis (60 percent), and Superior – Travis (59 percent). All MCO/SDA groups were above the SFY 2008 HHSC Performance Indicator Dashboard standard of 56 percent.

3. At the SDA level, the percentage of children between three and six years old having a well-child visit during the measurement period ranged from 59 percent in the Travis SDA to 76 percent in the Nueces SDA. In comparing SDA performance to SFY2007, Lubbock declined approximately 9 percent in well-child visits (from 72 percent in 2007).
Key Points:

1. Chart 12 provides the percentage of STAR enrollees 12 to 21 years old who received one or more comprehensive adolescent well-care visits with a physician provider during the measurement period, distributed by MCO. Note that the HEDIS® measure specifies the visits be with a primary care practitioner or an OB/GYN practitioner. Due to not enforcing the provider type constraints, the results shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. The STAR Program performed better than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure, with 51 percent of adolescents receiving at least one well-care visit compared to 42 percent nationally. The STAR Program also performed considerably better than the SFY 2008 HHSC Performance Indicator Dashboard standard of 38 percent for this measure. Given these findings, HHSC may wish to consider raising the Performance Indicator Dashboard standard for this measure to conform to national and/or program-level rates. The percentage of adolescents receiving well-care visits in 2008 remained relatively unchanged from SFY2007 (50 percent).

3. Most MCOs were at or above the national HEDIS® mean, with the exception of UniCare (41 percent). Three MCOs improved their performance on this measure considerably since the prior reporting year (SFY 2007): Aetna (33 percent to 42 percent), Community First (46...
percent to 56 percent), and UnitedHealthcare-Texas (34 percent to 41 percent). Performance was lower than in the prior reporting year for Cook Children’s (57 percent to 48 percent) and FirstCare (57 percent to 50 percent).
Key Points:

1. Chart 13 presents results for the HEDIS® Adolescent Well-Care Visits measure, distributed by MCO/SDA.

2. Six MCO/SDA groups were below the national HEDIS® mean for the percentage of adolescents having at least one well-care visit during the measurement period: UniCare – Dallas (41 percent), UnitedHealthcare-Texas – Harris (41 percent), Superior – Lubbock (38 percent), Aetna – Tarrant (30 percent), AMERIGROUP – Travis (34 percent), and Superior – Travis (33 percent). Three MCO/SDA groups – Aetna – Tarrant, AMERIGROUP – Travis, and Superior – Travis – performed below the SFY 2008 HHSC Performance Indicator Dashboard standard of 38 percent for this measure, suggesting a need for strategies to increase adolescent well-care visits in these MCO/SDA groups.

3. At the SDA level, rates ranged from 33 percent in the Travis SDA to 60 percent in the El Paso SDA. Travis was the only SDA with a mean below both the national mean and the HHSC Performance Indicator Dashboard standard for this measure. Both health plans serving the

Reference: STAR Table AWC09
Travis SDA (AMERIGROUP and Superior) were also below both the national mean and the HHSC Performance Indicator Dashboard standard. Reasons for the lower utilization of adolescent well-care visits in the Travis SDA need to be examined further.

4. The percentage of adolescent well-care visits across SDAs remained relatively unchanged since 2007, however the percentage of adolescent well-care visits in Lubbock declined by nine percentage points from 2007 (56 percent).
Chart 14. HEDIS® Prenatal Care

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>MCO</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>84.51%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>83.79%</td>
</tr>
<tr>
<td>Community First</td>
<td>84.70%</td>
</tr>
<tr>
<td>Community Health</td>
<td>84.89%</td>
</tr>
<tr>
<td>Choice</td>
<td>81.82%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>81.01%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>87.24%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>65.94%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>81.63%</td>
</tr>
<tr>
<td>Molina</td>
<td>75.33%</td>
</tr>
<tr>
<td>Parkland</td>
<td>85.97%</td>
</tr>
<tr>
<td>Superior</td>
<td>80.10%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>79.77%</td>
</tr>
<tr>
<td>UniCare</td>
<td>76.06%</td>
</tr>
</tbody>
</table>

Reference: STAR Table PPC09

Key Points:

1. Chart 14 provides the percentage of live birth deliveries among women in the STAR Program who received prenatal care in their first trimester or within 42 days of enrollment in their health plan, distributed by MCO.

2. The STAR Program performed comparably to the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure, with 83 percent of live births receiving prenatal care compared to 81 percent nationally. This represents a substantial improvement since the last reporting period (SFY 2007), when only 57 percent of live births in STAR received prenatal care. The STAR Program also performed higher than the HHSC Performance Indicator Dashboard standard of 72 percent for this measure.

3. Most STAR MCOs were at or above the national HEDIS® mean, with the exception of FirstCare (66 percent), Parkland (75 percent), UniCare (80 percent), and UnitedHealthcare-Texas (76 percent). FirstCare performed below the HHSC Performance Indicator Dashboard standard of 72 percent, suggesting a need for improvements in access to prenatal care for this health plan.
Chart 15. HEDIS® Prenatal Care – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Eligible Births = 84,098

Reference: STAR Table PPC09

Key Points:

1. Chart 15 presents results for the HEDIS® Prenatal Care measure, distributed by MCO/SDA.
2. Six MCO/SDA groups performed below the national HEDIS® mean for the percentage of live births having prenatal care during the measurement period: Parkland – Dallas (75 percent), UniCare – Dallas (80 percent), Texas Children’s – Harris (80 percent), UnitedHealthcare-Texas – Harris (76 percent), FirstCare – Lubbock (66 percent), and AMERIGROUP – Travis (73 percent). FirstCare – Lubbock performed below the HHSC Performance Indicator Dashboard standard of 72 percent for this measure, suggesting a need for improved access to prenatal care in this MCO/SDA group.

3. At the SDA level, rates ranged from 69 percent in the Lubbock SDA to 87 percent in the El Paso SDA. Lubbock was the only SDA to perform below the HHSC Performance Indicator Dashboard standard of 72 percent, although this lower percentage was driven by performance in FirstCare – Lubbock. Performance in Superior – Lubbock (81 percent) was comparable to that reported nationally and above the HHSC Performance Indicator Dashboard standard.
Chart 16. HEDIS® Postpartum Care

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Eligible Births = 84,098

Reference: STAR Table PPC09

Key Points:

1. Chart 16 provides the percentage of deliveries of live births among women in the STAR Program who had a postpartum visit on or between 21 and 56 days after delivery, distributed by MCO.

2. The STAR Program performed slightly lower than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure, with 57 percent of live births receiving postpartum care compared to 59 percent nationally. The STAR Program also performed lower than the HHSC Performance Indicator Dashboard standard of 65 percent for this measure. This represents little change since the prior reporting period (SFY 2007), when 56 percent of live births in STAR received postpartum care.

3. Four STAR MCOs performed above the national HEDIS® mean for this measure: Aetna (62 percent), Community First (59 percent), Cook Children’s (67 percent), and El Paso First (61 percent). Only Cook Children’s performed above the HHSC Performance Indicator Dashboard standard of 65 percent. These findings suggest a program-wide need for improved access to postpartum care in the STAR Program.
Chart 17. HEDIS® Postpartum Care – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Eligible Births = 84,098

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>58.77%</td>
<td>55.70%</td>
<td>60.37%</td>
<td>54.35%</td>
<td>52.77%</td>
<td>52.75%</td>
<td>61.96%</td>
<td>55.24%</td>
</tr>
</tbody>
</table>

Reference: STAR Table PPC09

Key Points:

1. Chart 17 presents results for the HEDIS® Postpartum Care measure, distributed by MCO/SDA.

2. Seven MCO/SDA groups were at or above the national HEDIS® mean for the percentage of live births having postpartum care during the measurement period: Community First – Bexar (59 percent), Superior – Bexar (59 percent), El Paso First – El Paso (61 percent), Superior – El Paso (60 percent), Aetna – Tarrant (65 percent), AMERIGROUP – Tarrant (60 percent), and Cook Children’s – Tarrant (67 percent). Only Aetna – Tarrant and Cook Children’s – Tarrant met the HHSC Performance Indicator Dashboard standard of 65 percent for this measure.

3. At the SDA level, rates ranged from 53 percent in the Lubbock and Nueces SDAs to 62 percent in the Tarrant SDA. While STAR performed comparably to the national HEDIS® means for this measure, none of the STAR SDAs performed above the HHSC Performance Indicator Dashboard standard.
4. Professional organizations such as the American Academy of Pediatrics and the American College of Gynecologists recommend a postpartum care visit for women between four to six weeks after giving birth.\textsuperscript{13} The primary goals of postpartum care visits are to assess women for postpartum depression, evaluate their overall health, address any preexisting or developing health problems, discuss family planning, and provide education about infant care and development.

5. Women in the STAR Program access and utilize postpartum care at a rate below the national average and the HHSC Performance Indicator Dashboard standard. This finding is a cause for concern because research has found that low-income women experience poorer mental and overall physical health in the postpartum period than their more affluent counterparts, emphasizing the need for postpartum care, services, and support for this population.\textsuperscript{14} Women may underutilize postpartum care due to various factors that include a lack of understanding or knowledge about the importance of postpartum care, a focus on infant rather than personal health, or the daily stressors associated with economic disadvantage. It is recommended that providers encourage women to seek postpartum care and emphasize the importance of the postpartum care visit prior to discharge from the hospital.

6. Some programs have found success in combining both postpartum infant and maternal care into nurse home visits, to guarantee that women receive timely health services after giving birth.\textsuperscript{15} Such programs represent a coordination of care among physicians, hospitals, and nurses through a referral system than ensures continuity of care after discharge from the hospital. HHSC may wish to consider these findings and develop postpartum care protocols and programs in efforts to increase postpartum care visits.
**Chart 18. HEDIS® Cervical Cancer Screening**

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>MCO</th>
<th>HEDIS® Mean</th>
<th>STAR MCO Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>56.39%</td>
<td>51.81%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>49.40%</td>
<td>55.67%</td>
</tr>
<tr>
<td>CommunityFirst</td>
<td>51.81%</td>
<td>58.43%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>57.45%</td>
<td>45.11%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>45.11%</td>
<td>33.56%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>33.56%</td>
<td>56.01%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>56.01%</td>
<td>46.08%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>46.08%</td>
<td>46.71%</td>
</tr>
<tr>
<td>Parkland</td>
<td>46.71%</td>
<td>42.11%</td>
</tr>
<tr>
<td>Superior</td>
<td>42.11%</td>
<td>18.60%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>18.60%</td>
<td></td>
</tr>
<tr>
<td>UniCare</td>
<td>18.60%</td>
<td></td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>18.60%</td>
<td></td>
</tr>
</tbody>
</table>

**Reference:** STAR Table CCS09

**Note:** The denominator in Molina was less than 30 eligible members; therefore, this rate is not reported for the Molina health plan. Eligible members are included in overall STAR rates.

**Key Points:**

1. Chart 18 provides the percentage of women between 21 and 64 years of age in the STAR Program who received one or more Pap tests to screen for cervical cancer during the measurement period, distributed by MCO. It should be noted that HEDIS® specifications for this measure allow women to be numerator compliant if they received a Pap test in the measurement year or during the two years prior to the measurement year. Because only two years of historical data are available for the expansion area and the new health plans, lower rates in STAR are expected, which should be taken into consideration when comparing STAR rates with the national HEDIS® mean.

2. The STAR Program performed considerably lower than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure, with 47 percent of women receiving cervical cancer screening compared to 65 percent nationally. The STAR Program also performed lower than the HHSC Performance Indicator Dashboard standard of 60 percent for this measure. Although performance in STAR was low overall, it should be noted that these findings represent an improvement over the prior reporting period (SFY 2007), when only 32 percent of women in STAR received cervical cancer screening.
3. Results varied considerably by health plan, ranging from 19 percent of women receiving cervical cancer screening in UnitedHealthcare-Texas to 58 percent in Driscoll. None of the STAR MCOs performed above either the national HEDIS® mean or the HHSC Performance Indicator standard for this measure.
Chart 19. HEDIS® Cervical Cancer Screening – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>SDA Mean</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>51.66%</td>
<td>51.15%</td>
<td>43.41%</td>
<td>52.51%</td>
<td>34.61%</td>
<td>58.77%</td>
<td>46.32%</td>
<td>47.80%</td>
</tr>
</tbody>
</table>

Reference: STAR Table CCS09
Note: The denominator in Molina-Harris was less than 30 eligible members; therefore, this rate is not reported for Molina-Harris. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 19 presents results for the HEDIS® Cervical Cancer Screening measure, distributed by MCO/SDA.

2. None of the MCO/SDA groups were at or above the national HEDIS® mean for this measure. The lowest-performing MCO/SDA groups were UnitedHealthcare-Texas – Harris (19 percent), FirstCare – Lubbock (34 percent), and Superior – Lubbock (38 percent). Only Aetna – Bexar (64 percent) and AMERIGROUP – Nueces (63 percent) performed above the HHSC Performance Indicator Dashboard standard of 60 percent.
3. None of the eight SDAs were at or above either the national HEDIS® mean or the HHSC Performance Indicator Dashboard standard for this measure. The greatest need for improved cervical cancer screening appears to be in the Lubbock SDA, where only 35 percent of women received cervical cancer screening.

4. Women in the STAR Program overall and particularly in UnitedHealthcare – Texas had lower rates of cervical cancer screening than those reported nationally. It should be noted that STAR rates for cervical cancer screening may be lower because only two years of historical data are available for the expansion area and the new health plans. National averages for cervical cancer screening are based on women receiving a Pap test in the measurement year or during the two years prior to the measurement year (three years total). Thus, the rates of cervical cancer screening among female members of STAR should be interpreted with caution.

5. Barriers to cervical cancer screening are briefly discussed because disadvantaged Hispanic and African-American women have higher rates of diagnosis and/or mortality from cervical cancer than non-Hispanic Whites. Research has found that poverty, low educational levels, not having a primary care provider, and, among Hispanics, lack of acculturation all decrease the likelihood of cervical cancer screening. Furthermore, research has identified cultural beliefs about vulnerability and disease risk that impede Hispanic and African-American women from seeking cervical cancer screenings. Intrinsic barriers to cervical cancer screening in these populations include the belief that only women who engage in sexually risky behavior should have pap smears, the belief that having no discernable symptoms indicates the absence of disease, and thinking that it is better to not know if one has cervical cancer. HHSC may wish to consider addressing factors that prevent cervical cancer screening among members of the STAR Program and develop culturally sensitive educational programs that educate women, address cultural beliefs about reproductive health and disease, and encourage regular cervical cancer screenings.
Reference: STAR Table FUH09

Key Points:

1. Chart 20 provides the percentage of STAR Program enrollees six years of age or older who were hospitalized for mental illness and who had an outpatient visit, an intensive outpatient encounter, or a partial hospitalization with a physician provider during the measurement period, distributed by MCO. Two percentages are shown – one for follow-up within seven days of discharge, and one for follow-up within 30 days of discharge. Rates for this measure are slightly inflated due to ignoring the provider type constraints in calculations, which should be taken into consideration when comparing rates with the national HEDIS® means (which specify that follow-up occur with a mental health provider).

2. The STAR Program performed lower than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure at the seven-day follow-up period, with 37 percent receiving follow-up within seven days of discharge compared with 43 percent nationally. While performance in STAR was lower than that reported nationally, it exceeded the HHSC Performance Indicator Dashboard standard of 32 percent for this measure. This represents little change since the prior reporting period (SFY 2007), when 36 percent in STAR received seven-day follow-up after hospitalization for a mental illness.

Note: The denominator was less than 30 eligible members in FirstCare, Molina, Parkland, UniCare, and UnitedHealthcare-Texas; therefore, these measures are not reported for these health plans. Eligible members are included in overall STAR rates.
3. The STAR Program performed higher than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure at the 30-day follow up period, with 65 percent receiving follow-up within 30 days of discharge compared with 61 percent nationally. The STAR Program also performed higher than the HHSC Performance Indicator Dashboard standard of 52 percent for this measure. This represents a slight decrease since the prior reporting period (SFY 2007), when 67 percent in STAR received 30-day follow-up after hospitalization for a mental illness.

4. Results for the seven-day follow-up period varied across the STAR MCOs. Only Community First (58 percent) and El Paso First (43 percent) were above the national HEDIS® mean. Rates in both Community First and El Paso First have increased substantially since the prior reporting period (SFY 2007), increasing from 35 percent and 24 percent of eligible enrollees, respectively. The lowest-performing MCO was Aetna (25 percent), which was also the only MCO to perform below the HHSC Performance Indicator Dashboard standard for this measure.

5. At the 30-day follow-up period, only Aetna (51 percent) performed lower than both the national HEDIS mean and the HHSC Performance Indicator Dashboard standard for this measure. These findings suggest a need for improved follow-up after hospitalization for mental illness in Aetna, at both the seven- and 30-day follow-up periods. HHSC may also wish to consider raising the Performance Indicator Dashboard standard for this measure to conform to national and/or program rates.
Chart 21A. HEDIS® Follow-Up after Hospitalization for Mental Illness – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Days</td>
<td>44.36%</td>
<td>21.05%</td>
<td>40.74%</td>
<td>38.84%</td>
<td>21.43%</td>
<td>35.34%</td>
<td>31.96%</td>
<td>31.85%</td>
</tr>
<tr>
<td>30 Days</td>
<td>72.31%</td>
<td>45.61%</td>
<td>72.22%</td>
<td>68.36%</td>
<td>46.43%</td>
<td>68.10%</td>
<td>60.89%</td>
<td>56.30%</td>
</tr>
</tbody>
</table>

Reference: STAR Table FUH09
Note: The denominator was less than 30 eligible members in Parkland-Dallas, UniCare-Dallas, Molina-Harris, UnitedHealthcare-Texas-Harris, FirstCare-Lubbock, and Aetna-Tarrant; therefore, these measures are not reported for these MCO/SDA groups. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 21A presents results for the HEDIS® Follow-Up after Hospitalization for Mental Illness measure for nine MCO/SDA groups in the Bexar, Dallas, El Paso, and Harris SDAs. Chart 21B presents results for this measure for eight MCO/SDA groups in the Lubbock, Nueces, Tarrant, and Travis SDAs. The remaining six MCO/SDAs had low denominators for this measure (as indicated in the note above). Key points for both charts are presented under Chart 21B.
Chart 21B. HEDIS® Follow-Up after Hospitalization for Mental Illness – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Mental Health Hospitalizations = 2,246

Reference: STAR Table FUH09

Note: The denominator was less than 30 eligible members in Parkland-Dallas, UniCare-Dallas, Molina-Harris, UnitedHealthcare-Texas-Harris, FirstCare-Lubbock, and Aetna-Tarrant; therefore, these measures are not reported for these MCO/SDA groups. Eligible members are included in overall STAR rates.

Key Points:

1. Charts 21A and 21B present results for the HEDIS® Follow-Up after Hospitalization for Mental Illness measure, distributed by MCO/SDA.

2. For the seven-day follow-up measure, two MCO/SDA groups performed higher than both the national HEDIS® mean and the HHSC Performance Indicator Dashboard standard of 32 percent: Community First – Bexar (58 percent) and El Paso First – El Paso (43 percent). The lowest-performing MCO/SDA groups for the seven-day follow-up measure were AMERIGROUP – Nueces (11 percent), Superior – Lubbock (17 percent), and AMERIGROUP – Dallas (26 percent).

3. For the 30-day follow-up measure, 11 MCO/SDA groups performed higher than both the national HEDIS® mean and the HHSC Performance Indicator Dashboard standard of 52 percent. The highest-performing MCO/SDA groups were: Community First – Bexar (83 percent), Superior – Nueces (73 percent), and Superior – El Paso (73 percent). Four MCO/SDA groups performed below the HHSC Performance...
4. At the SDA level, results for the seven-day follow-up measure were lower than the national HEDIS® mean for all SDAs except Bexar (44 percent), suggesting there is a program-wide need to improve follow-up at seven days following hospitalization for mental illness. Results for the 30-day follow-up measure were lower than the national HEDIS® mean in the Dallas (46 percent), Lubbock (46 percent), and Travis (56 percent) SDAs. From 2007 to 2008, rates were noticeably lower in Lubbock for both seven-day (decrease from 34 percent to 21 percent) and 30-day (decrease from 69 percent to 46 percent) follow-up after hospitalization for a mental illness. In addition, the percentage of those receiving 30-day follow-up declined considerably in Travis from 2007 (from 70 percent to 56 percent).

5. These findings suggest the need to improve seven-day follow-up rates after hospitalization for a mental health problem across the STAR Program, and in particular in AMERIGROUP – Nueces and Superior – Lubbock. The initial period after being discharged from a hospital for mental illness can be difficult for people who may not be stabilized pharmaceutically, who may struggle to meet their basic needs and care for themselves, and who may lack the social support needed for healing and recovery. Factors that may prevent immediate follow-up after a hospital discharge include living in a rural area, greater functional impairment, being unaware of follow-up services, and holding the belief that the problem would resolve on its own.

6. Research has identified several factors that improve rates of seven-day follow-up after a hospital visit. Home-based visits after discharge, ongoing home intervention-based therapy, and contact with the same mental health providers from the hospital stay to outpatient treatment have a positive impact on seven-day follow-up rates.
Chart 22. Readmission within 30 Days after an Inpatient Stay for Mental Health

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Inpatient Mental Health Eligible Stays = 3,787

<table>
<thead>
<tr>
<th>MCO</th>
<th>Readmission Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>8.90%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>12.70%</td>
</tr>
<tr>
<td>Community First</td>
<td>22.20%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>7.00%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>12.60%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>11.50%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>12.90%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>18.40%</td>
</tr>
<tr>
<td>Superior</td>
<td>14.20%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>10.70%</td>
</tr>
<tr>
<td>UniCare</td>
<td>68.70%</td>
</tr>
</tbody>
</table>

MCO Mean: 20.60%

Reference: STAR Table MHReadmit09

Note: The denominator was less than 30 eligible members in Molina, Parkland and UnitedHealthcare-Texas; therefore, rates for these health plans are not reported. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 22 provides the percentage of STAR Program enrollees who were readmitted within 30 days following an inpatient stay for mental health problems, distributed by MCO. Mental health readmissions are frequently used as a measure of an adverse outcome, which potentially result from efforts to contain behavioral health care costs such as reducing the initial length of stay. For this measure, low rates of readmission indicate good performance.

2. In the STAR Program overall, 21 percent of eligible members were readmitted within 30 days after an inpatient stay for mental health. Readmission rates for most MCOs were below the program mean, ranging from seven percent in Community Health Choice to 18 percent in UniCare.
FirstCare. Rates were higher than the program mean in Community First (22 percent) and UniCare (69 percent). Performance on this measure declined slightly from SFY2007, when 18 percent of STAR enrollees were readmitted within 30 days following an inpatient stay for mental health.

3. The mental health readmission rate in UniCare was considerably greater than the program mean, and warrants further investigation. UniCare is one of three MCOs that provide behavioral health services through the NorthSTAR Program in the Dallas SDA. The other MCOs that use NorthSTAR are Parkland (readmission rate not reported) and AMERIGROUP, which provides behavioral health services through NorthSTAR in the Dallas SDA but not in the Bexar, Harris, Nueces, Tarrant, or Travis SDAs. The mental health readmission rate for AMERIGROUP – Dallas (see Chart 23) is much lower (4 percent) than the rate for UniCare – Dallas (69 percent), even though each provide mental health services through NorthSTAR.
Chart 23. Readmission within 30 Days after an Inpatient Stay for Mental Health – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Inpatient Mental Health Eligible Stays = 3,787

**Key Points:**

1. Chart 23 provides the percentage of STAR Program enrollees who were readmitted within 30 days following an inpatient stay for mental health problems, distributed by MCO/SDA.

2. Five MCO/SDA groups performed substantially better than STAR overall for this measure: AMERIGROUP – Dallas (4 percent), Aetna – Bexar (4 percent), AMERIGROUP – Nueces (6 percent), Community Health Choice – Harris (7 percent), and Superior – Nueces (8 percent).

Reference: STAR Table MHReadmit09

Note: The denominator was less than 30 members in Parkland-Dallas, Molina-Harris and UnitedHealthcare-Texas-Harris; therefore, rates in these MCO/SDA groups are not reported. Eligible members are included in overall STAR rates.
3. The lowest-performing MCO/SDA group was UniCare – Dallas (69 percent), which exceeded the STAR Program rate by 48 percent. Behavioral health services in both UniCare – Dallas and AMERIGROUP – Dallas are offered through the NorthSTAR Program. However, the readmission rate in AMERIGROUP – Dallas was well below the overall rate, suggesting that the substantially higher rate in UniCare – Dallas may be independent of services provided through NorthSTAR.

4. At the SDA level, readmission rates ranged from 10 percent in Nueces and Harris to 61 percent in Dallas. The substantially higher rate in the Dallas SDA is attributed to performance in UniCare – Dallas. From 2007 to 2008, Nueces reduced the percentage of readmissions (from 18 to 10 percent), while Lubbock increased the percentage of readmissions (from 8 to 23 percent).

5. The rate of readmission within 30 days after an inpatient stay for mental health for UniCare – Dallas was unusually high (69 percent) compared to the other plans and the national average. It is suggested that UniCare – Dallas re-evaluate their mental health program, in an effort to reduce this rate. Research has identified the importance of discharge planning in reducing hospital readmissions after a mental health stay. Discharge planning for outpatient treatment has been shown to reduce the length of hospital stays, reduce self-reported patient symptoms, and increase adherence to after-care treatment recommendations. One managed care program succeeded in their efforts to decrease hospital readmission rates by targeting high-risk patients (severely and persistently mentally ill) and providing them with phone call reminders of upcoming outpatient treatment appointments. UniCare – Dallas may want to consider a similar approach, identifying those enrollees at greatest risk for a readmission to the hospital, providing them with reminder calls, and directing them to their care providers if patients indicate the potential to drop out of treatment. Furthermore, UniCare – Dallas may want to consider implementing or improving care coordination and home-based visits after discharge to decrease mental health hospital readmission rates.
Chart 24. HEDIS® Comprehensive Diabetes Care (Administrative component only)

STAR MCOs - September 1, 2007 to August 31, 2008

Reference: STAR Table CDC09

Note: The denominator was less than 30 members in Aetna, Cook Children’s, Driscoll, Molina, Texas Children's, UniCare and UnitedHealthcare-Texas; therefore, rates are not shown for these health plans. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 24 provides the percentage of STAR Program enrollees 18 to 75 years of age with diabetes (type 1 and 2) who had eye exams, medical attention for diabetic nephropathy, hemoglobin A1c (HbA1c) testing, and LDL-C screening during the measurement period, distributed by MCO. HEDIS® technical specifications for the Comprehensive Diabetes Care measures allow for the use of administrative and medical record review data. Results shown in Chart 24 were calculated using administrative data only. Note that only eye exams conducted by a vision specialist are counted as eye exam visits.

2. For the percentage of eligible members receiving eye exams, the STAR Program performed considerably lower than both the national HEDIS® mean and the HHSC Performance Indicator Dashboard standard (45 percent). Across the STAR MCOs, rates ranged from 11 percent in Community First and Parkland to 38 percent in FirstCare.
3. For the percentage of eligible members receiving medical attention for diabetic nephropathy, the STAR Program performed lower than the national HEDIS® mean but exceeded the HHSC Performance Indicator Dashboard standard (41 percent). Across the STAR MCOs, rates ranged from 42 percent in Community Health Choice and Community First to 79 percent in El Paso First.

4. For the percentage of eligible members receiving HbA1c testing, the STAR Program performed lower than the national HEDIS® mean but higher than the HHSC Performance Indicator Dashboard standard (70 percent). Across the STAR MCOs, rates ranged from 53 percent in Community Health Choice to 81 percent in El Paso First.

5. For the percentage of eligible members receiving LDL-C screening, the STAR Program performed slightly lower than the national HEDIS® mean but higher than the HHSC Performance Indicator Dashboard standard (65 percent). Across the STAR MCOs, rates ranged from 47 percent in Community Health Choice to 82 percent in El Paso First.
Chart 25A. HEDIS® Comprehensive Diabetes Care – SDA Breakout (Administrative component only)

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>SDA Mean</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td>% with Eye exams</td>
<td>21.98%</td>
<td>18.75%</td>
<td>33.94%</td>
<td>14.29%</td>
<td>35.14%</td>
<td>19.35%</td>
<td>13.95%</td>
<td>23.38%</td>
</tr>
<tr>
<td>% Diabetic Nephropathy</td>
<td>49.45%</td>
<td>47.50%</td>
<td>77.05%</td>
<td>40.00%</td>
<td>78.29%</td>
<td>54.84%</td>
<td>46.51%</td>
<td>55.72%</td>
</tr>
<tr>
<td>% HbA1c Testing</td>
<td>65.93%</td>
<td>56.25%</td>
<td>79.35%</td>
<td>55.71%</td>
<td>76.49%</td>
<td>69.35%</td>
<td>60.47%</td>
<td>62.19%</td>
</tr>
<tr>
<td>% LDL-C Screening</td>
<td>56.04%</td>
<td>50.00%</td>
<td>78.62%</td>
<td>46.43%</td>
<td>69.77%</td>
<td>54.84%</td>
<td>55.81%</td>
<td>51.74%</td>
</tr>
</tbody>
</table>

Reference: STAR Table CDC09
Note: The denominator was less than 30 members in Aetna-Bexar, UniCare-Dallas, Molina-Harris, Texas Children’s-Harris, UnitedHealthcare-Texas-Harris, AMERIGROUP-Nueces, Driscoll-Nueces, Superior-Nueces, Aetna-Tarrant, and Cook Children’s-Tarrant; therefore, rates are not shown for these MCO/SDA groups. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 25A presents results for the HEDIS Comprehensive Diabetes Care measures for eight MCO/SDA groups in the Bexar, Dallas, El Paso, and Harris SDAs. Chart 25B presents results for the HEDIS Comprehensive Diabetes Care measures for five MCO/SDA groups in the Lubbock, Tarrant, and Travis SDAs. The remaining ten MCO/SDA groups had low denominators, as indicated in the note above. Key points for both charts are presented under Chart 25B.
Chart 25B. HEDIS® Comprehensive Diabetes Care – SDA Breakout (Administrative component only)

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>MCO/SDA</th>
<th>% with Eye exams</th>
<th>% Diabetic Nephropathy</th>
<th>% HbA1c Testing</th>
<th>% LDL-C Screening</th>
</tr>
</thead>
<tbody>
<tr>
<td>All MCO</td>
<td>29.31%</td>
<td>68.01%</td>
<td>72.60%</td>
<td>67.63%</td>
</tr>
<tr>
<td>HEDIS® Mean</td>
<td>50.10%</td>
<td>74.40%</td>
<td>77.40%</td>
<td>70.90%</td>
</tr>
<tr>
<td>FirstCare-Lubbock</td>
<td>38.25%</td>
<td>77.54%</td>
<td>76.49%</td>
<td>69.47%</td>
</tr>
<tr>
<td>Superior-Lubbock</td>
<td>26.47%</td>
<td>80.39%</td>
<td>76.47%</td>
<td>70.59%</td>
</tr>
<tr>
<td>AMERIGROUP-Tarrant</td>
<td>15.79%</td>
<td>52.63%</td>
<td>60.53%</td>
<td>57.89%</td>
</tr>
<tr>
<td>AMERIGROUP-Travis</td>
<td>20.00%</td>
<td>65.71%</td>
<td>68.57%</td>
<td>57.14%</td>
</tr>
<tr>
<td>Superior-Travis</td>
<td>24.10%</td>
<td>53.61%</td>
<td>60.84%</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

Reference: STAR Table CDC09
Note: The denominator was less than 30 members in Aetna-Bexar, UniCare-Dallas, Molina-Harris, Texas Children's-Harris, UnitedHealthcare-Texas-Harris, AMERIGROUP-Nueces, Driscoll-Nueces, Superior-Nueces, Aetna-Tarrant, and Cook Children's-Tarrant; therefore, rates are not shown for these MCO/SDA groups. Eligible members are included in overall STAR rates.

Key Points:

1. Charts 25A and 25B present results for the HEDIS® Comprehensive Diabetes Care measures, distributed by MCO/SDA.
2. For the percentage of eligible members receiving eye exams, rates ranged from 11 percent in Community First – Bexar and Parkland – Dallas to 38 percent in FirstCare-Lubbock. None of the STAR MCO/SDA groups were above either the national HEDIS® mean or the HHSC Performance Indicator Dashboard standard for this measure (45 percent). At the SDA level, rates ranged from 14 percent in Tarrant to 35 percent in Lubbock.
3. For the percentage of eligible members receiving medical attention for diabetic nephropathy, rates ranged from 42 percent in AMERIGROUP – Harris, Community Health Choice – Harris, and Community First – Bexar to 80 percent in Superior – Lubbock. All of the MCO/SDA groups met or exceeded the HHSC Performance Indicator Dashboard standard for this measure (41 percent). Four MCO/SDA groups exceeded the national HEDIS® mean for this measure: FirstCare – Lubbock (78 percent), Superior – Lubbock (80 percent), El Paso First – El Paso (79 percent), and Superior – El Paso (76 percent). At the SDA level, rates ranged from 40 percent in Harris to 78 percent in Lubbock.
4. For the percentage of eligible members receiving HbA1c testing, rates ranged from 49 percent in AMERIGROUP – Dallas to 81 percent in El Paso First – El Paso. Five MCO/SDA groups met or exceeded the HHSC Performance Indicator Dashboard standard for this measure (70 percent): Community First – Bexar (71 percent), El Paso First – El Paso (81 percent), Superior – El Paso (78 percent), FirstCare – Lubbock (76 percent), and Superior – Lubbock (76 percent). El Paso First – El Paso and Superior – El Paso also exceeded the national HEDIS® mean for this measure. At the SDA level, rates ranged from 56 percent in Harris and Dallas to 79 percent in El Paso.

5. For the percentage of eligible members receiving LDL-C screening, rates ranged from 43 percent in AMERIGROUP – Dallas to 82 percent in El Paso First – El Paso. Four MCO/SDA groups met or exceeded the HHSC Performance Indicator Dashboard standard for this measure (65 percent): El Paso First – El Paso (82 percent), Superior – El Paso (76 percent), FirstCare – Lubbock (69 percent), and Superior – Lubbock (71 percent). El Paso First – El Paso and Superior – El Paso also exceeded the national HEDIS® mean for this measure. At the SDA level, rates ranged from 46 percent in Harris to 79 percent in El Paso.

6. The low percentage of STAR Program enrollees with diabetes who receive eye exams warrants further attention. Diabetic retinopathy is the leading cause of blindness in the adult population. Without regular eye exams, diabetic enrollees in the STAR Program are at risk for eventual blindness. Research has found that diabetic care coordinated by a specially trained nurse supervised by a physician increases eye exams and positive health outcomes for diabetics more broadly. One of the key reasons for the success of nurse-coordinated care for diabetics is that nurses likely have more time to spend with patients than physicians, increasing their effectiveness in communicating with and educating patients about the complexity of diabetes. Furthermore, in minority communities, nurses are more likely than physicians to share similar cultural and ethnic backgrounds with their patients. HHSC may want to consider utilizing specially trained nurses in the education, care, and management of diabetes, ensuring that diabetic enrollees receive regular eye exams.
Chart 26. HEDIS® Appropriate Testing for Children with Pharyngitis

**STAR MCOs - September 1, 2007 to August 31, 2008**

<table>
<thead>
<tr>
<th>Health Plan</th>
<th>HEDIS® Mean</th>
<th>All STAR MCO Mean</th>
<th>MCO Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>50.50%</td>
<td>45.53%</td>
<td>41.00%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>42.43%</td>
<td></td>
<td>54.43%</td>
</tr>
<tr>
<td>Community/First</td>
<td>52.38%</td>
<td></td>
<td>44.29%</td>
</tr>
<tr>
<td>Community/Health Choice</td>
<td>41.00%</td>
<td></td>
<td>44.56%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>54.43%</td>
<td></td>
<td>41.16%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>44.56%</td>
<td></td>
<td>41.16%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>50.51%</td>
<td></td>
<td>50.51%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>48.97%</td>
<td></td>
<td>48.97%</td>
</tr>
<tr>
<td>Molina</td>
<td>46.75%</td>
<td></td>
<td>46.75%</td>
</tr>
<tr>
<td>Parkland</td>
<td>46.07%</td>
<td></td>
<td>46.07%</td>
</tr>
<tr>
<td>Superior</td>
<td>55.25%</td>
<td></td>
<td>55.25%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>46.07%</td>
<td></td>
<td>46.07%</td>
</tr>
<tr>
<td>UniCare</td>
<td>55.25%</td>
<td></td>
<td>55.25%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>55.25%</td>
<td></td>
<td>55.25%</td>
</tr>
</tbody>
</table>

Reference: STAR Table CWP09

**Key Points:**

1. Chart 26 provides the percentage of children two to 18 years of age in the STAR Program who were diagnosed with pharyngitis, dispensed an antibiotic, and received a group A streptococcus test for the episode, distributed by MCO.

2. The STAR Program performed lower than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure, with 46 percent of children with pharyngitis receiving appropriate testing compared to 58 percent nationally. This result has remained essentially unchanged since 2007 when 45 percent of children with pharyngitis received appropriate testing.

3. None of the health plans were at or above the national HEDIS® mean for this measure, which represents no change since the prior reporting period (SFY 2007). UnitedHealthcare-Texas had the highest percentage of children with pharyngitis receiving appropriate testing, at 55 percent. The lowest-performing MCO on this measure was El Paso First (29 percent).

4. These findings suggest there is a program-wide need for improvements to testing for children with pharyngitis.
Chart 27. HEDIS® Appropriate Testing for Children with Pharyngitis – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008 STAR Eligible = 44,904

- **Key Points:**
  1. Chart 27 presents results for the HEDIS® Appropriate Testing for Children with Pharyngitis measure, distributed by MCO/SDA.
  2. Two MCO/SDA groups exceeded the national HEDIS® mean for this measure: Superior – Bexar (60 percent) and Superior – Lubbock (62 percent). These were also the only two MCO/SDA groups that exceeded the national HEDIS® mean for this measure in the prior reporting year (SFY 2007). The lowest-performing MCO/SDA groups were El Paso First – El Paso (29 percent) and Aetna – Tarrant (33 percent).
  3. At the SDA level, rates of appropriate testing for children with pharyngitis ranged from 33 percent in El Paso to 56 percent in Bexar. None of the SDAs were at or above the national HEDIS® mean.

Reference: STAR Table CWP09
4. Lower rates of diagnosis and treatment of pharyngitis in children in the STAR Program compared to the national average may be due to a number of factors, including access to care, parental decisions about the necessity of care, and physician decisions about testing and treatment of pharyngitis. Additionally, it should be noted that many cases of pharyngitis never present to a physician for care. There are various strategies for managing pharyngitis among physicians that include simply observing symptoms without actual testing or treatment. Research has found that the most cost-effective approach to sore throat symptoms, considering the risks of not treating the condition, is to perform a throat culture when deemed medically necessary. HHSC may want to consider developing physician training in how to more effectively make treatment decisions in pharyngitis, and in some cases aggressively test for and treat pharyngitis in children.
**Chart 28A. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners**

**STAR MCOs - September 1, 2007 to August 31, 2008**

<table>
<thead>
<tr>
<th>MCO Mean - 12-24Mo</th>
<th>MCO Mean - 25Mo-6yrs</th>
<th>MCO Mean - 7-11yrs</th>
<th>MCO Mean - 12-19yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>AllSTAR MCO Mean</td>
<td>97.15%</td>
<td>92.30%</td>
<td>93.18%</td>
</tr>
<tr>
<td>HEDIS® Mean</td>
<td>97.02%</td>
<td>92.09%</td>
<td>93.28%</td>
</tr>
<tr>
<td>Aetna</td>
<td>95.08%</td>
<td>92.68%</td>
<td>99.50%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>97.47%</td>
<td>92.68%</td>
<td>94.15%</td>
</tr>
<tr>
<td>Community First</td>
<td>96.68%</td>
<td>92.68%</td>
<td>97.42%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>98.21%</td>
<td>91.68%</td>
<td>95.05%</td>
</tr>
<tr>
<td>Cook Children’s</td>
<td>98.21%</td>
<td>91.68%</td>
<td>95.55%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>99.50%</td>
<td>96.26%</td>
<td>97.29%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>98.62%</td>
<td>94.41%</td>
<td>95.23%</td>
</tr>
</tbody>
</table>

**Reference:** STAR Table CAP09

**Key Points:**

1. Chart 28A presents results for the HEDIS® Children and Adolescents’ Access to Primary Care Practitioners measure for seven MCOs in the STAR Program. Chart 28B presents results for the HEDIS® Children and Adolescents’ Access to Primary Care Practitioners measure for the remaining seven MCOs in the STAR Program. Key points for both charts are presented under Chart 28B.
**Chart 28B. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners**

STAR MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>Age Group</th>
<th>STAR Eligible 12-24 Months</th>
<th>STAR Eligible 25 Months to 6 Years</th>
<th>STAR Eligible 7 to 11 Years</th>
<th>STAR Eligible 12 to 19 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCO Mean - 12-24Mo</td>
<td>97.15%</td>
<td>93.40%</td>
<td>97.89%</td>
<td>95.33%</td>
</tr>
<tr>
<td>MCO Mean - 25Mo-6yrs</td>
<td>92.30%</td>
<td>84.30%</td>
<td>87.17%</td>
<td>89.83%</td>
</tr>
<tr>
<td>MCO Mean - 7-11yrs</td>
<td>93.18%</td>
<td>85.80%</td>
<td>92.73%</td>
<td>89.06%</td>
</tr>
<tr>
<td>MCO Mean - 12-19yrs</td>
<td>91.11%</td>
<td>82.60%</td>
<td>93.08%</td>
<td>84.44%</td>
</tr>
</tbody>
</table>

Reference: STAR Table CAP09

**Key Points:**

1. Charts 28A and 28B provide the percentage of children and adolescents in the STAR Program who had a visit with a physician provider during the measurement period, distributed by MCO. Rates are presented separately for four age groups – 12 to 24 months, 25 months to 6 years, 7 to 11 years, and 12 to 19 years. The HEDIS® measure specifies visits with a primary care practitioner. Due to not enforcing provider type constraints, the percentages shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® means.

2. The STAR Program performed better than the national average on this measure for all four age groups. Among children 12 to 24 months old, 97 percent had a visit with a physician provider compared with 93 percent nationally. Among children 25 months to six years old, 92 percent had a visit with a physician provider compared with 84 percent nationally. Among children and adolescents seven to 11 years old, 93 percent had a visit with a physician provider compared with 86 percent nationally. Among adolescents 12 to 19 years old, 91 percent had a visit with a physician provider compared with 83 percent nationally.
3. Across the STAR MCOs:
   a. There was little variation in the percentage of children 12 to 24 months old who saw a physician provider. Rates ranged from 94 percent in UnitedHealthcare-Texas to nearly 100 percent in Driscoll.
   b. There was slightly more variation in the percentage of children 25 months to six years old who saw a physician provider. Rates ranged from 84 percent in UnitedHealthcare-Texas to 96 percent in Driscoll.
   c. There was slightly more variation in the percentage of children and adolescents seven to 11 years old who saw a physician provider. Rates ranged from 81 percent in UnitedHealthcare-Texas to 97 percent in Driscoll.
   d. There was some variation in the percentage of adolescents 12 to 19 years old who saw a physician provider. Rates ranged from 75 percent in UnitedHealthcare-Texas to 97 percent in Driscoll.

4. While the STAR Program overall performed well for all age groups on this measure, UniCare performed below the HEDIS® mean for children and adolescents seven to 19 years old, while UnitedHealthcare-Texas performed below the national HEDIS® mean for children and adolescents 25 months to 19 years old.
Chart 29A. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners – SDA Breakout

STAR Eligible 12-24 Months = 60,503
STAR Eligible 25 Months to 6 Years = 196,133
STAR Eligible 7 to 11 Years = 50,961
STAR Eligible 12 to 19 Years = 49,961

STAR MCOs - September 1, 2007 to August 31, 2008

Reference: STAR Table CAP09

Key Points:

1. Chart 29A presents results for the HEDIS® Children and Adolescents’ Access to Primary Care Practitioners measure for 13 MCO/SDA groups in the Bexar, Dallas, El Paso, and Harris SDAs. Chart 29B presents results for this measure for 10 MCO/SDA groups in the Lubbock, Nueces, Tarrant, and Travis SDAs. Key points for both charts are presented under Chart 29B.
Key Points:

1. Charts 29A and 29B provide the percentage of children and adolescents in the STAR Program who had a visit with a physician provider during the measurement period, distributed by MCO/SDA. Rates are presented separately for four age groups – 12 to 24 months, 25 months to six years, seven to 11 years, and 12 to 19 years. The HEDIS® measure specifies visits with a primary care practitioner. After lifting provider constraints, the percentages shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® means.

2. For children 12 to 24 months old, there was little variation among the MCO/SDA groups in the percentage who had a visit with a physician provider. Almost all of the MCO/SDA groups were at or above the national HEDIS® mean for this measure. The lowest-performing
MCO/SDA groups were AMERIGROUP – Travis (93 percent), Aetna – Tarrant (93 percent), and UnitedHealthcare-Texas – Harris (94 percent).

3. For children 25 months to six years old, there was some variation among the MCO/SDA groups on this measure. The lowest-performing MCO/SDA groups were AMERIGROUP – Travis (82 percent), UnitedHealthcare-Texas – Harris (84 percent), and Superior – Travis (84 percent).

4. For children and adolescents seven to 11 years old, there was some variation among the MCO/SDA groups on this measure. The lowest-performing MCO/SDA groups were Aetna – Tarrant (80 percent), AMERIGROUP – Travis (80 percent), and UnitedHealthcare-Texas – Harris (81 percent).

5. For adolescents 12 to 19 years old, there was considerable variation among the MCO/SDA groups on this measure, ranging from 72 percent in Aetna – Tarrant to 97 percent in Superior – Nueces, Driscoll – Nueces, and Aetna – Bexar. The lowest-performing MCO/SDA groups were Aetna – Tarrant (72 percent), UnitedHealthcare-Texas – Harris (75 percent), and AMERIGROUP – Travis (77 percent). These MCO/SDA groups performed below the national HEDIS mean and should consider improvements in access to physician providers for adolescents.
**Chart 30. HEDIS® Outpatient Drug Utilization - Average Cost of Prescriptions per Member per Month**

**STAR MCOs - September 1, 2007 to August 31, 2008**

**STAR Cost of Prescriptions: $470,506,304**

Reference: STAR Table ORX09

**Key Points:**

1. Chart 30 provides the mean monthly cost of prescriptions per member in the STAR Program during the measurement period, distributed by MCO. This measure functions as an indicator of utilization of prescription drugs.

2. Prescription drug costs were slightly lower in the STAR Program (mean = $34.45) compared with the national HEDIS® mean (mean = $37.80). Prescriptions drug costs are slightly lower than in SFY 2007 (mean = $36.67).

3. Ten MCOs were at or below the national HEDIS® mean for this measure, suggesting lower utilization. The lowest means were in Molina ($24.07), UnitedHealthcare-Texas ($26.44), and Community Health Choice ($26.86). The mean monthly prescription costs for FirstCare ($50.68) and El Paso First ($48.54) were considerably greater than both the national and program means. These findings suggest that further research may be warranted for these health plans, exploring the extent to which utilization and/or prescription drug costs contribute to the higher average cost of monthly prescriptions.
Chart 31. HEDIS® Outpatient Drug Utilization - Average Cost of Prescriptions per Member per Month – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Cost of Prescriptions: $470,506,304

Reference: STAR Table ORX09

Key Points:

1. Chart 31 provides results for the HEDIS® Outpatient Drug Utilization measure, distributed by MCO/SDA.

2. The average cost of prescriptions per member per month varied considerably across the MCO/SDA groups, ranging from $22.32 in AMERIGROUP – Travis to $55.67 in Superior – Lubbock. The MCO/SDA groups with the lowest average prescription costs were AMERIGROUP – Travis ($22.32), Superior – Travis ($23.54), and Molina – Harris ($24.07). The highest average prescription costs were observed in Superior – Lubbock ($55.67) and FirstCare – Lubbock ($50.68) – both considerably greater than both the national and program means.

3. At the SDA level, average prescription costs ranged from $23.30 in the Travis SDA to $51.67 in the Lubbock SDA. HHSC may wish to consider studies in the Lubbock SDA to determine the reasons behind higher average drug costs.
### Reference: STAR Table ORX09

### Key Points:

1. Chart 32 provides the mean annual number of prescriptions per member in the STAR Program during the measurement period, distributed by MCO.

2. The average annual number of prescriptions per member was slightly lower in the STAR Program (mean = 8.60) compared with the national HEDIS® mean (mean = 10.30).

3. Eight MCOs fell below both the program and national means for this measure. The health plans with the highest average annual number of prescriptions per member were FirstCare (11.06), Driscoll (10.88), and El Paso First (10.83) – all of which were above both the program and national means. HHSC may wish to consider studies to investigate the extent to which above-average prescription drug utilization in these MCOs is related to actual need for prescription drugs among members or unnecessary prescriptions offered by providers.
Chart 33. HEDIS® Outpatient Drug Utilization - Average Number of Prescriptions per Member per Year – SDA Breakout

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Number of Prescriptions = 9,789,499

Key Points:

1. Chart 33 provides results for the HEDIS® Outpatient Drug Utilization measure, distributed by MCO/SDA.

2. The average number of annual prescriptions per member varied considerably across the MCO/SDA groups, ranging from 5.56 in AMERIGROUP – Travis to 11.58 in Superior – Lubbock. The MCO/SDA groups with the lowest average number of prescriptions were AMERIGROUP – Travis (5.56), Superior – Travis (5.92), and UnitedHealthcare-Texas – Harris (6.73). The highest means were observed in Superior – Lubbock (11.58), FirstCare – Lubbock (11.06), and AMERIGROUP – Nueces (11.06) – all greater than both the national and program means.

3. At the SDA level, means ranged from 5.85 in the Travis SDA to 11.17 in the Lubbock SDA.
Chart 34. HEDIS® Use of Appropriate Medications for People with Asthma

STAR MCOs - September 1, 2007 to August 31, 2008

STAR Eligible = 6,868

<table>
<thead>
<tr>
<th>MCO Mean - 5-9yrs</th>
<th>All STAR MCO Mean</th>
<th>HEDIS® Mean</th>
<th>AMERIGROUP</th>
<th>Community First</th>
<th>Community Health Choice</th>
<th>Cook Children's</th>
<th>Driscoll</th>
<th>ElPaso First</th>
<th>FirstCare</th>
<th>Parkland</th>
<th>Superior</th>
<th>Texas Children's</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCO Mean - 10-17yrs</td>
<td>94.50% 86.90% 92.53% 96.17% 94.95% 100.00% 95.48% 95.07% 91.59% 94.05% 96.27% 94.21%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCO Mean - Total</td>
<td>94.85% 86.90% 93.78% 96.93% 94.26% 96.63% 96.32% 95.04% 91.36% 92.72% 96.38% 95.29%</td>
<td></td>
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</tr>
</tbody>
</table>

Reference: STAR Table ASM09

Note: The denominator was less than 30 eligible members in Aetna, Molina, UniCare and UnitedHealthcare-Texas; therefore, rates are not shown for these health plans. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 34 provides the percentage of STAR Program enrollees five to 56 years old who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement period, distributed by MCO. HEDIS® specifications for this measure require reporting in four separate age groups: five to nine years old, 10 to 17 years old, 18 to 56 years old, and all age groups combined. For the present report, greater than half of the MCOs had low denominators for members 18 to 56 years old; therefore results for this age group are not shown.

2. Among eligible children in STAR five to nine years old, 96 percent received appropriate medications for asthma, compared with 89 percent nationally. All STAR MCOs performed above the national HEDIS® mean for this age group, ranging from 92 percent in Parkland to 99 percent in El Paso First.

3. Among eligible children and adolescents in STAR 10 to 17 years old, 95 percent received appropriate medications for asthma, compared with 87 percent nationally. All STAR MCOs performed above the national HEDIS® mean for this age group, ranging from 92 percent in FirstCare to 100 percent in Cook Children’s. All STAR MCOs also performed well above the HHSC Performance Indicator Dashboard standard of 57 percent for this measure. Given these findings, HHSC may wish to consider raising the Performance Indicator Dashboard standard for this age group.

4. Among eligible STAR members in all age groups, 95 percent received appropriate medications for asthma, compared with 87 percent nationally. All STAR MCOs performed above the national HEDIS mean for this age group, ranging from 91 percent in FirstCare to 97 percent in Community First and Cook Children’s.
Reference: STAR Table ASM09
Note: The denominator was less than 30 eligible members in Aetna-Bexar, UniCare-Dallas, Molina-Harris, UnitedHealthcare-Texas-Harris, Superior-Lubbock and Aetna-Tarrant; therefore, rates are not reported for these MCO/SDA groups. Eligible members are included in overall STAR rates.

Key Points:

1. Chart 35A provides results for the HEDIS® Use of Appropriate Medications for People with Asthma measure for eight MCO/SDA groups in the Bexar, Dallas, El Paso, and Harris SDAs. Chart 35B provides results for this measure for nine MCO/SDA groups in the Harris, Lubbock, Nueces, Tarrant, and Travis SDAs. Results for the five- to nine-year-old age group are not presented for AMERIGROUP – Travis, and results for the 10- to 17-year-old age group are not presented for AMERIGROUP – Nueces or AMERIGROUP – Travis because of low denominators. Key points for both charts are presented under Chart 35B.
Reference: STAR Table ASM09
Note: The denominator was less than 30 eligible members in Aetna-Bexar, UniCare-Dallas, Molina-Harris, UnitedHealthcare-Texas-Harris, Superior-Lubbock, and Aetna-Tarrant; therefore, rates are not reported for these MCO/SDA groups. Eligible members are included in overall STAR rates.

Key Points:

1. Charts 35A and 35B provide results for the HEDIS® Use of Appropriate Medications for People with Asthma measure, distributed by MCO/SDA.

2. For the five- to nine-year-old age group, all MCO/SDA groups performed above the national HEDIS® mean, ranging from 92 percent in Parkland – Dallas to 100 percent in AMERIGROUP - Nueces.

3. For the 10- to 17-year-old age group, all MCO/SDA groups performed above the national HEDIS® mean, ranging from 90 percent in AMERIGROUP – Harris to 100 percent in Superior – Nueces and Cook Children’s – Tarrant.

4. For the eligible STAR members in all age groups, all MCO/SDA groups performed above the national HEDIS® mean, ranging from 91 percent in FirstCare - Lubbock to 100 percent in AMERIGROUP - Nueces.

5. At the SDA level, the El Paso SDA performed the highest for children five to nine years old (98 percent), while the Nueces SDA performed the highest for children and adolescents 10 to 17 years old (97 percent) and for all ages combined (97 percent).
Chart 36. Percent of Emergency Department Visits with a Primary Diagnosis of an Ambulatory Care Sensitive Condition

STAR MCOs - September 1, 2007 to August 31, 2008

REFERENCE: STAR Table ACSC09

Key Points:

1. Chart 36 provides the percentage of emergency department visits among STAR Program enrollees during the measurement period with a primary diagnosis of an ambulatory care sensitive condition (ACSC), distributed by MCO. ACSCs are medical problems that are potentially treatable through proper outpatient monitoring and an effective community health care system. Therefore, admission of members with ACSCs to the emergency room may be considered an indication that outpatient monitoring and community health care systems are underperforming; they represent trips to the emergency room that could potentially have been prevented. For this measure, the higher the percentage, the lower the health plan performance.

2. In the STAR Program overall, 49 percent of emergency department visits involved a primary diagnosis of an ACSC, which is greater than the HHSC Performance Indicator Dashboard standard of 32 percent for this measure.
3. Rates of emergency department visits with a primary diagnosis of an ACSC ranged from 41 percent in AMERIGROUP to 56 percent in Parkland and Superior – all of which are greater than the HHSC Performance Indicator Dashboard standard. These findings suggest that there is a program-wide need for improvement in outpatient monitoring for ACSCs and a reduction in the percentage of emergency department visits involving a primary diagnosis of an ACSC.
Reference: STAR Table ACSC09

Key Points:

1. Chart 37 provides the percentage of emergency department visits among STAR Program enrollees during the measurement period with a primary diagnosis of an ambulatory care sensitive condition (ACSC), distributed by MCO/SDA. ACSCs are described in more detail under Chart 36.
2. None of the MCO/SDA groups were below the HHSC Performance Indicator Dashboard standard of 32 percent for this measure, suggesting there is a program-wide need for improvement in outpatient monitoring for ACSCs and a reduction in the percentage of emergency department visits involving a primary diagnosis of an ACSC. The lowest-performing MCO/SDA groups were Superior – Lubbock (60 percent), Superior – Nueces (58 percent), and Superior – Bexar (58 percent).

3. At the SDA level, rates ranged from 40 percent in the Tarrant SDA to 53 percent in the Bexar, El Paso, and Lubbock SDAs – none of which were below the HHSC Performance Indicator Dashboard standard.
Endnotes


2 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at [www.ncqa.org](http://www.ncqa.org).


16 Centers for Disease Control and Prevention (2004). *Behavioral risk factor surveillance system.* Atlanta, GA: National Center for Chronic Disease and Prevention and Health Promotion.


Attachment B.20.E
FY2008 TX STAR PLUS QOC Measures
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Executive Summary

The 2008 Annual Quality of Care Report provides an annual update of the quality of care provided to enrollees in the STAR+PLUS program in Texas. This update is for September 1, 2007, through August 31, 2008. Overall, enrollees in the STAR+PLUS program reported many positive results. Specifically, the STAR+PLUS program performed better than the state fiscal year 2008 HHSC Performance Indicator Dashboard standard in the following areas:

- Well-child visits in the 3rd-6th years of life (62 percent vs. 56 percent).
- Diabetic Nephropathy Care (81 percent vs. 41 percent).
- HbA1c Testing (72 percent vs. 70 percent).
- LDL-C Screening (71 percent vs. 65 percent).
- Follow-up within 7 days after hospitalization for mental illness (34 percent vs. 32 percent).
- Follow-up within 30 days after hospitalization for mental illness (64 percent vs. 52 percent).

Additionally, enrollees in the STAR+PLUS program received care at or above the national Healthcare Effectiveness Data and Information Set (HEDIS®) average in the following areas:

- Diabetic Nephropathy Care (81 percent vs. 74 percent).
- LDL-C Screening (71 percent vs. 71 percent).
- Follow-up within 30 days after hospitalization for mental illness (64 percent vs. 61 percent).

While high performance was achieved for many measures, for some measures performance was below the SFY 2008 HHSC Performance Indicator Dashboard standard:

- Adolescent well-care visit (35 percent vs. 38 percent).
- Cervical cancer screening (51 percent vs. 60 percent).
- Percent of Emergency Visits with a Primary Diagnosis of ACSC (37 percent vs. 32 percent).

It should also be noted that nearly all adult and pediatric STAR+PLUS program admission rates considerably exceeded national estimates reported by the Agency for Healthcare Research and Quality (AHRQ). These differences may be partly attributed to the fact that national rates are based on a general community population, while the STAR+PLUS program is primarily comprised of chronically ill or disabled individuals. Comparisons of selected conditions to the national estimates for admissions reported by AHRQ reveal:

- Adult inpatient admission rates for:
  - Chronic obstructive pulmonary disease (2,486 per 100,000 vs. 230 per 100,000 =11 times greater).
  - Hypertension (2,872 per 100,000 vs. 50 per 100,000 =57 times greater).
  - Congestive heart failure (3,340 per 100,000 vs. 489 per 100,000 =7 times greater).
  - Bacterial pneumonia (2,696 per 100,000 vs. 418 per 100,000 =6 times greater).
  - Angina without procedure (1,201 per 100,000 vs. 46 per 100,000 =26 times greater).
  - Uncontrolled diabetes (891 per 100,000 vs. 22 per 100,000 =41 times greater).
Pediatric inpatient admission rates for:
- Asthma (715 per 100,000 vs. 181 per 100,000 = 4 times greater).
- Urinary tract infections (243 per 100,000 vs. 53 per 100,000 = 4 times greater).

Additionally, performance is less than the national HEDIS® average in the following areas:
- Adolescent well-care visit (35 percent vs. 42 percent).
- Cervical cancer screening (51 percent vs. 65 percent).
- HbA1c Testing (72 percent vs. 77 percent).
- Follow up within 7 days after hospitalization for mental illness (34 percent vs. 43 percent).
- Average cost of prescriptions per member per month ($297.39 vs. $37.80).
- Average number of prescriptions per member per year (42.53 vs. 10.3).

In the case of average cost and average number of prescriptions, the difference may again be attributed to the fact that the national rates developed by the AHRQ are based on a general community population. The STAR+PLUS population is comprised of individuals with chronic conditions and there is no limit to the number of monthly prescriptions in Medicaid Managed Care.

To address areas of less than desired performance noted above, Managed Care Operations has taken the following actions related to improving these rates:

**Internal Improvements**
1. Initiated a review of performance indicators targets for MCO performance measures to determine if the targets reflect current national quality assurance guidelines and are appropriate to the population served in STAR+PLUS.
2. Established analytical reviews, including trending of performance over time.
3. Established a process to share results of analytical reviews with managed care organizations and document actions taken to improve deficient performance.
4. Initiated quarterly performance management meetings with the External Quality Review Organization (EQRO) and HHSC staff that oversee contracts with MCOs to improve staff understanding and expertise.

**External Performance Gap Improvements**

5. Managed Care Operations, assisted by ICHP (the External Quality Review Organization) is implementing a plan to investigate program, MCO, individual beneficiary, and community factors that may be contributing to low performance in the following areas:
   - Adolescent well-care visits.
   - Cervical cancer screening.
   - HbA1c Testing.
   - Average cost of prescriptions per member per month.
   - Average number of prescriptions per member per year.
This plan is being put in place to identify area of under-addressed needs in the following ways:

- Establish education and self-monitoring programs to reduce potentially avoidable admissions for diabetes.
- Establish outpatient monitoring improvement programs to reduce the percentage of emergency department visits involving a primary diagnosis of Ambulatory Care Sensitive Conditions (ACSCs). This initiative in particular is important for STAR+PLUS, as many of the Adult Prevention Quality Indicators associated with inpatient admissions are tied directly to chronic conditions more common in elderly persons.
- Establish educational programs to inform members about the importance of follow-up visits after hospitalization for mental illness.

Population groups for the focus for this investigation include:

- Adult and child enrollees with chronic health conditions.
- Individuals with one or more physical disabilities.
- Enrollees with serious mental illness (SMI) and substance use disorders (including those with dual-diagnoses).

In summary, the report highlights many areas of excellent or satisfactory performance. However, it also points to areas where performance needs to improve. For these areas, Managed Care Operations is establishing a plan to investigate the reasons for less than satisfactory performance and to work with managed care organizations to address those factors that will foster better performance in the future.

Introduction

Purpose

This report provides an annual update of the quality of care provided to enrollees in the STAR+PLUS Program in Texas. STAR+PLUS is a Texas Medicaid managed care program designed to provide health care, acute and long-term services and support through a managed care system. This update is for September 1, 2007 through August 31, 2008, covering State Fiscal Year (SFY) 2008. Results for the quality of care measures are presented at the individual managed care organization (MCO) and service delivery area (SDA) levels when sufficient data were available. When possible, comparisons to national-level results are provided. As requested by the Texas Health and Human Services Commission (HHSC), STAR+PLUS members dually enrolled in Medicaid and Medicare were excluded from this year’s analyses. Last year’s report (SFY 2007) included STAR+PLUS members dually enrolled in Medicaid and Medicare. Thus, comparisons of results between this year and last year should be made with caution, understanding that this year’s report is for the Medicaid population only.

Rates for the Healthcare Effectiveness Data and Information Set (HEDIS®) 2009 measures were calculated using National Committee for Quality Assurance (NCQA) certified software. HHSC approved the use of this software so that all HEDIS® results could be reported using a tool recognized by the NCQA. At HHSC’s request, the Institute for Child Health Policy (ICHP) developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for HEDIS® measures. As in the prior reporting period (SFY 2007), ICHP modified the NCQA specifications to lift provider constraints when determining eligibility for HEDIS® measures. Provider specialty codes are an important component for
some HEDIS® measures and lifting the provider constraints may result in some rate inflation for these measures. For example, NCQA specifications require that a mental health provider be the provider of record for a beneficiary to be considered compliant with the HEDIS® measures for seven-day and 30-day follow-up after an inpatient mental health stay. The current methodology allows any visit with a physician provider to count toward compliance with the mental health follow-up measures. The following HEDIS® measures rely on specific provider codes, and therefore are inflated by this change in methodology:

- HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life
- HEDIS® Adolescent Well-Care Visits
- HEDIS® Follow-Up after Hospitalization for Mental Illness

In the prior reporting period (SFY 2007), 12 months of data were not available for all health plans serving STAR+PLUS, and assessment of quality of care was limited to measures that had no minimum eligibility criteria. For the present report, one full year of data was available for all health plans, allowing for the calculation of the following measures:

- HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life
- HEDIS® Adolescent Well-Care Visits
- HEDIS® Cervical Cancer Screening
- HEDIS® Comprehensive Diabetes Care (Administrative Component Only)

This report does not include charts for hybrid measures that rely on medical record review because of unavailability of data. These measures include HEDIS® Comprehensive Diabetes Care (record review components) and HEDIS® Controlling High Blood Pressure. Results for these measures will be provided in an addendum as the data become available.

A six-month time lag was used for the claims and encounter data. Prior analyses with Texas data showed that, on average, over 96 percent of the claims and encounters are complete by that time period.

This chart book presents the following information:

1) Descriptive Results
   • Total Unduplicated Members
   • Total Unduplicated Members by Race/Ethnicity

2) AHRQ Prevention and Pediatric Quality Indicators
   • AHRQ Adult Prevention Quality Indicators (PQIs)
   • AHRQ Pediatric Quality Indicators (PDIs)

3) Quality of Care
The charts provide results for the above listed indicators, distributed by MCO and by MCO/SDA, allowing for comparison of findings across the four health plans that serve the STAR+PLUS Program.

Data Sources and Measures

Three data sources were used to calculate the quality of care indicators: (1) member-level enrollment information, (2) member-level health care claims/encounter data, and (3) member-level pharmacy data. The enrollment files contain information about the member’s age, gender, the MCO in which the member is enrolled, and the number of months the member has been enrolled in the program. The member-level claims/encounter data contain Current Procedural Terminology (CPT) codes, International Classification of Diseases, 9th Revision (ICD-9-CM) codes, place of service (POS) codes, and other information necessary to calculate the quality of care indicators. The member-level pharmacy data contain information about filled prescriptions, including the drug name, dose, date filled, and refill information.

Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Report Specifications, October 2009.”¹ This document, prepared by the Institute for Child Health Policy, provides specifications for HEDIS® and other quality of care measures.

Whenever possible, comparisons are provided to other Medicaid Programs, in addition to the overall Texas state mean. NCQA gathers and compiles data from Medicaid managed care plans nationally.² Submission of HEDIS® data to NCQA is a voluntary process; therefore, health plans that submit HEDIS® data are not fully representative of the industry. Health plans participating in NCQA HEDIS® reporting tend to be older, are more likely to be federally qualified, and are more likely to be affiliated with a national managed care company than the overall population of health plans in the United States.³ NCQA reports the national results as a mean and at the 10th, 25th, 50th, 75th, and 90th percentiles for the participating plans. For comparison with the STAR+PLUS Program findings, the NCQA Medicaid Managed Care Plans 2008 mean results are shown and labeled
“HEDIS® Mean” in the graphs. For measures that are non-HEDIS® quality of care indicators, comparisons are made to the HHSC 2008 Performance Indicator Dashboard standards. When appropriate, comparisons to the health plan’s performance in the prior year are provided, with the caveat that the populations are distinct, and therefore interpretations should be made with caution.

Indicators developed for the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate the performance of STAR+PLUS MCOs related to inpatient admissions for various ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.” The Quality Indicators use hospital inpatient discharge data and are measured as rates of admission to the hospital. Specifically, two sets of indicators were used in the analysis and are reported herein: Prevention Quality Indicators (PQIs) for adult enrollees and Pediatric Quality Indicators (PDIs) for child enrollees. The specifications used to calculate rates for these measures come from AHRQ’s PDI version 3.2 and PQI version 4.0. Rates are calculated based on the number of hospital discharges divided by the number of people in the area (except for appendicitis and low birth weight). Unlike most other measures provided in this chart book, low quality indicator rates are desired as they suggest a better quality of the health care system outside the hospital setting.

Adult admissions for the following ambulatory care sensitive conditions were assessed: (1) Diabetes Short-term Complications; (2) Diabetes Long-term Complications; (3) Chronic Obstructive Pulmonary Disease; (4) Hypertension; (5) Congestive Heart Failure; (6) Dehydration; (7) Bacterial Pneumonia; (8) Urinary Tract Infection; (9) Angina without Procedure; (10) Uncontrolled Diabetes; (11) Adult Asthma; and (12) Rate of Lower Extremity Amputation among Patients with Diabetes. Individuals age 18 or older were considered in the calculations for these measures. The denominators for both perforated appendix and low birth weight were below 30; therefore these measures are not reported this year.

For children, there are four quality indicators measuring pediatric admissions for the following ambulatory care sensitive conditions: (1) Asthma; (2) Diabetes Short-term Complications; (3) Gastroenteritis; and (4) Urinary Tract Infection. The age eligibility for these measures is up to age 17. The denominator for the perforated appendix measure was less than 30; therefore this measure is not reported this year.

In addition to the narrative and graphs contained in this chart book, technical appendices were provided to HHSC that contain all of the data to support key findings. As previously noted, many, but not all, of the quality of care indicator results are presented for each MCO. Some results were not displayed for each MCO: (1) to facilitate ease of presentation and understanding of the material, (2) because the findings were similar for each MCO, and/or (3) because the denominator for a measure was less than 30 (low denominator). However, all of the results are contained in the technical appendices. The interested reader can review those for more details. The corresponding reference table is listed beneath each graph.
Chart 1. Total Unduplicated Members

STAR+PLUS MCOs - August, 2008

<table>
<thead>
<tr>
<th>MCO</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMERIGROUP</td>
<td>27,129</td>
</tr>
<tr>
<td>Evercare</td>
<td>21,630</td>
</tr>
<tr>
<td>Molina</td>
<td>6,421</td>
</tr>
<tr>
<td>Superior</td>
<td>18,245</td>
</tr>
</tbody>
</table>

STAR+PLUS Unduplicated Members = 73,425

Reference: Table STAR+PLUS Table 1
Note: The eligibility figures used in the chart are for August 2008.

Key Points:

1. Chart 1 provides the total number of unduplicated members in the STAR+PLUS Program during August 2008, distributed by MCO. During the measurement period, there were 73,425 unduplicated members in the STAR+PLUS Program.
2. The percentage of members in each health plan was: AMERIGROUP (37 percent), Evercare (29 percent), Superior (25 percent) and Molina (9 percent).
3. Across all health plans, females accounted for 55 percent and males accounted for 45 percent of STAR+PLUS members.
4. STAR+PLUS Program enrollees had a mean age of 41.5 (standard deviation = 16.7).
Chart 2. Total Unduplicated Members - SDA Breakout

STAR+PLUS MCOs - August, 2008

STAR+PLUS Unduplicated Members = 73,425

Reference: Table STAR+PLUS Table 1
Note: The eligibility figures used in the chart are for August 2008.

Key Points:

1. Chart 2 provides the total number of unduplicated members in the STAR+PLUS Program during August 2008, distributed by MCO/SDA group. There were 10 MCO/SDA groups and four SDAs in fiscal year 2008.

2. The three MCO/SDA groups with the largest number of members were AMERIGROUP – Harris (26 percent), Evercare – Harris (24 percent), and Superior – Bexar (19 percent). Evercare – Travis had the fewest members (2 percent).
3. At the SDA level, Harris had the largest number of members (56 percent), followed by Bexar (26 percent), Nueces (10 percent), and Travis (9 percent). In the Harris SDA, 90 percent of STAR+PLUS members were in either AMERIGROUP or Evercare health plans and only 10 percent were in Molina. In Bexar SDA, 72 percent of STAR+PLUS members were in Superior health plan.
Chart 3. Total Unduplicated Members by Race/Ethnicity

STAR+PLUS MCOs - August, 2008

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Non-Hispanic</td>
<td>19,711</td>
</tr>
<tr>
<td>Black Non-Hispanic</td>
<td>23,279</td>
</tr>
<tr>
<td>Hispanic</td>
<td>23,925</td>
</tr>
<tr>
<td>American Indian</td>
<td>207</td>
</tr>
<tr>
<td>Asian</td>
<td>2,051</td>
</tr>
<tr>
<td>Unknown/Other</td>
<td>4,252</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS Table 2
Note: The eligibility figures used in the chart are for August 2008.

Key Points:

1. Chart 3 provides the distribution of STAR+PLUS members by race/ethnicity for August 2008.

2. STAR+PLUS members are racially and ethnically diverse. The majority of enrollees (65 percent) were either Hispanic (33 percent) or Black, non-Hispanic (32 percent). White, non-Hispanics accounted for 27 percent of enrollees, followed by a small percentage of Asians (3 percent) and American Indians (0.3 percent). Six percent of members were of unknown or other race/ethnicity.
Chart 4. Total Unduplicated Members by Race/Ethnicity and MCO

STAR+PLUS MCOs - August, 2008

STAR+PLUS Unduplicated Members = 73,425

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>AMERIGROUP</th>
<th>Evercare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Non-Hispanic</td>
<td>6,818</td>
<td>6,164</td>
<td>1,689</td>
<td>5,040</td>
</tr>
<tr>
<td>Black Non-Hispanic</td>
<td>10,901</td>
<td>8,669</td>
<td>2,029</td>
<td>1,680</td>
</tr>
<tr>
<td>Hispanic</td>
<td>6,256</td>
<td>4,764</td>
<td>2,180</td>
<td>10,725</td>
</tr>
<tr>
<td>American Indian</td>
<td>79</td>
<td>65</td>
<td>15</td>
<td>48</td>
</tr>
<tr>
<td>Asian</td>
<td>1,157</td>
<td>678</td>
<td>111</td>
<td>105</td>
</tr>
<tr>
<td>Unknown/Other</td>
<td>1,918</td>
<td>1,290</td>
<td>397</td>
<td>647</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS Table 2
Note: The eligibility figures used in the chart are for August 2008.

Key Points:
1. Chart 4 provides the racial/ethnic distribution of STAR+PLUS members by MCO using August 2008 eligibility information.
2. Superior had the highest percentage of Hispanic members (59 percent), followed by Molina (34 percent), AMERIGROUP (23 percent), and Evercare (22 percent).
3. Evercare and AMERIGROUP had the highest percentage of Black, non-Hispanic members, each with 40 percent. Superior had the lowest percentage of Black, non-Hispanic members (9 percent).
4. Within each racial/ethnic group, 45 percent of Hispanic members were in Superior health plan, followed by AMERIGROUP (26 percent), Evercare (20 percent) and Molina (9 percent). Eighty-four percent of Black, non-Hispanic members were either in AMERIGROUP (47 percent) or Evercare (37 percent) health plans. For White, non-Hispanic members, 35 percent were in AMERIGROUP, 31 percent were in Evercare, 26 percent were in Superior and 9 percent were in Molina.
Chart 5A. AHRQ Adult Prevention Quality Indicators by MCO

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>Indicator</th>
<th>AMERIGROUP</th>
<th>Evercare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes Short-term Complications</td>
<td>762.36</td>
<td>401.55</td>
<td>573.84</td>
<td>516.61</td>
</tr>
<tr>
<td>Diabetes Long-term Complications</td>
<td>1322.92</td>
<td>1023.32</td>
<td>1087.28</td>
<td>1576.17</td>
</tr>
<tr>
<td>Chronic Obstructive Pulmonary Disease</td>
<td>2672.00</td>
<td>2776.34</td>
<td>1661.13</td>
<td>2197.12</td>
</tr>
<tr>
<td>Hypertension</td>
<td>3325.98</td>
<td>2810.88</td>
<td>2552.10</td>
<td>2419.61</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>3486.68</td>
<td>3424.01</td>
<td>3231.85</td>
<td>3068.00</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS PQI09

Note: Rates are per 100,000 enrollees ages 18 and older except for perforated appendix which is per 100 admissions for appendicitis and low birth weight which is per 100 births.

Note: The denominators for both perforated appendix and low birth weight were below 30; therefore these measures are not reported this year.

Key Points:

1. Chart 5A presents results for five of the 12 AHRQ Adult Prevention Quality Indicators (PQIs) addressed in this report. The remaining seven PQIs are shown in Chart 5B. Key points for both charts are provided under Chart 5B.
Chart 5B. AHRQ Adult Prevention Quality Indicators by MCO

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Universe for all measures = 75,511

<table>
<thead>
<tr>
<th>Condition</th>
<th>AMERIGROUP</th>
<th>Evacare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dehydration</td>
<td>612.88</td>
<td>617.44</td>
<td>468.14</td>
<td>748.55</td>
</tr>
<tr>
<td>Bacterial Pneumonia</td>
<td>2503.83</td>
<td>2987.91</td>
<td>2340.68</td>
<td>2735.90</td>
</tr>
<tr>
<td>Urinary Tract Infection</td>
<td>1244.44</td>
<td>1355.79</td>
<td>1208.09</td>
<td>1386.40</td>
</tr>
<tr>
<td>Angina without Procedure</td>
<td>986.58</td>
<td>1011.78</td>
<td>1011.78</td>
<td>1692.15</td>
</tr>
<tr>
<td>Uncontrolled Diabetes</td>
<td>1027.69</td>
<td>798.79</td>
<td>377.53</td>
<td>991.04</td>
</tr>
<tr>
<td>Adult Asthma</td>
<td>1603.20</td>
<td>1057.86</td>
<td>1117.49</td>
<td>1523.46</td>
</tr>
<tr>
<td>Lower-extremity Amputation in Diabetes Patients</td>
<td>168.17</td>
<td>148.80</td>
<td>181.21</td>
<td>205.59</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS PQI09
Note: Rates are per 100,000 enrollees ages 18 and older.

Key Points:

1. The Agency for Healthcare Research and Quality (AHRQ) Prevention Quality Indicators (PQIs) use hospital discharge data to calculate rates of admission for various ambulatory care sensitive conditions among adults. PQIs screen for inpatient stays that were potentially avoidable with better access to care in outpatient settings. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

2. Charts 5A and 5B provide rates of inpatient admissions for 12 ambulatory care sensitive conditions among adults in the STAR+PLUS Program, 18 years and older, distributed by MCO. PQIs are per 100,000 enrollees for all conditions except for perforated appendix and low birth weight (not included in this report). Table 1 describes each of the AHRQ PQIs shown in Charts 5A and 5B.

3. STAR+PLUS Program admission rates for all conditions considerably exceeded national estimates reported by the AHRQ. These differences may be partly attributed to the fact that national rates are based on a general community population, while the STAR+PLUS Program is primarily comprised of chronically ill or disabled individuals. It should also be noted that the AHRQ national estimates for PQIs are based on data collected in 2004 and are area-level indicators, including both commercial and Medicaid populations.

4. The highest rates of admissions across the STAR+PLUS MCOs were for congestive heart failure (3,340 per 100,000), hypertension (2,872 per 100,000) bacterial pneumonia (2,696 per 100,000), and chronic obstructive pulmonary disease (2,486 per 100,000).
5. Comparisons of selected conditions to the national estimates for admissions reported by AHRQ reveal:

- Chronic obstructive pulmonary disease: 2,486 per 100,000 in STAR+PLUS compared to 230 per 100,000 nationally (~11 times greater).
- Hypertension: 2,872 per 100,000 in STAR+PLUS compared to 50 per 100,000 nationally (~57 times greater).
- Congestive heart failure: 3,340 per 100,000 in STAR+PLUS compared to 489 per 100,000 nationally (~7 times greater).
- Bacterial pneumonia: 2,696 per 100,000 in STAR+PLUS compared to 418 per 100,000 nationally (~6 times greater).
- Angina without procedure: 1,201 per 100,000 in STAR+PLUS compared to 46 per 100,000 nationally (~26 times greater).
- Uncontrolled diabetes: 891 per 100,000 in STAR+PLUS compared to 22 per 100,000 nationally (~41 times greater).

Note: The STAR+PLUS population is comprised primarily of chronically ill or disabled individuals. The national rates for these conditions are based on a general community population which makes it difficult to determine comparable benchmarks without a comprehensive study. At the present time, there are no comparable benchmarks for each of the above conditions for this population.

6. PQIs varied slightly across the MCOs.

- AMERIGROUP had the highest rate for diabetes short-term complications, hypertension, congestive heart failure, uncontrolled diabetes and adult asthma.
- Evercare had the highest rate for chronic obstructive pulmonary disease, and bacterial pneumonia.
- Superior had the highest rate for diabetes long-term complications, dehydration, urinary tract infection, angina without procedure, and lower-extremity amputation in diabetes patients.

7. While improved ambulatory care is needed for all conditions assessed by the AHRQ PQIs, the greatest need for improvement is for uncontrolled diabetes and hypertension. Disease management services have been shown to reduce emergency room visits and inpatient hospitalizations for individuals with chronic health problems. For example, one disease management intervention for Medicaid recipients that paired individuals with highly trained disease managers providing telephone health counseling was successful in increasing patient self-management skills and reducing ACSC-related hospitalizations. Another program implemented a community-based approach to disease management targeting Spanish-speaking individuals with chronic health conditions such as diabetes. This program held ongoing classes taught by peer leaders in community settings and emphasized a culturally-based approach to disease management education and training. At the conclusion of the program, improvements were found in overall health, health behavior, and self-efficacy, coupled with lower rates of hospitalization among Hispanic participants. HHSC may wish to examine the factors that increase self-management skills among STAR+PLUS members and include these practices in their disease management programs to reduce ACSC-related hospitalizations.

8. Successful disease management programs often address the co-morbidity of disease. Research has shown that the risk for hospitalization for those with diabetes increases with the presence of other conditions such as liver disease, alcohol and drug abuse, and cancer. All MCOs that contract with HHSC have disease management programs for specific diseases, including diabetes.
<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQI 1</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PQI 2</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PQI 3</td>
<td>Diabetes Long-term Complications Admission Rate</td>
<td>Number of admissions for long-term diabetes per 100,000 population</td>
</tr>
<tr>
<td>PQI 5</td>
<td>Chronic Obstructive Pulmonary Disease Admission Rate</td>
<td>Number of admissions for COPD per 100,000 population</td>
</tr>
<tr>
<td>PQI 7</td>
<td>Hypertension Admission Rate</td>
<td>Number of admissions for hypertension per 100,000 population</td>
</tr>
<tr>
<td>PQI 8</td>
<td>Congestive Heart Failure Admission Rate</td>
<td>Number of admissions for CHF per 100,000 population</td>
</tr>
<tr>
<td>PQI 9</td>
<td>Low Birth Weight Rate</td>
<td>Number of low birth weight births as a share of all births in an area</td>
</tr>
<tr>
<td>PQI 10</td>
<td>Dehydration Admission Rate</td>
<td>Number of admissions for dehydration per 100,000 population</td>
</tr>
<tr>
<td>PQI 11</td>
<td>Bacterial Pneumonia Admission Rate</td>
<td>Number of admissions for bacterial pneumonia per 100,000 population</td>
</tr>
<tr>
<td>PQI 12</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary infection per 100,000 population</td>
</tr>
<tr>
<td>PQI 13</td>
<td>Angina without Procedure Admission Rate</td>
<td>Number of admissions for angina without procedure per 100,000 population</td>
</tr>
<tr>
<td>PQI 14</td>
<td>Uncontrolled Diabetes Admission Rate</td>
<td>Number of admissions for uncontrolled diabetes per 100,000 population (Note: This indicator is designed to be combined with diabetes short-term complications.)</td>
</tr>
<tr>
<td>PQI 15</td>
<td>Adult Asthma Admission Rate</td>
<td>Number of admissions for asthma in adults per 100,000 population</td>
</tr>
<tr>
<td>PQI 16</td>
<td>Rate of Lower Extremity Amputation Among Patients with Diabetes</td>
<td>Number of admissions for lower extremity amputation among patients with diabetes per 100,000 population</td>
</tr>
</tbody>
</table>
Chart 6. AHRQ Pediatric Quality Indicators by MCO

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

Reference: Table STAR+PLUS PDI09
Note: Rates are per 100,000 enrollees up to 17 years of age. The denominator for the perforated appendix measure was less than 30; therefore this measure is not reported this year.

Key Points:

1. The Agency for Healthcare Research and Quality (AHRQ) Pediatric Quality Indicators (PDIs) use hospital inpatient discharge data to calculate rates of admission for various ambulatory care sensitive conditions for children and adolescents (ACSC). PDIs screen for inpatient stays that were potentially avoidable with better access to care in outpatient settings. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

2. Chart 6 provides PDI rates for asthma, diabetes short-term complications, gastroenteritis, and urinary tract infection among children and adolescents in the STAR+PLUS Program, up to age 17, distributed by MCO. Rates are per 100,000 enrollees for all conditions in Chart 6. Table 2 describes each of the four AHRQ PDIs shown here.

3. STAR+PLUS Program admission rates for three of four conditions considerably exceeded national estimates reported by the AHRQ. These differences may be attributed to the fact that national rates are based on a general community population, while the STAR+PLUS Program is primarily comprised of chronically ill or disabled individuals. It should also be noted that the AHRQ national estimates for PDIs are based on
data collected in 2004 and are area-level indicators, including both commercial and Medicaid populations. The STAR+PLUS Program rate for diabetes short-term complications (26 per 100,000) was slightly below the AHRQ’s national PDI rate (29 per 100,000).

4. The highest rate of hospital admissions for ACSC among children and adolescents in the STAR+PLUS Program were for asthma (715 per 100,000), followed by urinary tract infections (243 per 100,000) and gastroenteritis (210 per 100,000). Asthma admission rates in the STAR+PLUS Program were nearly four times greater than the national average of 181 per 100,000. Urinary tract infection admission rates in the program were more than four times greater than the national average of 53 per 100,000.

5. PDI rates varied considerably across the four MCOs.
   a. The asthma admission rate in Superior (1,380 per 100,000) was considerably higher than the STAR+PLUS Program average (715 per 100,000). Evercare had the lowest asthma admissions rate (369 per 100,000).
   b. The diabetes short-term complications admission rate was considerably higher in Superior (80 per 100,000) than the STAR+PLUS Program average (26 per 100,000). There were no admissions for diabetes short-term complications among children and adolescents in Evercare and Molina.
   c. Gastroenteritis admission rates were considerably greater than the STAR+PLUS Program average (210 per 100,000) in Molina (750 per 100,000).
   d. Urinary tract infection admission rates were highest in Molina (375 per 100,000) and lowest in AMERIGROUP (174 per 100,000).

### Table 2. AHRQ Pediatric Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI 14</td>
<td>Asthma Admission Rate</td>
<td>Number of admissions for long-term asthma per 100,000 population</td>
</tr>
<tr>
<td>PDI 15</td>
<td>Diabetes Short-term Complications</td>
<td>Number of admissions for diabetes short-term complications per 100,000</td>
</tr>
<tr>
<td></td>
<td>Admissions Rate</td>
<td>population</td>
</tr>
<tr>
<td>PDI 16</td>
<td>Gastroenteritis Admission Rate</td>
<td>Number of admissions for pediatric gastroenteritis per 100,000 population</td>
</tr>
<tr>
<td>PDI 17</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>for appendicitis within an area</td>
</tr>
<tr>
<td>PDI 18</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary infection per 100,000 population</td>
</tr>
</tbody>
</table>
Chart 7. HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Enrollees in Age Group = 992

<table>
<thead>
<tr>
<th>MCO</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>AMERIGROUP</td>
<td>60.34%</td>
</tr>
<tr>
<td>Evercare</td>
<td>56.72%</td>
</tr>
<tr>
<td>Molina</td>
<td>70.18%</td>
</tr>
<tr>
<td>Superior</td>
<td>64.53%</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS W3409

Key Points:

1. Chart 7 provides the percentage of STAR+PLUS enrollees between three and six years old who received one or more well-child visits with a physician provider during the measurement period, distributed by MCO. Note that the HEDIS® measure specifies visits with a primary care practitioner. After lifting provider constraints, the results shown here are therefore slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. The STAR+PLUS Program overall (62 percent) and all MCOs performed above the SFY 2008 HHSC Performance Indicator Dashboard standard of 56 percent for this measure. The percentage of children between three and six years old having a well-child during this period ranged from 57 percent in Evercare to 70 percent in Molina.

3. Molina (70 percent) and Superior (65 percent) performed at or above the above the national HEDIS® mean (65 percent) for this measure.
Chart 8. HEDIS® Adolescent Well-Care Visits

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Eligible in Age Group = 4,622

Reference: Table STAR+PLUS AWC09

Key Points:

1. Chart 8 provides the percentage of STAR+PLUS enrollees 12 to 21 years old who received one or more comprehensive adolescent well-care visits with a physician provider during the measurement period, distributed by MCO. Note that the HEDIS® measure specifies visits with a primary care practitioner or OB/GYN practitioner. After lifting provider constraints, the results shown here are therefore slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. The STAR-PLUS Program (35 percent) performed below both the national HEDIS® mean (42 percent) and the SFY 2008 HHSC Performance Indicator Dashboard standard of 38 percent for adolescent well-care visits.

3. Superior (43 percent) and Molina (47 percent) were both above the national HEDIS® mean (42 percent) and the SFY 2008 HHSC Performance Indicator Dashboard standard (38 percent) for this measure.
4. These findings suggest a need for increased adolescent well-care visits, particularly in Evercare (28 percent), but also in AMERIGROUP (35 percent), each of which was below the national HEDIS® mean (42 percent) and the SFY 2008 HHSC Performance Indicator Dashboard standard (38 percent) for this measure.
Chart 9. HEDIS® Cervical Cancer Screening

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Eligible Enrollees = 27,790

Reference: Table STAR+PLUS CCS09

Key Points:

1. Chart 9 provides the percentage of women between 21 to 64 years of age in the STAR+PLUS Program who received one or more Pap tests to screen for cervical cancer during the measurement period, distributed by MCO. It should be noted that HEDIS® specifications for this measure allow women to be numerator compliant if they received a Pap test in the measurement year or during the two years prior to the measurement year. Because only one and a half years of historical data are available for the expansion area and the new health plans (except in AMERIGROUP and Evercare – Harris), lower rates in STAR+PLUS are expected, which should be taken into consideration when comparing STAR+PLUS rates with the national HEDIS® mean.

2. Results varied by health plan, ranging from 37 percent of women receiving cervical cancer screening in Evercare to 58 percent in Superior. The STAR+PLUS program overall (51 percent) and all MCOs performed below the national HEDIS® mean (65 percent) and the HHSC Performance Indicator Dashboard standard (60 percent) for cervical cancer screening in women.
Chart 10. HEDIS® Cervical Cancer Screening – SDA Breakout

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008
STAR+PLUS Eligible Enrollees = 27,790

Key Points:

1. Chart 10 presents results for the HEDIS® Cervical Cancer Screening measure, distributed by MCO/SDA.

2. None of the MCO/SDA groups were at or above the national HEDIS® mean of 65 percent for this measure. Only Superior – Bexar (61 percent) was above the HHSC Performance Indicator Dashboard standard of 60 percent for this measure. Performance on this measure for MCO/SDA groups ranged from 33 percent in Molina - Harris to 61 percent in Superior - Bexar.
3. At the SDA level, all four SDAs were below the national HEDIS® mean (65 percent) and the HHSC Performance Indicator Dashboard standard of 60 percent for cervical cancer screening. Performance on this measure for SDA groups ranged from 49 percent in Harris to 57 percent in Bexar.

4. HHSC may wish to address the performance of the STAR+PLUS Program on the cervical cancer screening measure. Women in the STAR+PLUS Program have lower rates of cervical cancer screening than would be expected based on national averages. It should be noted that STAR+PLUS rates for cervical cancer screening may be lower than expected because only one and a half years of historical data were available for the expansion area and the new health plans. National averages for cervical cancer screening are based on women receiving a Pap test in the measurement year or during the two years prior to the measurement year (three years total). Thus, the rates of cervical cancer screening among female members of STAR+PLUS should be interpreted with caution.

5. Routine cervical cancer screening reduces the incidence of and mortality from cervical cancer. A number of studies have shown that a woman’s health status plays a role in whether she seeks and receives routine cervical cancer screening.\textsuperscript{11-12} For example, women with diabetes are less likely to receive screening tests for cervical cancer than women without diabetes. Unfortunately, women with diabetes and other chronic medical conditions often are those women at greatest risk for various types of cancer.\textsuperscript{13} Similarly, obesity and cancer screening studies have consistently found that obesity is associated with decreased rates of cervical cancer screening.\textsuperscript{14} Reasons for why women with physical health problems access cervical cancer screening services at lower rates than their healthy peers are complex, multifaceted, and specific to medical conditions. It has been suggested that chronic health problems like diabetes require ongoing health care services that may supersede more preventative measures such as cancer screenings. There are few studies that have identified the factors that prevent cancer screening among women with health problems. Thus, HHSC may wish to further examine such barriers while potentially targeting female enrollees, particularly those with chronic health problems, for education about the importance of practicing preventative health and seeking routine cervical cancer screenings.
Chart 11. HEDIS® Comprehensive Diabetes Care (Administrative component only)

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Eligible = 13,329

All STAR+PLUS MCO Mean  HEDIS® Mean  AMERIGROUP  Evercare  Molina  Superior

<table>
<thead>
<tr>
<th>Measure</th>
<th>All STAR+PLUS MCO Mean</th>
<th>HEDIS® Mean</th>
<th>AMERIGROUP</th>
<th>Evercare</th>
<th>Molina</th>
<th>Superior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetic Nephropathy</td>
<td>80.94%</td>
<td>74.40%</td>
<td>80.14%</td>
<td>78.92%</td>
<td>84.78%</td>
<td>82.87%</td>
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<tr>
<td>HbA1c Testing</td>
<td>72.23%</td>
<td>77.40%</td>
<td>71.51%</td>
<td>70.38%</td>
<td>66.57%</td>
<td>75.31%</td>
</tr>
<tr>
<td>LDL-C Screening</td>
<td>70.77%</td>
<td>70.90%</td>
<td>71.25%</td>
<td>69.07%</td>
<td>63.73%</td>
<td>72.82%</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS CDC09

Key Points:

1. Chart 11 provides the percentage of STAR+PLUS Program enrollees 18 to 75 years of age with diabetes (type 1 and 2) who had medical attention for diabetic nephropathy, hemoglobin A1c (HbA1c) testing, and LDL-C screening during the measurement period, distributed by MCO. HEDIS® technical specifications for the Comprehensive Diabetes Care measures allow for the use of administrative and medical record review. Results shown in Charts 13 and 14 were calculated using administrative data only.

2. Enrollees with diabetes in the STAR+PLUS Program received care at or above the national HEDIS® means for diabetic nephropathy and LDL-C screening. The percentage of STAR+PLUS program members receiving diabetic nephropathy, HbA1c testing, and LDL-C screening exceeded the HHSC Performance Indicator Dashboard standards for each measure.

3. Among STAR+PLUS Program enrollees with diabetes, the program exceeded the national HEDIS® mean of 74 percent and the HHSC Performance Indicator Dashboard standard of 41 percent, with 81 percent of program enrollees monitored for diabetic nephropathy. In addition, all MCOs performed at or above the national HEDIS® mean and the HHSC Performance Indicator Dashboard standard for this measure.

4. The STAR+PLUS Program and all MCOs performed slightly below the national HEDIS® mean of 77 percent for HbA1c testing. However, AMERIGROUP, Evercare, and Superior exceeded the HHSC Performance Indicator Dashboard standard (70 percent) for this measure.
5. The STAR+PLUS Program performed comparably to the national HEDIS® mean of 71 percent for LDL-C screening. Among the four MCOs, AMERIGROUP and Superior exceeded the national HEDIS® mean, and Evercare and Molina performed below the national HEDIS® mean. Only Molina performed below the HHSC Performance Indicator Dashboard standard of 65 percent for this measure.
### Chart 12. HEDIS® Comprehensive Diabetes Care (Administrative component only) – SDA Breakout

**STAR+PLUS MCOs - September 1, 2007 to August 31, 2008**

**STAR+PLUS Eligible = 13,329**

![Bar chart showing diabetes care metrics for different MCO/SDAs.](chart)

<table>
<thead>
<tr>
<th>SDA Mean</th>
<th>Bexar</th>
<th>Harris</th>
<th>Nueces</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Diabetic Nephropathy</td>
<td>83.78%</td>
<td>80.66%</td>
<td>76.13%</td>
<td>79.27%</td>
</tr>
<tr>
<td>% HbA1c Testing</td>
<td>73.82%</td>
<td>70.22%</td>
<td>76.25%</td>
<td>71.24%</td>
</tr>
<tr>
<td>% LDL-C Screening</td>
<td>71.82%</td>
<td>70.17%</td>
<td>71.94%</td>
<td>68.09%</td>
</tr>
</tbody>
</table>

**Reference:** Table STAR+PLUS CDC09

**Key Points:**

1. Chart 12 presents results for the HEDIS® Comprehensive Diabetes Care measure, distributed by MCO/SDA.

2. The percentage of diabetics monitored for diabetic nephropathy ranged from 70 percent in Evercare – Nueces to 85 percent in Molina – Harris. With the exception of Evercare – Nueces, all MCO/SDAs performed at or above the national HEDIS® mean of 74 percent for the percentage of diabetics monitored for diabetic nephropathy. All MCO/SDA groups exceeded the HHSC Performance Indicator Dashboard standard of 41 percent for this measure.

3. Superior – Nueces (77 percent) was the only MCO/SDA group to reach the national HEDIS® mean of 77 percent for the percentage of diabetics receiving HbA1c testing. Seven of the 10 MCO/SDA groups performed at or above the HHSC Performance Indicator Dashboard standard (70 percent) for this measure. At the SDA level, none of the SDAs were above the national HEDIS® mean, but all were above the HHSC Performance Indicator Dashboard standard for this measure.

4. Three of the 10 MCO/SDA groups – AMERIGROUP – Harris, Superior – Bexar, and Superior – Nueces – performed above the national HEDIS® mean of 71 percent for the percentage of diabetics receiving LDL-C screening. With the exception of Molina – Harris and Evercare –...
Travis, all MCO/SDA groups exceeded the HHSC Performance Indicator Dashboard standard (65 percent) for this measure. At the SDA level, Travis and Harris performed below the national HEDIS® mean. All SDAs exceeded the HHSC Performance Indicator Dashboard standard for this measure.
Chart 13. HEDIS® Follow-Up after Hospitalization for Mental Illness

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Mental Health Hospitalizations = 873

Reference: Table STAR+PLUS FUH09

Key Points:

1. Chart 13 provides the percentage of STAR+PLUS Program enrollees age six and older who were hospitalized for mental illness and who had an outpatient visit, an intensive outpatient encounter, or a partial hospitalization with a physician provider during the measurement period, distributed by MCO. Two percentages are shown — one for follow-up within seven days of discharge, and one for follow-up within 30 days of discharge. Rates for this measure are slightly inflated due to the lifting of provider constraints, which should be taken into consideration when comparing rates with the national HEDIS® means (which specify that follow-up occur with a mental health provider).

2. The STAR+PLUS Program performed lower than the national HEDIS® mean for Medicaid Managed Care Plans reporting to the NCQA on this measure at the seven-day follow-up period, and better than the national average at the 30-day follow-up period. Among STAR+PLUS enrollees hospitalized for mental illness, 34 percent received follow-up within seven days of discharge (compared with 43 percent nationally) and 64 percent received follow-up within 30 days of discharge (compared with 61 percent nationally). Additionally, the STAR+PLUS Program performed above the HHSC Performance Indicator Dashboard standards of 32 percent for seven-day follow-up and 52 percent for 30-day follow-up after hospitalization for mental illness.
3. Results for seven-day follow-up after hospitalization for mental illness were variable across MCOs. Only Molina (49 percent) was at or above the national HEDIS® mean for this measure. Two MCO/SDA groups – Molina and Evercare – were at or above the HHSC Performance Indicator Dashboard standard of 32 percent for this measure. The lowest-performing MCOs for seven-day follow-up after hospitalization for mental illness were AMERIGROUP and Superior, each at 31 percent.

4. All of the four health plans exceeded the national HEDIS® mean and the HHSC Performance Indicator Dashboard standard for 30-day follow-up, with Superior exceeding the national mean by almost eight percentage points.

5. Within the STAR+PLUS Program, the low rates of seven-day follow-up after hospitalization for mental illness warrant further attention. Some studies have found success with “bridging” interventions for mental health patients, ensuring follow-up care once individuals are released from the hospital. “Bridging” interventions involve making follow-up appointments for patients before they leave the hospital and providing them with reminders about their regular appointments. The Commonwealth Fund, in a brief report, provides recommendations for improving follow-up care after hospitalization for mental illness: (1) Begin outpatient planning during a hospital stay; (2) Discuss outpatient treatment with the patient’s ambulatory provider; (3) Help patients develop skills to reenter the community; and (4) Ensure that the inpatient staff continues to provide support to patients after discharge. HHSC may wish to consider these recommendations in future planning and programming of mental health services.
**Chart 14. HEDIS® Follow-Up after Hospitalization for Mental Illness—SDA Breakout**

**STAR+PLUS MCOs - September 1, 2007 to August 31, 2008**

<table>
<thead>
<tr>
<th></th>
<th>Bexar</th>
<th>Harris</th>
<th>Nueces</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 Days</td>
<td>32.64%</td>
<td>37.27%</td>
<td>23.14%</td>
</tr>
<tr>
<td>30 Days</td>
<td>69.01%</td>
<td>63.75%</td>
<td>61.16%</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS FUH09

**Note:** Molina-Bexar, Molina-Harris, AMERIGROUP-Travis and Evercare-Travis had denominators less than 30 for this measure; therefore, rates are not reported for these MCO/SDA groups. Eligible members are included in overall STAR+PLUS rates.

**Key Points:**

1. Chart 14 presents results for the HEDIS® Follow-Up after Hospitalization for Mental Illness measure, distributed by MCO/SDA. Rates for this measure are slightly inflated due to the lifting of provider constraints, which should be taken into consideration when comparing rates with the national HEDIS® means (which specify that follow-up occur with a mental health provider).

2. None of the MCO/SDA groups exceeded the national HEDIS® mean (43 percent) for seven-day follow-up after hospitalization for mental illness. However, three of the six MCO/SDA groups – Superior – Bexar (35 percent), AMERIGROUP – Harris (36 percent), and Evercare – Harris (37 percent) – performed above the HHSC Performance Indicator Dashboard standard (32 percent) on this measure. The lowest-performing MCO/SDA groups for this measure were AMERIGROUP – Bexar (15 percent), Superior – Nueces (22 percent), and Evercare – Nueces (26 percent).
3. At the SDA level, Bexar, Harris, and Nueces performed below the national HEDIS® mean on this measure. However, Bexar and Harris exceeded the HHSC Performance Indicator Dashboard standard of 32 percent for seven-day follow-up after hospitalization for mental illness.

4. With the exception of AMERIGROUP – Bexar (59 percent), all MCO/SDA groups performed at or above the national HEDIS® mean (61 percent) for 30-day follow-up after hospitalization for mental illness. Superior – Bexar had the highest 30-day follow-up rate of all MCO/SDA groups at 72 percent. All of the MCO/SDA groups exceeded the HHSC Performance Indicator Dashboard standard of 52 percent for 30-day follow-up after hospitalization for a mental illness.

5. At the SDA level, all (Bexar, Harris, and Nueces) performed above the national HEDIS® mean and the HHSC Performance Indicator Dashboard standard for 30-day follow-up after hospitalization for mental illness.
Chart 15. Readmission within 30 Days after an Inpatient Stay for Mental Health

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Inpatient Mental Health Stays = 6,122

<table>
<thead>
<tr>
<th>MCO</th>
<th>Readmission Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMERIGROUP</td>
<td>22.80%</td>
</tr>
<tr>
<td>Evercare</td>
<td>20.30%</td>
</tr>
<tr>
<td>Molina</td>
<td>19.20%</td>
</tr>
<tr>
<td>Superior</td>
<td>25.20%</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS MHReadmit09

Key Points:

1. Chart 15 provides the percentage of STAR+PLUS Program enrollees who were readmitted within 30 days following an inpatient stay for mental health problems, distributed by MCO. Mental health readmissions are frequently used as a measure of an adverse outcome, which potentially result from efforts to contain behavioral health care costs such as reducing the initial length of stay. For this measure, low rates of readmission indicate good performance.

2. The percentage of STAR+PLUS Program members readmitted to the hospital after an inpatient mental health stay was 23 percent. There was little variation among health plans on this measure. Molina had the lowest readmission rate at 19 percent and Superior had the highest readmission rate at 25 percent.
Chart 16. Readmission within 30 Days after an Inpatient Stay for Mental Health – SDA Breakout

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Inpatient Mental Health Stays = 6,122

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Harris</th>
<th>Nueces</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>26.40%</td>
<td>21.10%</td>
<td>16.30%</td>
<td>24.60%</td>
</tr>
</tbody>
</table>

Reference: Table STAR+PLUS MHReadmit09

Key Points:

1. Chart 16 provides the percentage of STAR+PLUS Program enrollees who were readmitted within 30 days following an inpatient stay for mental health problems, distributed by MCO/SDA.

2. The highest-performing MCO/SDA groups (those with the lowest rates of readmission) were Superior – Nueces (15 percent) and Molina – Harris (16 percent). The MCO/SDA groups with the highest rates of readmission were Superior - Bexar (27 percent) and AMERIGROUP - Travis (26 percent).

3. At the SDA level, rates of readmission ranged from 16 percent in Nueces to 26 percent in Bexar. Bexar (26 percent) and Travis (25 percent) had rates of readmission higher than the STAR+PLUS program average (23 percent).
Key Points:

1. Chart 17 provides the average cost of prescriptions per STAR+PLUS member per month during the measurement period, distributed by MCO.

2. Prescription drug costs in all four MCOs serving STAR+PLUS were considerably higher than the national HEDIS® mean ($37.80). This difference may be attributed to the fact that the national rates developed by AHRQ are based on a general community population, while the STAR+PLUS population is comprised of individuals with chronic conditions.

3. Superior had the highest average cost of prescriptions per member per month at $352.07. Molina had the lowest average cost of prescriptions per member per month at $189.38.
Chart 18. HEDIS® Outpatient Drug Utilization - Average Cost of Prescriptions per Member per Month - SDA Breakout

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Cost of Prescriptions = $58,950,065

Key Points:

1. Chart 18 provides the average cost of prescriptions per STAR+PLUS member per month during the measurement period, distributed by MCO/SDA.

2. Prescription drug costs in all ten MCO/SDA groups serving STAR+PLUS were considerably higher than the national HEDIS® mean ($37.80).

3. Superior – Bexar ($355.26) had the highest average cost of prescriptions per member per month, followed by Superior – Nueces ($345.20) and AMERIGROUP – Travis ($311.81). Molina – Bexar ($225.37) and Molina – Harris ($175.16) had the lowest average cost of prescriptions per member per month.

Reference: Table STAR+PLUS ORX09
4. At SDA level, Travis had the lowest average cost of prescriptions per member per month at $271.86, and Bexar had the highest average cost at $331.50.
Chart 19. HEDIS® Outpatient Drug Utilization - Average Number of Prescriptions per Member per Year

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS Number of Prescriptions = 702,527

Key Points:

1. Chart 19 provides the average number of prescriptions per STAR+PLUS member per year during the measurement period, distributed by MCO.

2. The average number of prescriptions in all four MCOs exceeded the national HEDIS® mean (10.3). This difference may be attributed to the fact that the national rates developed by AHRQ are based on a general community population, while the STAR+PLUS population is comprised of individuals with chronic conditions.

3. Superior had the highest number of prescriptions per member during the measurement period at 50.6. Molina had the lowest number of prescriptions per member during the measurement period at 26.5.
Key Points:

1. Chart 20 provides the average number of prescriptions per STAR+PLUS member per year during the measurement period, distributed by MCO/SDA.
2. The average number of prescriptions in all ten MCO/SDA groups exceeded the national HEDIS® mean (10.3). This difference may be attributed to the fact that the national rates developed by AHRQ are based on a general community population, while the STAR+PLUS population is comprised of individuals with chronic conditions.

3. Superior – Bexar (50.4) and Superior – Nueces (51.06) had the highest number of prescriptions per member per year. Molina – Bexar (34.38) and Molina – Harris (23.4) had the lowest number of prescriptions per member per year.

4. At SDA level, Travis had the lowest number of prescriptions per member per year (34.18) and Bexar had the highest number of prescriptions (47.5).

5. The distribution of average number of prescriptions per member per year is consistent with the distributions of average cost of prescriptions per member per month.
Chart 21. Percent of Emergency Department Visits with a Primary Diagnosis of an Ambulatory Care Sensitive Condition

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS ED Visits = 61,916

<table>
<thead>
<tr>
<th>MCO</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMERIGROUP</td>
<td>33.14%</td>
</tr>
<tr>
<td>Evercare</td>
<td>37.69%</td>
</tr>
<tr>
<td>Molina</td>
<td>37.20%</td>
</tr>
<tr>
<td>Superior</td>
<td>41.14%</td>
</tr>
</tbody>
</table>

Mean = 36.69%

Reference: Table STAR+PLUS ACSC09

Key Points:

1. Chart 21 provides the percentage of emergency department visits among STAR+PLUS enrollees that were attributed to a primary diagnosis of an ambulatory care sensitive condition (ACSC), distributed by MCO. The denominator for this measure represents emergency department visits only. ACSCs are medical problems that are potentially treatable through proper outpatient monitoring and an effective community health care system. Therefore, admission of members with ACSCs to the emergency room may be considered an indication that outpatient monitoring and community health care systems are under-performing; they represent trips to the emergency room that could potentially have been prevented. For this measure, the higher the percentage, the lower the health plan performance.

2. Because this is not a HEDIS® measure, information for national comparisons is not available. The percentage of emergency department visits for an ACSC for the STAR+PLUS Program was 37 percent, with a range of 33 percent (AMERIGROUP) to 41 percent (Superior). All of the health plans were above the SFY 2008 HHSC Performance Indicator Dashboard standard of 32 percent for this measure. These findings suggest that there is a need to improve outpatient and ambulatory care in the STAR+PLUS Program in order to reduce unnecessary emergency room visits.
Chart 22. Percent of Emergency Department Visits with a Primary Diagnosis of an Ambulatory Care Sensitive Condition – SDA Breakout

STAR+PLUS MCOs - September 1, 2007 to August 31, 2008

STAR+PLUS ED Visits = 61,916

Key Points:

1. Chart 22 provides the percentage of emergency department visits among STAR+PLUS enrollees that were attributed to a primary diagnosis of an ambulatory care sensitive condition (ACSC), distributed by MCO/SDA. The denominator for this measure represents emergency department visits only.

2. Three MCO/SDA groups – AMERIGROUP – Travis (29 percent), Evercare – Travis (32 percent), and AMERIGROUP – Bexar (32 percent) – had rates of emergency department visits for ACSCs at or below the SFY 2008 HHSC Performance Indicator Dashboard standard of 32.
percent. The lowest-performing MCO/SDA groups on this measure (those with the highest percentages) were Superior - Nueces (44 percent), Superior – Bexar (40 percent), and Evercare – Nueces (40 percent).

3. There was little variation among SDAs on this measure, ranging from 30 percent in Travis to 43 percent in Nueces. Bexar, Harris, and Nueces were above the SFY 2008 HHSC Performance Indicator Dashboard standard of 32 percent for this measure.

4. Rates of emergency department visits for ACSCs among certain MCO/SDA groups, particularly in Superior – Nueces, Superior – Bexar, and Evercare – Nueces warrant further efforts to reduce preventable emergency department visits. Studies have shown that decreasing emergency room visits and hospitalizations for chronic ACSCs is best achieved through continuity in primary care. Policies that encourage and help patients to concentrate their care with a single provider will potentially reduce preventable hospitalizations and decrease medical care costs.
Endnotes


2 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at [www.ncqa.org](http://www.ncqa.org).


6 Technical specifications for PQI and PDI can be viewed at [http://www.qualityindicators.ahrq.gov/pqi_overview.htm](http://www.qualityindicators.ahrq.gov/pqi_overview.htm).


Attachment B.20.F
FY2008 TX CHIP QOC Measures
Annual Chart Book

Fiscal Year 2008

Texas Children’s Health Insurance Program (CHIP)
Quality of Care Measures

The Institute for Child Health Policy
University of Florida

The Texas External Quality Review Organization
for Medicaid Managed Care and CHIP

Measurement Period:
September 1, 2007 through August 31, 2008

Submitted:
October 12, 2009

Final Submitted:
November 30, 2009
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Executive Summary

The fiscal year 2008 Annual Quality of Care Report provides the results for measures of the quality of care provided to enrollees in the Children’s Health Insurance Program (CHIP) in fiscal year 2008.¹ The report compares the fiscal year 2008 results for each CHIP measure to the fiscal year 2008 national Healthcare Effectiveness Data and Information Set (HEDIS®) average, Texas Health and Human Services Commission (HHSC) Performance Indicator Dashboard standard (PIDS), and/or national Agency for Healthcare Research and Quality (AHRQ) Pediatric Quality Indicator (PDI). It also compares the fiscal year 2008 CHIP measure results to the fiscal year 2007 CHIP measure results. Results are presented by managed care organization (MCO) and service delivery area (SDA). For more detailed information on CHIP’s performance on each measure, please see Attachment C

Areas in which Performance was above Standards

Overall, the CHIP program reported positive results in areas such as: children and adolescents’ access to primary care practitioners and use of appropriate medications for people with asthma. Specifically, the CHIP performed better than the national HEDIS® average, the HHSC PIDS, and/or the national AHRQ PDIs in the following areas:

**Performance above National HEDIS® Average**

- Follow-up after hospitalization for mental illness within 30 days (71 percent vs. 61 percent).²
- Children and adolescents’ access to primary care practitioners (89 percent vs. 84 percent).³
- Average cost of prescriptions per member per month ($24.06 vs. $37.80).⁴
- Average number of prescriptions per member per year (4.38 vs. 10.30).⁵
- Use of appropriate medications for people with asthma (95 percent vs. 87 percent).⁶

**Performance above HHSC PIDS**

- Well child visits in the 3rd- 6th years of life (59 percent vs. 56 percent).⁷

---

¹ The CHIP Perinatal Program is not included in this report.
² The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to mental health providers.
³ The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to primary care practitioners.
⁴ The criteria used to determine the Texas CHIP measure differ from the HEDIS criteria in that the HEDIS criteria include adults.
⁵ Ibid.
⁶ Ibid.
• Adolescent well-care visits (39 percent vs. 38 percent).\(^8\)
• Follow-up after hospitalization for mental illness within 7 days (40 percent vs. 32 percent).\(^9\)
• Follow-up after hospitalization for mental illness within 30 days (71 percent vs. 52 percent).\(^10\)

*Performance above National AHRQ PDIs*

• Inpatient admission rates for:
  a. Asthma (88 per 100,000 vs. 181 per 100,000).
  b. Diabetes short term complications (24 per 100,000 vs. 29 per 100,000).
  c. Gastroenteritis (42 per 100,000 vs. 183 per 100,000).
  d. Urinary tract infections (26 per 100,000 vs. 53 per 100,000).

*Areas in which Performance Improved from Fiscal Year 2007 to Fiscal Year 2008*

CHIP reported considerable improvement from fiscal year 2007 to fiscal year 2008 in several key indicators:

• Readmission after inpatient stays for mental health (36 percent decreased to 19 percent).
• Inpatient admission rates for:
  a. Asthma (95 per 100,000 decreased to 88 per 100,000).
  b. Diabetes short term complications (30 per 100,000 decreased to 24 per 100,000).

*Areas in which Performance was below Standards*

While comparatively high performance or noticeable improvement was achieved for many measures, there were several areas where improvement could be made, such as: well-child and well-adolescent visits, appropriate testing for children with pharyngitis, and percent of emergency department visits with a primary diagnosis of an ambulatory care sensitive condition (ACSC). Specifically, reported performance for some measures is less than desired when compared to the national HEDIS\(^7\) average, the HHSC PIDS, and the national AHRQ PDI:

*Performance below National HEDIS\(^7\) Average*

\(^7\) The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to primary care practitioners.
\(^8\) Ibid.
\(^9\) The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to mental health providers.
\(^10\) Ibid.
- Well child visits in the 3rd- 6th years of life (59 percent vs. 65 percent).  \(^{11}\)
- Adolescent well-care visits (39 percent vs. 42 percent).  \(^{12}\)
- Follow-up after hospitalization for mental illness within 7 days (40 percent vs. 43 percent).  \(^{13}\)
- Appropriate testing for children with pharyngitis (53 percent vs. 58 percent).

**Performance below HHSC PIDS**

- Percent of emergency department visits with a primary diagnosis of an ACSC (29 percent vs. 24 percent).

Areas in which Performance Decreased from Fiscal Year 2007 to Fiscal Year 2008

When comparing results from fiscal year 2007 to fiscal year 2008, CHIP also reported a slight decrease in performance in some key indicators:

- Well-child visits in the 3rd- 6th years of life (61 percent decreased to 59 percent).
- Children and adolescents’ access to primary care (92 percent decreased to 89 percent).
- Percent of emergency department visits with a primary diagnosis of an ACSC (28 percent increased to 29 percent).
- Inpatient admission rates for:
  - Gastroenteritis (38 per 100,000 increased to 42 per 100,000).
  - Urinary tract infections (24 per 100,000 increased to 26 per 100,000).

**MCO/SDA performance below HHSC PIDS**

In addition to the previously mentioned improvement areas, MCO/SDAs also performed below the HHSC PIDSs in the following areas:

- Well child visits in the 3rd- 6th years of life (8 of the 24 MCO/SDAs underperformed).
- Adolescent well-care visits (13 of the 25 MCO/SDAs underperformed).
- Percent of emergency department visits with a primary diagnosis of an ACSC (24 of the 25 MCO/SDAs underperformed).

\(^{11}\) The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to primary care practitioners. All claims with pertinent procedure and/or diagnosis codes with any provider are considered to have received a well-child visit.

\(^{12}\) The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to primary care practitioners or OB/GYNs. All claims with pertinent procedure and/or diagnosis codes with any provider are considered to have received a well-child visit.

\(^{13}\) The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to mental health providers.
Internal Improvements

To address areas of less than desired performance noted above, Managed Care Operations has taken the following actions:

- Initiated a review of performance indicator targets for MCO performance measures to determine if the targets reflect current national quality assurance guidelines and are appropriate to the population served in CHIP.
- Established analytical reviews, including trending of performance over time.
- Established a process to share results of analytical reviews with MCOs and document actions taken to improve deficient performance.
- Initiated quarterly performance management meetings with the Institute for Child Health Policy (ICHP), the external quality review organization, and HHSC staff who oversees contracts with MCOs to improve staff understanding and expertise.

External Performance Gap Improvements

Managed Care Operations, assisted by ICHP, is implementing a plan to investigate program, MCO, individual beneficiary, and community factors that may be contributing to low performance in the following areas:

- Well child visits in the 3rd-6th years of life.
- Adolescent well-care visits.
- Follow-up after hospitalization for mental illness.
- Appropriate testing for children with pharyngitis.
- Percent of emergency visits with a primary diagnosis of an ACSC.

This plan includes the following:

- A review of ways the MCOs can improve the level of resources for increasing children and adolescents' well-care visits.
- A review of education and promotion programs to inform members about the importance of follow-up visits after hospitalization for mental illness.
- A review of outpatient monitoring improvement programs to increase the percentage of children receiving appropriate testing for pharyngitis and reduce the percentage of emergency department visits involving a primary diagnosis of ACSC.

In summary, the report highlights many areas of excellent or satisfactory performance. However, it also points to areas where there are opportunities for improvement. For these areas, Managed Care Operations is establishing a plan to investigate the reasons for less than satisfactory performance and to work with the MCOs to address those factors that will foster better performance in the future.
Introduction

Purpose

This report provides an annual update of the quality of care provided to enrollees in the Children's Health Insurance Program (CHIP) in Texas. (Note: The CHIP Perinate Program is not included in this report.) This update is for September 1, 2007, to August 31, 2008, covering State Fiscal Year (SFY) 2008. Results for the quality of care measures are presented at the individual managed care organization (MCO) and service delivery area (SDA) levels. It should be noted that Superior Exclusive Provider Organization (EPO), which provides services to approximately 170 predominantly rural Texas counties outside the SDAs, is listed as an MCO and included with SDA-level results. When possible, results from Medicaid MCOs participating in the National Committee for Quality Assurance (NCQA) reporting program are presented. Results from CHIP MCOs nationally are not available from NCQA.

Rates for the Healthcare Effectiveness Data and Information Set (HEDIS®) 2009 measures were calculated using National Committee for Quality Assurance (NCQA) certified software. The Health and Human Service Commission (HHSC) approved the use of this software so that all HEDIS® results could be reported using an NCQA-recognized tool. At HHSC’s request, the Institute for Child Health Policy (ICHP) developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for HEDIS® measures. As in the prior reporting period (SFY 2007), ICHP modified the NCQA specifications to lift provider constraints when determining eligibility for HEDIS® measures. Provider specialty codes are an important component for some HEDIS® measures and lifting the provider constraints may result in some rate inflation for these measures. For example, NCQA specifications require that a mental health provider be the provider of record for a beneficiary to be considered compliant with the HEDIS® measures for seven-day and 30-day follow-up after an inpatient mental health stay. The current methodology allows any visit with a physician provider to count toward compliance with the mental health follow-up measures. The following HEDIS® measures rely on specific provider specialty codes, and are therefore affected by this change in methodology:

- HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life
- HEDIS® Adolescent Well-Care Visits
- HEDIS® Follow-Up after Hospitalization for Mental Illness
- HEDIS® Children and Adolescents' Access to Primary Care Practitioners

A six-month time lag was used for the claims and encounter data. Prior analyses with Texas data showed that, on average, over 96 percent of the claims and encounters are complete by that time period.

This chart book contains the following indicators:
1) Descriptive Information

- Total Unduplicated Members
- Total Unduplicated Members by Race/Ethnicity

2) AHRQ Pediatric Quality Indicators (PDIs)

3) Quality of Care

- HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life
- HEDIS® Adolescent Well-Care Visits
- HEDIS® Follow-Up after Hospitalization for Mental Illness
- Readmission within 30 Days after an Inpatient Stay for Mental Health
- HEDIS® Appropriate Testing for Children with Pharyngitis
- HEDIS® Children and Adolescents’ Access to Primary Care Practitioners
- HEDIS® Outpatient Drug Utilization
- Percent of Emergency Department Visits with a Primary Diagnosis of an Ambulatory Care Sensitive Condition (ACSC)
- HEDIS® Use of Appropriate Medications for People with Asthma

The charts provide results for the above listed indicators, distributed by MCO and by MCO/SDA group, allowing for comparison of findings across the 17 health plans that serve CHIP.

Data Sources and Measures

Three data sources were used to calculate the quality of care indicators: (1) member-level enrollment information, (2) member-level health care claims/encounter data, and (3) member-level pharmacy data. The enrollment files contain information about the person’s age, gender, the MCO in which the member is enrolled, and the number of months the member has been enrolled in the program. The member-level claims/encounter data contain Current Procedural Terminology (CPT) codes, International Classification of Diseases, 9th Revision (ICD-9-CM) codes, place of service (POS) codes, and other information necessary to calculate the quality of care indicators. The member-level pharmacy data contain information about filled prescriptions, including the drug name, dose, date filled, and refill information.

Information regarding the calculation of all measures included in this report can be found in the document “Quality of Care Measures Technical Report Specifications, October 2009.” The Institute for Child Health Policy prepared this document, which provides specifications for HEDIS® and other quality of care measures.

Whenever possible, results from other Medicaid Programs are provided in addition to the overall Texas state mean. NCQA gathers and compiles data from Medicaid managed care plans nationally. Submission of HEDIS® data to NCQA is a voluntary process; therefore, health plans that submit HEDIS® data are not fully representative of the industry. Health plans participating in NCQA HEDIS® reporting tend to be older, are more...
likely to be federally qualified, and are more likely to be affiliated with a national managed care company than the overall population of health plans in the United States. NCQA reports the national results as a mean and at the 10th, 25th, 50th, 75th, and 90th percentiles for the participating plans. The Medicaid Managed Care Plans 2008 mean results are shown and labeled “HEDIS® Mean” in the graphs. For certain HEDIS® measures, the national rate includes adults. Therefore, the national results should be viewed with the understanding that the national and CHIP populations are different. For measures which are non-HEDIS® quality of care indicators, the HHSC 2009 Performance Indicator Dashboard Standard is shown.4 When appropriate, the health plan’s performance results in the prior year are provided.

Indicators developed for the Agency for Healthcare Research and Quality (AHRQ) are used to evaluate the performance of CHIP MCOs related to inpatient admissions for various ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.” The quality indicators use hospital inpatient discharge data and are measured as rates of admission to the hospital. Specifically, one set of indicators was assessed in the present report: Pediatric Quality Indicators (PDIs) for child enrollees. The specifications used to calculate rates for these measures come from the PDI version 3.2. Rates are calculated based on the number of hospital discharges divided by the number of people in the area (except for appendicitis). Unlike most other measures provided in this chart book, low quality indicator rates are desired as they suggest a better quality health care system outside of the hospital setting.

Pediatric admissions for the following ambulatory care sensitive conditions (ACSCs) are assessed: (1) Asthma; (2) Diabetes Short-term Complications; (3) Gastroenteritis; and (4) Urinary Tract Infection. The age eligibility for these measures is up to age 17. A fifth PDI that provides rates of admissions for perforated appendix – which is normally reported in QOC reports for Texas HHSC – is not assessed in the present report because greater than 90 percent of the rates calculated for perforated appendix had low denominator values.

In addition to the narrative and graphs contained in this chart book, technical appendices are provided to HHSC that contain all of the data to support key findings. As previously noted, many, but not all, of the quality of care indicator results are presented for each MCO. Some results are not displayed for each MCO: (1) to facilitate ease of presentation and understanding of the material; (2) because the findings were similar for each MCO, and/or (3) because the denominator for a measure was less than 30 (low denominator). However, all of the findings are contained in the technical appendices. The interested reader can review those for more details. The corresponding reference table is listed beneath each graph.
Chart 1. Total Unduplicated Members by MCO

CHIP MCOs - August 2008

<table>
<thead>
<tr>
<th>MCO</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>10,393</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>65,498</td>
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<tr>
<td>Community First</td>
<td>21,522</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>20,776</td>
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<tr>
<td>Cook Children’s</td>
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<td>Driscoll</td>
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<tr>
<td>El Paso First</td>
<td>13,617</td>
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<td>FirstCare</td>
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<tr>
<td>Mercy</td>
<td>4,739</td>
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<td>Molina</td>
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<td>Superior</td>
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<td>UnitedHealthcare-Texas</td>
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</tr>
</tbody>
</table>

CHIP Unduplicated Members = 476,618

Reference: CHIP Table 1
Note: The eligibility figures used in the chart are for August 2008.

Key Points:

1. Chart 1 presents the total number of unduplicated members enrolled in CHIP, distributed by managed care organization (MCO). In August 2008, there were 476,618 enrollees, which is an increase from SFY 2007 when CHIP had 300,258 enrollees.

2. The MCO with the largest membership was Superior EPO, comprising 23 percent of all CHIP members. The second and third largest MCOs were Texas Children’s at 15 percent and AMERIGROUP at 14 percent. The MCOs with the smallest memberships were Molina (0.73 percent) and FirstCare (0.99 percent), each accounting for less than one percent of all CHIP members.

3. The mean age of CHIP enrollees was 10.06 years old (SD = 4.65).

4. Forty-nine percent of CHIP enrollees were female, and 51 percent were male.
### Chart 2. Total Unduplicated Members – SDA Breakout

**CHIP MCOs - August 2008**

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
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<td>5,112</td>
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<tr>
<td>Community First-Bexar</td>
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<td>Superior-Bexar</td>
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</tr>
<tr>
<td>AMERIGROUP-Dallas</td>
<td>32,509</td>
<td>28,762</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parkland-Dallas</td>
<td>7,928</td>
<td>13,517</td>
<td></td>
<td>19,971</td>
<td></td>
<td>3,493</td>
<td></td>
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<tr>
<td>UniCare-Dallas</td>
<td>7,621</td>
<td>13,768</td>
<td>20,776</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>El Paso-First-El Paso</td>
<td>19,971</td>
<td>20,776</td>
<td>70,455</td>
<td>7,928</td>
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<tr>
<td>Superior-El Paso</td>
<td>13,517</td>
<td>7,621</td>
<td>3,493</td>
<td>20,442</td>
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<tr>
<td>AMERIGROUP-Harris</td>
<td>12,081</td>
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<tr>
<td>Community Health Choice-Harris</td>
<td>937</td>
<td>10,874</td>
<td>1403</td>
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<tr>
<td>Molina-Harris</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas Children's-Harris</td>
<td>15,624</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>UnitedHealthcare</td>
<td>4,739</td>
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<td>10,974</td>
<td>1,403</td>
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<tr>
<td>FirstCare-Lubbock</td>
<td>109,128</td>
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<td>1,403</td>
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<tr>
<td>Superior-Nueces</td>
<td>46,338</td>
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<td></td>
<td></td>
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<td>AMERIGROUP-Nueces</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Driscoll-Nueces</td>
<td>12,081</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Superior EPO-Statewide</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Aetna-Tarrant</td>
<td>15,624</td>
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<td></td>
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<td></td>
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<tr>
<td>AMERIGROUP-Tarrant</td>
<td>7,739</td>
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<tr>
<td>Cook Children's-Tarrant</td>
<td>8,090</td>
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<tr>
<td>Seton-Travis</td>
<td>40,000</td>
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<tr>
<td>Superior-Travis</td>
<td>6,171</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mercy-Webb</td>
<td>80,000</td>
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<td></td>
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<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Reference:** CHIP Table 1

Note: The eligibility figures used in the chart are for August 2008.

### Key Points:

1. Chart 2 presents the distribution of CHIP members by MCO and Service delivery area (SDA). There were 25 CHIP MCO/SDA groups and 9 SDAs in August 2008. The total number of members in the Exclusive Provider Organization (EPO) is included with the SDAs for comparison. Through the EPO, Superior provides services to approximately 170 predominantly rural Texas counties. Twenty-three percent of CHIP members belonged to the EPO.

2. The largest MCO/SDA group, Superior EPO – Statewide comprised 23 percent of all CHIP enrollees. The second and third largest MCO/SDA groups were Texas Children’s-Harris and AMERIGROUP – Dallas, comprising 15 percent and 7 percent respectively of all CHIP enrollees.

3. The SDA with the largest membership was Harris with 28 percent of all CHIP enrollees, and served by five health plans: AMERIGROUP, Community Health Choice, Molina, Texas Children’s, and UnitedHealthcare. The SDA with the smallest membership was Webb, served exclusively by Mercy, and accounting for 1.7 percent of all CHIP enrollees.
Chart 3. Total Unduplicated Members by Race/Ethnicity

CHIP MCOs - August 2008

CHIP Unduplicated Members = 476,618

Reference: CHIP Table 2
Note: The eligibility figures used in the chart are for August 2008.

Key Points:

1. Chart 3 presents the racial and ethnic distribution of CHIP enrollees in August 2008. Race/ethnicity was unknown for 56 percent of CHIP enrollees, which is comparable to the 53 percent of CHIP enrollees whose race/ethnicity was unknown in SFY 2007.

2. Among those members whose race/ethnicity was known (N = 210,175), 64 percent were Hispanic, followed by White, non-Hispanic (21 percent), and Black, non-Hispanic (11 percent). Less than five percent of enrollees were Asian (3.7 percent) or American Indian (0.4 percent). Note that percentages are calculated based on the number of enrollees classified by race/ethnicity (N = 210,175) rather than the total number of CHIP enrollees (N = 476,618).

3. The distribution of race/ethnicity in CHIP has remained relatively unchanged since SFY 2007. Furthermore, it should be noted that a majority of CHIP enrollees were not classifiable based on race/ethnicity. Understanding the racial/ethnic composition of CHIP members is critical to addressing potential differences in health care access and quality of care. It is therefore strongly recommended that HHSC make the reporting of racial/ethnic information mandatory in CHIP enrollment files.
Chart 4A. Total Unduplicated Members by Race/Ethnicity and MCO

CHIP MCOs - August 2008

CHIP Unduplicated Members = 476,618

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Aetna</th>
<th>AMERIGROUP</th>
<th>Community First</th>
<th>Community Health Choice</th>
<th>Cook Children’s</th>
<th>Drisco II</th>
<th>El Paso First</th>
<th>FirstCare</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Non-Hispanic</td>
<td>750</td>
<td>3,793</td>
<td>1,558</td>
<td>849</td>
<td>4,736</td>
<td>984</td>
<td>278</td>
<td>616</td>
</tr>
<tr>
<td>Black Non-Hispanic</td>
<td>451</td>
<td>4,597</td>
<td>477</td>
<td>1,094</td>
<td>1,660</td>
<td>141</td>
<td>41</td>
<td>141</td>
</tr>
<tr>
<td>Hispanic</td>
<td>2,176</td>
<td>18,004</td>
<td>7,926</td>
<td>6,954</td>
<td>6,454</td>
<td>3,907</td>
<td>5,380</td>
<td>1,204</td>
</tr>
<tr>
<td>American Indian</td>
<td>15</td>
<td>85</td>
<td>30</td>
<td>7</td>
<td>71</td>
<td>10</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Asian</td>
<td>145</td>
<td>1,643</td>
<td>173</td>
<td>551</td>
<td>702</td>
<td>32</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Unknown/Other</td>
<td>6,856</td>
<td>37,376</td>
<td>11,358</td>
<td>11,321</td>
<td>15,353</td>
<td>5,800</td>
<td>7,784</td>
<td>2,761</td>
</tr>
</tbody>
</table>

Reference: CHIP Table 2
Note: The eligibility figures used in the chart are for August 2008.

Key Points:

1. Charts 4A and 4B present the distribution of CHIP enrollees by MCO and race/ethnicity in August 2008. Key points for both charts are provided under Chart 4B. Please note that the Y-axis is scaled differently for Charts 4A and 4B, in order to provide a clear, visual representation of the results.
Chart 4B. Total Unduplicated Members by Race/Ethnicity and MCO

CHIP MCOs - August 2008

<table>
<thead>
<tr>
<th></th>
<th>Mercy</th>
<th>Molina</th>
<th>Parkland</th>
<th>Seton</th>
<th>Superior</th>
<th>Superior EPO</th>
<th>Texas Children’s</th>
<th>UniCare</th>
<th>UnitedHealthcare-Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Non-Hispanic</td>
<td>68</td>
<td>113</td>
<td>1,803</td>
<td>1,992</td>
<td>2,468</td>
<td>14,489</td>
<td>5,647</td>
<td>541</td>
<td>2,576</td>
</tr>
<tr>
<td>Black Non-Hispanic</td>
<td>0</td>
<td>255</td>
<td>2,070</td>
<td>724</td>
<td>675</td>
<td>2,514</td>
<td>5,560</td>
<td>633</td>
<td>1,795</td>
</tr>
<tr>
<td>Hispanic</td>
<td>3,581</td>
<td>741</td>
<td>9,211</td>
<td>4,713</td>
<td>11,047</td>
<td>26,906</td>
<td>20,903</td>
<td>1,389</td>
<td>4,976</td>
</tr>
<tr>
<td>American Indian</td>
<td>2</td>
<td>4</td>
<td>31</td>
<td>56</td>
<td>49</td>
<td>228</td>
<td>82</td>
<td>6</td>
<td>59</td>
</tr>
<tr>
<td>Asian</td>
<td>10</td>
<td>66</td>
<td>514</td>
<td>340</td>
<td>202</td>
<td>266</td>
<td>2,304</td>
<td>124</td>
<td>756</td>
</tr>
<tr>
<td>Unknown/Other</td>
<td>4,429</td>
<td>2,314</td>
<td>15,133</td>
<td>7,799</td>
<td>21,960</td>
<td>64,725</td>
<td>35,959</td>
<td>5,235</td>
<td>10,280</td>
</tr>
</tbody>
</table>

Reference: CHIP Table 2
Note: The eligibility figures used in the chart are for August 2008.

Key Points:

1. Across MCOs, more than half of enrollees were not categorized by race/ethnicity. The unknown/other category is excluded in the following calculations that present the racial/ethnic composition of MCOs.

2. Hispanics comprised the largest percentage of members for each MCO. The percentage of Hispanic members in MCOs ranged from 47 percent in UniCare and Cook Children’s to 98 percent in Mercy. MCOs with the largest percentage of Hispanic members in addition to Mercy were El Paso First (94 percent), Community First (78 percent), Driscoll (77 percent), and Superior (76 percent).

3. The MCOs with the largest percentage of White, non-Hispanic members were Cook Children’s (35 percent), Superior EPO (33 percent), and FirstCare (31 percent). Mercy had the smallest percentage of White, non-Hispanic members at 2 percent of total members.
4. The MCOs with the largest percentage of Black, non-Hispanic members were Molina (22 percent), UniCare (21 percent), and UnitedHealthcare – Texas (18 percent). Mercy had no Black, non-Hispanic members.

5. Across the MCOs, Asians comprised less than 8 percent of the total membership. The MCOs with the largest percentage of Asians were UnitedHealthcare – Texas (7 percent), Texas Children’s (7 percent), AMERIGROUP (6 percent), Molina (6 percent) and Community Health Choice (6 percent).

6. For all MCOs, American Indians represented less than one percent of total members.
Chart 5A. AHRQ Pediatric Quality Indicators

CHIP MCOs - September 1, 2007 to August 31, 2008

Reference: CHIP Table PDI09
Note: Rates are per 100,000 enrollees except for perforated appendix, which is per 100 admissions. The denominator for perforated appendix was less than 30 in many MCOs; therefore this measure is not reported this year. Eligible members are included in the overall CHIP rates.

Key Points:

1. Chart 5A presents AHRQ Pediatric Quality Indicator (PDIs) results for nine MCOs. The PDI results for the remaining eight MCOs are shown in Chart 5B. Key points for both charts are provided under Chart 5B. Please note that the Y-axis is scaled differently for Charts 5A and 5B in order to provide a clear, visual representation of the results.
Chart 5B. AHRQ Pediatric Quality Indicators

CHIP Asthma Eligible = 569,215
CHIP Diabetes Eligible = 472,339
CHIP MCOs - September 1, 2007 to August 31, 2008
CHIP Universe for All Other Measures = 583,977

Reference: CHIP Table PDI09
Note: Rates are per 100,000 enrollees except for perforated appendix, which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in many MCOs, therefore this measure is not reported this year. Eligible members are included in the overall CHIP rates.

Key Points:
1. The Agency for Healthcare Research and Quality (AHRQ) Pediatric Quality Indicators (PDIs) use hospital inpatient discharge data to calculate rates of admission for various ambulatory care sensitive conditions for children and adolescents. PDIs screen for inpatient stays that were potentially avoidable with better access to care in the outpatient setting. This information is useful for monitoring trends, comparing MCO performance, and addressing access to care issues.

2. Charts 5A and 5B provide PDI rates for asthma, diabetes, short-term complications, gastroenteritis, and urinary tract infections among children and adolescents in CHIP, up to 17 years of age, distributed by MCO. Table 1 describes each of the four AHRQ PDIs shown here. Discussion of PDIs in the key points below includes comparisons with national rates reported by AHRQ. Table 1 describes each of the four AHRQ PDIs shown here. AHRQ national estimates are based on data collected in 2003 and are area-level indicators, including commercial and Medicaid populations.
3. Asthma was the most common ACSC-related inpatient admission among CHIP enrollees. The asthma inpatient admission rate was 88 per 100,000 members in CHIP, which is considerably lower than the national AHRQ rate of 181 per 100,000.
   - Across the CHIP MCOs, rates ranged from 31 per 100,000 in Mercy to 503 per 100,000 in UniCare. All MCOs performed better than the national rate for asthma inpatient admissions except Driscoll (208 per 100,000) and UniCare (503 per 100,000). It should be noted that the rate of inpatient admissions for asthma in UniCare was 2.7 times the national rate, suggesting a need for improved ambulatory care for asthma in this health plan.

4. The diabetes short-term complications inpatient admission rate was 24 per 100,000 members in CHIP, which is lower than the national AHRQ rate of 29 per 100,000.
   - Across the CHIP MCOs, rates ranged from zero per 100,000 in Aetna, Community Health Choice, Driscoll, Mercy, and Molina to 55 per 100,000 in Parkland. The highest rates of inpatient admissions for diabetes short-term complications were in Parkland (55 per 100,000), UniCare (46 per 100,000), Seton (46 per 100,000), and FirstCare (42 per 100,000), suggesting a need to improve ambulatory care for diabetes in these health plans.

5. The gastroenteritis inpatient admission rate was 42 per 100,000 members in CHIP, which is considerably lower than the national AHRQ rate of 183 per 100,000.
   - Across the CHIP MCOs, rates ranged from zero per 100,000 in FirstCare and Molina to 93 per 100,000 in Mercy. All MCOs performed below the national rate of inpatient admissions for gastroenteritis.

6. The urinary tract infection inpatient admission rate was 26 per 100,000 members in CHIP, which is lower than the national AHRQ rate of 53 per 100,000.
   - Across the CHIP MCOs, rates ranged from zero per 100,000 in Aetna to 198 per 100,000 in UniCare. All MCOs performed better than the national rate of inpatient admissions for urinary tract infection except UniCare, suggesting a need to improve ambulatory care for urinary tract infections in this plan specifically.

7. PDI rates for asthma, diabetes short-term complications, gastroenteritis, and urinary tract infections in CHIP changed slightly from SFY 2007 to SFY 2008, and are as follows:
   a. The admission rate for asthma decreased from 95 per 100,000 to 88 per 100,000;
   b. The admission rate for diabetes short-term complications decreased from 30 per 100,000 to 24 per 100,000;
   c. The admission rate for gastroenteritis increased from 38 per 100,000 to 42 per 100,000;
   d. The admission rate for urinary tract infection increased slightly from 24 per 100,000 to 26 per 100,000.
In summary, CHIP performed well on all four PDI measures - asthma, diabetes short-term complications, gastroenteritis, and urinary tract infection - with inpatient admissions rates for these conditions below the national rates. As noted above, reducing ACSC-related inpatient admissions should be addressed in the following MCOs for specified conditions:

1. Asthma in Driscoll and UniCare.
2. Diabetes short-term complications in Parkland, UniCare, Seton, and FirstCare.
3. Urinary tract infections in UniCare.

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI 14</td>
<td>Asthma Admission Rate</td>
<td>Number of admissions for long-term asthma per 100,000 population</td>
</tr>
<tr>
<td>PDI 15</td>
<td>Diabetes Short-term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PDI 16</td>
<td>Gastroenteritis Admission Rate</td>
<td>Number of admissions for pediatric gastroenteritis per 100,000 population</td>
</tr>
<tr>
<td>PDI 17</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PDI 18</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary infection per 100,000 population</td>
</tr>
</tbody>
</table>
Chart 6A. AHRQ Pediatric Quality Indicators – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Asthma Eligible = 569,215
CHIP Diabetes Eligible = 472,339
CHIP Universe for All Other Measures = 583,977

**Reference:** CHIP Table PDI09

Note: Rates are per 100,000 enrollees except for perforated appendix, which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in many MCO/SDA groups; therefore this measure is not reported this year. Eligible members are included in the overall CHIP rates.

**Key Points:**

1. Charts 6A, 6B, and 6C present AHRQ PDI results for the 25 MCO/SDA groups evaluated in this report. Key points for all charts are provided under Chart 6C. Please note that the Y-axis is scaled differently in Chart 6A than in Charts 6B and 6C in order to provide a clear, visual representation of the results.
Chart 6B. AHRQ Pediatric Quality Indicators – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Asthma Eligible = 569,215
CHIP Diabetes Eligible = 472,339
CHIP Universe for All Other Measures = 583,977

Reference: CHIP Table PD109
Note: Rates are per 100,000 enrollees except for perforated appendix, which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in many MCO/SDA groups; therefore this measure is not reported this year. Eligible members are included in the overall CHIP rates.
Chart 6C. AHRQ Pediatric Quality Indicators – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Asthma Eligible = 569,215
CHIP Diabetes Eligible = 472,339
CHIP Universe for All Other Measures = 583,977

Reference: CHIP Table PDI09
Note: Rates are per 100,000 enrollees except for perforated appendix, which is per 100 admissions for appendicitis. The denominator for perforated appendix was less than 30 in many MCO/SDA groups; therefore this measure is not reported this year. Eligible members are included in the overall CHIP rates.

Key Points:

1. Charts 6A, 6B, and 6C provide AHRQ PDI rates for asthma, diabetes short-term complications, gastroenteritis, and urinary tract infection among children and adolescents in CHIP, up to 17 years old, distributed by MCO/SDA. These PDIs are described in more detail under Chart 5B, and are listed in Table 1. Discussion of PDIs in the key points below includes comparisons with national rates reported by the AHRQ. It should be noted that these AHRQ national estimates are based on data collected in 2003 and are area-level indicators, including commercial and Medicaid populations.

2. Inpatient admission rates for asthma across MCO/SDA groups are as follows:
Twenty-two of the 25 MCO/SDA groups were below the national AHRQ rate of 181 per 100,000 for inpatient admissions for asthma. The best-performing MCO/SDA groups (those with the lowest inpatient admissions for asthma) were AMERIGROUP – Harris (21 per 100,000) and Superior – El Paso (22 per 100,000).

The MCO/SDA groups with the highest rate of inpatient admissions for asthma were UniCare – Dallas (503 per 100,000), Superior – Nueces (274 per 100,000), and Driscoll – Nueces (208 per 100,000), suggesting a need for improved ambulatory care for asthma in these MCO/SDA groups.

3. Inpatient admission rates for diabetes short-term complications across MCO/SDA groups are as follows:

Seventeen of the 25 MCO/SDA groups were below the national AHRQ rate of 29 per 100,000 for inpatient admissions for diabetes. In addition, nine MCO/SDA groups had no reported inpatient admissions for diabetes short-term complications.

Parkland – Dallas and Superior – Travis had the highest inpatient admissions for diabetes among MCO/SDA groups, each with a rate of 55 per 100,000 enrollees.

4. Inpatient admission rates for gastroenteritis across MCO/SDA groups are as follows:

All MCO/SDA groups except AMERIGROUP - Nueces were below the national AHRQ rate of 183 per 100,000 for this measure. Four MCO/SDA groups had zero inpatient admissions for gastroenteritis: Molina – Harris, FirstCare – Lubbock, Aetna – Tarrant, and Superior – Travis.

AMERIGROUP – Nueces had the highest inpatient admission rate for gastroenteritis at 247 per 100,000, suggesting a need for this MCO/SDA group specifically to improve ambulatory care for gastroenteritis.

5. Inpatient admission rates for urinary tract infection across MCO/SDA groups are as follows:

Twenty-three out of 25 MCO/SDA groups were below the national AHRQ rate of 53 per 100,000 for this measure, with four groups reporting zero inpatient admissions for urinary tract infections: Aetna – Bexar, AMERIGROUP – Nueces, Aetna – Tarrant, and AMERIGROUP – Tarrant.

UniCare - Dallas (198 per 100,000) and Superior - Nueces (107 per 100,000) had the highest rates of inpatient admissions for urinary tract infections, suggesting a need for improved ambulatory care for urinary tract infections in these MCO/SDA groups.

6. Tarrant and Harris were the only SDAs with PDI rates below the CHIP mean for each of the four conditions: asthma, diabetes short-term complications, gastroenteritis, and urinary tract infection. (Note that other SDAs had PDI rates below the CHIP mean for specific conditions.) Below are comparisons across SDAs for each PDI, with additional comparisons to the national AHRQ rate and the CHIP mean when appropriate.

Rates for inpatient admission for asthma across SDAs were variable, ranging from 31 per 100,000 in Webb to 206 per 100,000 in Nueces. Nueces was the only SDA to exceed the national AHRQ rate of 181 per 100,000 for inpatient admissions for asthma (206
per 100,000). The lowest performing SDAs in addition to Nueces on this measure were Dallas (160 per 100,000), Lubbock (132 per 100,000), and Bexar (122 per 100,000), each with inpatient rates higher than the CHIP mean of 88 per 100,000.

- Rates for inpatient admission for diabetes short-term complications ranged from zero per 100,000 in Nueces and Webb to 49 per 100,000 in Travis. Four SDAs exceeded both the CHIP mean (24 per 100,000) and the national AHRQ mean (29 per 100,000) for inpatient diabetes-related admissions: Travis (49 per 100,000), Lubbock (44 per 100,000), El Paso (37 per 100,000), and Dallas (36 per 100,000), indicating low performance on this measure.

- Rates for inpatient admission for gastroenteritis ranged from 10 per 100,000 in Travis to 93 per 100,000 in Webb. All SDAs were below the national AHRQ mean (183 per 100,000), indicating relatively good performance on this measure. Three SDAs had inpatient admissions rates at least 1.9 times greater than the CHIP mean for this measure – Nueces at 80 per 100,000, Superior EPO at 82 per 100,000, and Webb at 93 per 100,000.

- Rates for inpatient admission for urinary tract infection ranged from 4 per 100,000 in Tarrant to 40 per 100,000 in Superior EPO. All SDAs were below the national AHRQ mean of 53 per 100,000 for this measure.
Chart 7. HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life

CHIP MCOs - September 1, 2007 to August 31, 2008
CHIP Enrollees in Age Group = 26,987

54.18% 62.56% 60.22% 62.15% 59.77% 57.71% 60.18%
47.84%
57.08%
49.11%
64.60% 56.63% 57.87% 54.85% 61.64%
42.47%

Reference: CHIP Table W3409

Key Points:

1. Chart 7 presents results for the HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life measure, distributed by MCO. This measure provides the percentage of CHIP enrollees between three and six years of age who received one or more well-child visits with a primary care practitioner during the measurement period. Note that the HEDIS® measure specifies that visits be with a primary care practitioner. Due to not enforcing provider type constraints in the calculation, the results shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. Fifty-nine percent of CHIP enrollees between three and six years of age received at least one well-child visit.
   - CHIP’s performance on this measure was below the national HEDIS® mean of 65 percent, but above the HHSC Performance Indicator Dashboard Standard of 56 percent.
• CHIP declined slightly in performance on this measure from SFY 2007 when 61 percent of CHIP enrollees had at least one well-child visit.

3. Across MCOs, the percentage of enrollees receiving at least one well-child visit ranged from 42 percent in UniCare to 65 percent in Parkland.

• Only Parkland met the national HEDIS® mean of 65 percent for this measure. However, 11 of the 17 MCOs met or exceeded the HHSC Performance Indicator Dashboard Standard of 56 percent for this measure.

4. Given the lifting of provider constraints for this measure, rates for well-child visits may be slightly inflated, and thus the results may overestimate CHIP’s performance. HHSC may wish to take measures to increase the number of children receiving well-child visits in CHIP overall, and specifically in FirstCare, Molina, UniCare, and UnitedHealthcare – Texas, all of whom had well-child visits below 50 percent for enrollees.

• Increasing well-child visits can be achieved through multiple, coordinated interventions involving but not limited to team-based care, care coordination through a medical home, and advanced access to health services. Recent efforts to increase well-child visits have targeted the health delivery system, through patient reminders and open access, flexible scheduling. One such effort involved a three-tiered intervention that included a mailed well-child appointment reminder in the appropriate language, followed by mailed and telephoned follow-up for missed appointments. The last level of intervention was reserved for families unable or unwilling to keep scheduled appointments (identified as high risk), and included intensive case management and home visits when necessary. After 15 months, infants in the intervention group were more likely than infants in the control group to be up to date on immunizations and had received the recommended number of well-child visits.

• Additionally, primary care practices that have open or “advanced” access to care may potentially improve access to well-child visits. The Commonwealth Fund defines “advanced” access to care as efforts that make health care more convenient for patients, such as: 1) Enhancing communication between patients and providers through remote access (i.e., secure messaging, web-based virtual visits); 2) Allowing patients to make same day appointments or appointments at times that are convenient for them; 3) Providing child educational and developmental assessments in contexts outside of the physician’s office, such as in schools, daycares, and churches; and 4) Identifying high-risk children and delivering well-child care through home visits. HHSC may wish to further examine the barriers to well-child visits among CHIP enrollees, and implement interventions that address those barriers, improving the health delivery system and patient access to care.
Chart 8. HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Enrollees in Age Group = 26,987

Key Points:

1. Chart 8 provides results for the HEDIS® Well-Child Visits in the 3rd, 4th, 5th, and 6th Years of Life measure, distributed by MCO/SDA.

2. Across the MCO/SDA groups, the percentage of children receiving well-child visits ranged from 42 percent in UniCare – Dallas to 65 percent in both Parkland – Dallas and Superior – El Paso. Both Parkland - Dallas and Superior El Paso were the only MCOs to meet the national standards.

Reference: CHIP Table W3409

Note: The denominator in AMERIGROUP – Nueces was less than 30; therefore the rate is not shown for this MCO/SDA group. Eligible members are included in the overall CHIP rate.

Reference: CHIP Table W3409

Note: The denominator in AMERIGROUP – Nueces was less than 30; therefore the rate is not shown for this MCO/SDA group. Eligible members are included in the overall CHIP rate.
HEDIS® mean of 65 percent for this measure. However, 16 out of 24 MCO/SDAs met or exceeded the HHSC Performance Indicator Dashboard Standard of 56 percent for well-child visits.

- In addition to Unicare – Dallas, the lowest performing MCO/SDA groups (with less than half of eligible children receiving well-child visits) were FirstCare – Lubbock (48 percent), Molina – Harris (49 percent), and UnitedHealthcare – Texas – Harris (49 percent).

3. At the SDA level, the percentage of children receiving well-child visits ranged from 53 percent in Lubbock to 62 percent in both Dallas and El Paso. All of the SDAs were below the national HEDIS® mean for this measure; however eight out of 10 SDAs met or exceeded the HHSC Performance Indicator Dashboard Standard of 56 percent.
Chart 9. HEDIS® Adolescent Well-Care Visits

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Eligible in the Age Group = 96,379

Reference: CHIP Table AWC09

Key Points:

1. Chart 9 provides the percentage of CHIP enrollees 12 to 21 years old who received one or more comprehensive adolescent well-care visits with a physician provider during the measurement period, distributed by MCO. Note that the HEDIS® measure specifies the visits be with a primary care practitioner or an OB/GYN practitioner. Due to not enforcing the provider type constraints, the results shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. The percentage of adolescents in CHIP receiving one or more well-care visits was 39 percent, slightly below the national HEDIS® mean of 42 percent for this measure, but slightly above the HHSC Performance Indicator Dashboard Standard of 38 percent.
   - CHIP performance on this measure remained unchanged from SFY 2007, when 39 percent of adolescents received well-care visits.
3. Across MCOs, rates of adolescent well-care visits ranged from 22 percent in Molina to 48 percent in El Paso First. Five out of 17 MCOs met or exceeded the national HEDIS® mean for this measure – El Paso First (48 percent), Texas Children’s (47 percent), AMERIGROUP (45 percent), Parkland (43 percent), and Driscoll (42 percent).
   - The MCOs with the lowest percentage of adolescents receiving well-care visits were Molina at 22 percent, UniCare at 26 percent, Aetna at 26 percent, and FirstCare at 28 percent.
   - Nine of the 17 MCOs met or exceeded the HHSC Performance Indicator Dashboard Standard of 38 percent for adolescent well-care visits.

4. As noted, the lifting of provider constraints inflates the percentage of adolescents included in the well-care visit measure. A doctor’s office visit broadly defined may not constitute a well-care visit, and thus the results may overestimate CHIP’s actual performance on this measure. Overall, CHIP met the HHSC Performance Indicator Dashboard Standard, but performed below the national HEDIS® mean. Furthermore, eight out of 17 MCOs did not meet the HHSC Performance Indicator Dashboard Standard, suggesting the need for improved access to adolescent well-care visits specifically in those plans.
### Chart 10. HEDIS® Adolescent Well-Care Visits – SDA Breakout

**CHIP MCOs - September 1, 2007 to August 31, 2008**

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Superior EPO</th>
<th>Tarrant</th>
<th>Travis</th>
<th>Webb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>35.46%</td>
<td>43.29%</td>
<td>47.46%</td>
<td>41.70%</td>
<td>26.71%</td>
<td>40.11%</td>
<td>34.60%</td>
<td>36.66%</td>
<td>39.05%</td>
<td>40.31%</td>
</tr>
</tbody>
</table>

Reference: CHIP Table AWC09

**Key Points:**

1. Chart 10 presents results for the HEDIS® Adolescent Well-Care Visits measure, distributed by MCO/SDA. For a description of this measure, see Chart 9.

2. The percentage of adolescent well-care visits across MCO/SDA groups ranged from 22 percent in Molina – Harris to 48 percent in El Paso First – El Paso. The MCO/SDA groups with the highest percentage of well-care visits, in addition to El Paso First – El Paso, were AMERIGROUP – Dallas (47 percent), Superior – El Paso (47 percent), and Texas Children’s – Harris (47 percent).
Thirteen of the 25 MCO/SDA groups performed below the HHSC Performance Indicator Dashboard Standard of 38 percent for this measure, suggesting a need to improve access to well-care visits for adolescents in these plans.

3. At the SDA level, the percentage of adolescent well-care visits ranged from 27 percent in Lubbock to 47 percent in El Paso. Six of the ten SDAs – Dallas, El Paso, Harris, Nueces, Travis, and Webb - met or exceeded the HHSC Performance Indicator Dashboard Standard of 38 percent for this measure.
Chart 11. HEDIS® Follow-Up after Hospitalization for Mental Illness

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Mental Health Hospitalizations = 955

<table>
<thead>
<tr>
<th>MCO</th>
<th>Mean - 7 Days</th>
<th>HEDIS® Mean</th>
<th>Aetna</th>
<th>AMERIGROUP</th>
<th>Community First</th>
<th>Cook Children’s</th>
<th>Driscoll</th>
<th>Parkland</th>
<th>Seton</th>
<th>Superior</th>
<th>Superior EPO</th>
<th>Texas Children’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community First</td>
<td>42.22%</td>
<td>42.50%</td>
<td>34.78%</td>
<td>34.38%</td>
<td>88.85%</td>
<td>68.85%</td>
<td>39.22%</td>
<td>35.29%</td>
<td>67.74%</td>
<td>32.73%</td>
<td>35.00%</td>
<td>36.61%</td>
</tr>
<tr>
<td>Cook Children’s</td>
<td>39.22%</td>
<td>39.79%</td>
<td>34.78%</td>
<td>34.38%</td>
<td>68.85%</td>
<td>68.85%</td>
<td>39.22%</td>
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<td>67.74%</td>
<td>32.73%</td>
<td>35.00%</td>
<td>36.61%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>67.74%</td>
<td>68.85%</td>
<td>65.63%</td>
<td>60.87%</td>
<td>88.52%</td>
<td>69.63%</td>
<td>82.35%</td>
<td>56.86%</td>
<td>77.42%</td>
<td>74.55%</td>
<td>70.38%</td>
<td>71.43%</td>
</tr>
<tr>
<td>Parkland</td>
<td>77.42%</td>
<td>70.79%</td>
<td>61.00%</td>
<td>65.63%</td>
<td>88.52%</td>
<td>69.63%</td>
<td>82.35%</td>
<td>56.86%</td>
<td>77.42%</td>
<td>74.55%</td>
<td>70.38%</td>
<td>71.43%</td>
</tr>
<tr>
<td>Seton</td>
<td>74.55%</td>
<td>70.79%</td>
<td>61.00%</td>
<td>65.63%</td>
<td>88.52%</td>
<td>69.63%</td>
<td>82.35%</td>
<td>56.86%</td>
<td>77.42%</td>
<td>74.55%</td>
<td>70.38%</td>
<td>71.43%</td>
</tr>
<tr>
<td>Superior</td>
<td>70.38%</td>
<td>70.79%</td>
<td>61.00%</td>
<td>65.63%</td>
<td>88.52%</td>
<td>69.63%</td>
<td>82.35%</td>
<td>56.86%</td>
<td>77.42%</td>
<td>74.55%</td>
<td>70.38%</td>
<td>71.43%</td>
</tr>
<tr>
<td>Superior EPO</td>
<td>71.43%</td>
<td>70.79%</td>
<td>61.00%</td>
<td>65.63%</td>
<td>88.52%</td>
<td>69.63%</td>
<td>82.35%</td>
<td>56.86%</td>
<td>77.42%</td>
<td>74.55%</td>
<td>70.38%</td>
<td>71.43%</td>
</tr>
<tr>
<td>Texas Children’s</td>
<td>71.43%</td>
<td>70.79%</td>
<td>61.00%</td>
<td>65.63%</td>
<td>88.52%</td>
<td>69.63%</td>
<td>82.35%</td>
<td>56.86%</td>
<td>77.42%</td>
<td>74.55%</td>
<td>70.38%</td>
<td>71.43%</td>
</tr>
</tbody>
</table>

Reference: CHIP Table FUH09
Note: Denominators of less than 30 eligible members were observed in Community Health Choice, El Paso First, FirstCare, Mercy, Molina, UniCare and UnitedHealthcare-Texas; rates for these health plans are therefore not reported. Eligible members are included in the overall CHIP rate.

Key Points:

1. Chart 11 provides the percentage of CHIP enrollees six years of age or older who were hospitalized for mental illness and who had an outpatient visit, an intensive outpatient encounter, or a partial hospitalization with a physician provider during the measurement period, distributed by MCO. Two percentages are shown – one for follow-up within seven days of discharge, and one for follow-up within 30 days of discharge. Rates for this measure are slightly inflated due to ignoring the provider type constraints in calculations, which should be taken into consideration when comparing rates with the national HEDIS® means (which specify that follow-up occur with a mental health provider).

2. At the seven-day follow-up period, CHIP performed below the national HEDIS® mean of 43 percent, but above the HHSC Performance Indicator Dashboard Standard of 32 percent, with 41 percent of CHIP members receiving seven-day follow-up care after hospitalization for a mental illness. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.) Performance on this measure was similar to SFY 2007, when 41 percent of CHIP members received seven-day follow-up care after hospitalization for a mental illness.

   - Community First and Seton performed notably well on this measure, with 69 percent and 68 percent of members receiving seven-day follow-up care after hospitalization for a mental illness. Specifically, Community First improved on this measure by 18 percentage points since SFY 2007, when 50 percent of CHIP members received seven-day follow-up care. (Note: Results for Seton on this measure were not available last year.)
Although none of the MCOs were below the HHSC Performance Indicator Dashboard Standard of 32 percent, eight out of 10 MCOs were below the national HEDIS® mean for those receiving follow-up care after hospitalization for a mental illness. The lowest performing MCO on this measure was Superior at 33 percent.

In SFY 2007, both Parkland (23 percent) and Driscoll (28 percent) had rates of seven-day follow-up among members hospitalized for a mental illness below 30 percent. Each has improved their performance in SFY 2008, with Driscoll improving by 11 percentage points and Parkland improving by 13 percentage points.

3. At the 30-day follow-up period, CHIP performed above both the national HEDIS® mean of 61 percent and the HHSC Performance Indicator Dashboard Standard of 52 percent, with 71 percent of CHIP members receiving 30-day follow-up care after hospitalization for a mental illness. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.) Performance on this measure was similar to SFY 2007, when 72 percent of CHIP members received 30-day follow-up care after hospitalization for a mental illness.

- The best-performing MCOs on this measure were Community First (89 percent), Driscoll (82 percent) and Seton (77 percent).
- Parkland was the only MCO below the HEDIS® mean of 61 percent, with 57 percent of its members receiving 30-day follow-up care after hospitalization for a mental illness.

4. Although some MCOs increased their percentage of members receiving seven-day follow-up after hospitalization for a mental illness since SFY 2007, notably in Parkland and Driscoll, there is still a need for program-wide improvement on this measure. As stated, CHIP overall and eight of 10 MCOs performed below the national HEDIS® mean for the percentage of members receiving seven-day follow-up after hospitalization for a mental illness.

- HHSC may wish to examine the factors that increase follow-up rates after hospitalization for mental illness. Patient follow-up is important in sustaining treatment gains made in the hospital, providing continued support and treatment to the patient, and reducing the risk of rehospitalization. “Bridging” strategies between inpatient and outpatient treatment have been shown to prevent “gaps” in care after psychiatric hospitalizations. Core elements of “bridging” involve beginning outpatient care prior to discharge, providing support and transitional care by inpatient staff, and involving family members in discharge plans and outpatient treatment. Parental involvement in treatment and discharge planning is critical in bridging the gap between inpatient and outpatient care. Research has identified a link between a child’s clinical outcomes during the post-discharge phase and the parent-child relationship. Specifically, family relationships characterized by harsh discipline and low parental involvement increase the risk of rehospitalization. Thus, discharge planning should also include plans for treating the family system, strengthening the parent-child relationship, and encouraging parents to practice healthy, authoritative parenting strategies.
Chart 12. Readmission within 30 Days after an Inpatient Stay for Mental Health

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Inpatient Mental Health Eligible Stays = 1,284

Reference: CHIP Table MHReadmit09
Note: Denominators of less than 30 eligible members were observed in Community Health Choice, El Paso First, FirstCare, Mercy, Molina and UnitedHealthcare-Texas; rates for these health plans are therefore not reported. Eligible members are included in the overall CHIP rate.

Key Points:

1. Chart 12 provides the percentage of CHIP enrollees who were readmitted within 30 days following an inpatient stay for mental health problems, distributed by MCO. Mental health readmissions are frequently used as a measure of an adverse outcome, which potentially result from efforts to contain behavioral health care costs such as reducing the initial length of stay. For this measure, lower rates of readmission indicate better performance.

2. Rates of readmission within 30 days after a mental health hospital stay varied considerably across MCO groups, ranging from 9 percent in Driscoll to 56 percent in Unicare.
• The best performing MCOs on this measure (those with the lowest percentage of members readmitted within 30 days after an inpatient stay for mental health) were Driscoll (9 percent), Superior EPO (12 percent), and Aetna (14 percent). Eight out of 11 MCOs were below the CHIP mean of 19 percent for this measure.

• In contrast, UniCare had a high readmission rate (56 percent), with approximately half of members readmitted within 30 days after an inpatient stay for mental health. The second lowest performing MCO on this measure was Community First with a 30 percent readmission rate.

3. Overall, CHIP performed better on this measure in SFY 2008 than in SFY 2007, when 36 percent of members were readmitted within 30 days following an inpatient stay for mental health. In addition, seven MCOs demonstrated improved performance on readmission rates from SFY 2007 to SFY 2008, notably the following:

• Cook Children’s reduced their readmission rate from 57 percent to 15 percent (a decrease of 42 percentage points).

• Aetna reduced their readmission rate from 52 percent to 14 percent (a decrease of 38 percentage points).
Chart 13. HEDIS® Appropriate Testing for Children with Pharyngitis

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Eligible = 15,370

Reference: CHIP Table CWP09

Key Points:

1. Chart 13 provides the percentage of children, two to 18 years of age in CHIP who were diagnosed with pharyngitis, dispensed an antibiotic, and received a group A streptococcus test for the episode, distributed by MCO. A higher rate on this measure represents better performance (i.e., appropriate testing).

2. CHIP performed lower than the national average for Medicaid Managed Care Plans reporting to the NCQA on this measure, with 53 percent of children with pharyngitis receiving appropriate testing, compared to 58 percent nationally. This percentage has not changed since SFY 2007, when 53 percent of children with pharyngitis received appropriate testing in that year.

3. The best performing MCOs on this measure were Parkland (62 percent), Texas Children’s (61 percent), and Community First (61 percent). In contrast, El Paso First (38 percent) and Mercy (40 percent) had the lowest percentage of children with pharyngitis receiving appropriate testing. However, both El Paso First and Mercy improved their performance on this measure from SFY 2007, when 31 percent and 27 percent received pharyngitis testing, respectively.
4. In summary, 14 out of 17 MCOs were below the national HEDIS® rate of 58 percent for children with pharyngitis receiving appropriate treatment, suggesting the need for program-wide improvement in the care and treatment of pharyngitis in children.

- Improving pharyngitis testing and treatment for children is important in reducing the use of antibiotics when sore throats are caused by viral agents, and in cases where the etiology of symptoms is bacterial, reducing symptoms and shortening the course of disease. A recent study examined how pediatricians and family physicians made decisions about testing and treating pharyngitis by presenting clinical scenarios and comparing physician responses to evidence-based clinical guidelines. Between 32 and 81 percent of physicians inappropriately managed pharyngitis symptoms by prescribing antibiotic treatment before knowing the results of diagnostic tests, continuing medication when test results were negative, performing follow-up diagnostic tests on asymptomatic children, and testing children when their symptoms and/or clinical picture suggested a viral etiology. In addition, physicians indicated that their treatment decisions were often influenced by parents, whom they believed expected antibiotic prescriptions regardless of test results or clinical findings. Increasing physician knowledge of and use of current evidence-based clinical guidelines may improve the management and treatment of pharyngitis in children. For example, an educational intervention in a hospital emergency room setting that implemented the use of evidence-based clinical guidelines for pharyngitis increased the appropriate treatment rate from 44 percent to 91 percent. HHSC may wish to conduct similar efforts to improve the management of pharyngitis through physician education and training, specifically in the utilization of evidence-based clinical guidelines in testing and treatment decisions.
Chart 14. HEDIS® Appropriate Testing for Children with Pharyngitis – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Eligible = 15,370

Reference: CHIP Table CWP09

Note: The denominator was less than 30 in AMERIGROUP – Nueces; the rate is therefore not reported for this MCO/SDA group. Eligible members are included in overall CHIP rate.

Key Points:

1. Chart 14 presents results for the HEDIS® Appropriate Testing for Children with Pharyngitis measure, distributed by MCO/SDA. For a description of this measure, see Chart 13.

2. Across the MCO/SDA groups, the percentage of children with pharyngitis receiving appropriate testing ranged from 32 percent in AMERIGROUP – Harris to 64 percent in Aetna – Bexar. The best performing MCO/SDA groups, in addition to Aetna – Bexar, were Parkland...
– Dallas (62 percent), Community First – Bexar (61 percent), and Texas Children’s – Harris (61 percent), all of which exceeded the national HEDIS® mean of 58 percent.

3. At the SDA level, Bexar was the only SDA to exceed the national HEDIS® mean of 58 percent for pharyngitis testing, although both Dallas (57 percent) and Travis (56 percent) were close to the national mean. The lowest performing SDAs on this measure were Webb at 40 percent, El Paso at 42 percent, and Nueces at 45 percent, indicating a need to improve care and testing of children with pharyngitis specifically in these SDAs.

   • SDA-level results were similar to those reported in SFY 2007 on this measure. However, both Travis and Webb improved their performance from SFY 2007 to SFY 2008.
   • Webb increased appropriate pharyngitis testing among members from 27 percent to 40 percent.
   • Travis increased appropriate pharyngitis testing among members from 47 percent to 56 percent.

4. Please see Chart 13 for specific recommendations to increase the percentage of children with pharyngitis receiving appropriate testing.
Chart 15A. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners

CHIP MCOs - September 1, 2007 to August 31, 2008

| CHIP Eligible 25 Months-6 Years = 31,959 |
| CHIP Eligible 7-11 Years = 25,442 |
| CHIP Eligible 12-19 Years = 38,436 |

Reference: CHIP Table CAP09

Key Points:
1. Chart 15A presents results for the HEDIS® Children and Adolescents’ Access to Primary Care Practitioners measure for three age groups - 25 months to six years of age, 7 to 11 years of age, and 12 to 19 years of age, distributed by MCO. Children ages 12 to 24 months are excluded this year because of lack of sufficient data. Chart 15A presents the results for this measure for nine MCOs in CHIP, and Chart 15B presents results for the remaining eight MCOs. Key points for both charts are presented under Chart 15B.
Chart 15B. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners

CHIP MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>Age Group</th>
<th>CHIP Eligible 25 Months-6 Years</th>
<th>CHIP Eligible 7-11 Years</th>
<th>CHIP Eligible 12-19 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31,959</td>
<td>25,442</td>
<td>38,436</td>
</tr>
</tbody>
</table>

Reference: CHIP Table CAP09
Note: Denominators less than 30 were observed in Molina and UnitedHealthcare – Texas in the seven to 11 year and 12 to 19 year age groups, and in UniCare in the 7 to 11 year age group; rates are therefore not reported in the MCOs for these age bands. Denominators less than 30 in the 12 to 24 months age group were observed in many MCOs; therefore this age band is not reported this year. Eligible members are included in the overall CHIP rates.

Key Points:

1. Charts 15A and 15B provide the percentage of children and adolescents in CHIP who had a visit with a physician provider during the measurement period, distributed by MCO. Rates are presented separately for three age groups – 25 months to six years, seven to 11 years, and 12 to 19 years. The HEDIS® measure specifies visits with a primary care practitioner. Due to not enforcing provider type constraints, the percentages shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.

2. Among children 25 months to six years of age, CHIP overall performed above the national HEDIS® mean of 84 percent, with 89 percent of children in this age range visiting a care provider. Performance on this measure declined slightly from SFY 2007, when 92 percent of children 25 months to six years of age visited a care provider.
• The percentage of children 25 months to six years of age who visited a care provider ranged from 71 percent in UniCare to 95 percent in Driscoll. All MCOs performed above the national HEDIS® mean for this measure (84 percent), except for UniCare (71 percent), Molina (74 percent), Aetna (81 percent), and Seton (82 percent).

• Among MCOs that have percentage rates on this measure for both SFY 2007 and 2008, the majority slightly improved their performance, with Community Health Choice improving by seven percentage points (85 percent in SFY 2007 to 92 percent in SFY 2008).

3. Among children seven to 11 years of age, CHIP overall performed above the national HEDIS® mean of 86 percent, with 93 percent of children in this age range visiting a care provider. (Note: Comparisons to SFY 2007 are not available.)

• The percentage of children seven to 11 years of age who visited a care provider ranged from 85 percent in Seton to 97 percent in Mercy, with all MCOs except Seton performing above the national HEDIS® mean for this measure (86 percent).

4. Among children and adolescents 12 to 19 years of age, CHIP overall performed above the national HEDIS® mean of 83 percent, with 90 percent of children in this age range visiting a care provider. (Note: Comparisons to SFY 2007 are not available.)

• The percentage of children and adolescents 12 to 19 years of age who visited a care provider ranged from 61 percent in Aetna to 94 percent in Driscoll. All MCOs except Aetna exceeded the national HEDIS® mean of 83 percent for this measure. Aetna’s low performance on this measure warrants further attention, and efforts should be made to improve access to care providers for children and adolescents in this plan.

5. In summary, CHIP overall and the majority of MCOs performed well on this measure for all age groups, with the vast majority of members visiting a care provider during SFY 2008. However, it should also be noted that these results may slightly overestimate performance on this measure because of the lifting of provider constraints. Thus, conclusions about the results should be based on the knowledge that the national HEDIS® mean and CHIP mean were calculated differently (provider-type constraints as specified by HEDIS® were not enforced).
Chart 16A. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Eligible 25 Months-6 Years = 31,959
CHIP Eligible 7-11 Years = 25,442
CHIP Eligible 12-19 Years = 38,436

Reference: CHIP Table CAP09
Note: Denominators less than 30 were observed in Aetna - Bexar in the seven to 11 year and 12 to 19 year age groups, and in UniCare - Dallas in the seven to 11 year age group; rates are therefore not reported in these MCO/SDA groups in these age bands. Denominators less than 30 in the 12 to 24 months age group were observed in many MCO/SDA groups; therefore this age band is not reported this year. Eligible members are included in the overall CHIP rates.

Key Points:
1. Chart 16A presents results for the HEDIS® Children and Adolescents’ Access to Primary Care Practitioners measure for eight MCO/SDA groups in the Bexar, Dallas, and El Paso SDAs. Chart 16B presents results for this measure for 10 MCO/SDA groups in the Harris, Lubbock, and Nueces SDAs. Chart 16C presents results for this measure for the remaining seven MCO/SDA groups in Superior EPO and the Tarrant, Travis, and Webb SDAs. Key points for all charts are presented under Chart 16C.
Chart 16B. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th>MCO Mean-25 Mo to 6 Yrs</th>
<th>HEDIS® Mean</th>
<th>AMERIGROUP - Harris</th>
<th>Community Health Choice - Harris</th>
<th>Molina - Harris</th>
<th>Texas Children's - Harris</th>
<th>UnitedHealthcare - Texas - Harris</th>
<th>FirstCare - Lubbock</th>
<th>Superior - Lubbock</th>
<th>AMERIGROUP - Nueces</th>
<th>Driscoll - Nueces</th>
<th>Superior - Nueces</th>
</tr>
</thead>
<tbody>
<tr>
<td>All CHIP MCO Mean</td>
<td>89.17%</td>
<td>84.30%</td>
<td>89.11%</td>
<td>91.86%</td>
<td>74.44%</td>
<td>92.85%</td>
<td>86.99%</td>
<td>90.88%</td>
<td>88.39%</td>
<td>90.00%</td>
<td>95.35%</td>
</tr>
<tr>
<td>MCO Mean-7 to 11 Yrs</td>
<td>93.14%</td>
<td>85.80%</td>
<td>92.61%</td>
<td>88.64%</td>
<td>95.85%</td>
<td>93.84%</td>
<td>94.72%</td>
<td>96.26%</td>
<td>96.26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCO Mean-12 to 19 Yrs</td>
<td>90.40%</td>
<td>82.60%</td>
<td>90.32%</td>
<td>83.70%</td>
<td>92.30%</td>
<td>91.82%</td>
<td>89.83%</td>
<td>93.78%</td>
<td>93.78%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: CHIP Table CAP09

Note: Denominators less than 30 were observed in Molina – Harris, UnitedHealthcare – Texas – Harris, AMERIGROUP – Nueces, and Superior – Nueces in the seven to 11 year and 12 to 19 year age groups; rates are therefore not reported in these MCO/SDA groups in these age bands. Denominators less than 30 in the 12 to 24 months age group were observed in many MCO/SDA groups; therefore this age band is not reported this year. Eligible members are included in the overall CHIP rate.
**Chart 16C. HEDIS® Children and Adolescents’ Access to Primary Care Practitioners – SDA Breakout**

CHIP MCOs - September 1, 2007 to August 31, 2008

<table>
<thead>
<tr>
<th></th>
<th>All CHIP MCO Mean</th>
<th>HEDIS® Mean</th>
<th>Superior EPO - Statewide</th>
<th>Aetna - Tarrant</th>
<th>AMERIGROUP - Tarrant</th>
<th>Cook Children's - Tarrant</th>
<th>Seton - Travis</th>
<th>Superior - Travis</th>
<th>Mercy - Webb</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCO Mean-25 Mo to 6 Yrs</td>
<td>89.17%</td>
<td>84.30%</td>
<td>88.13%</td>
<td>80.76%</td>
<td>87.12%</td>
<td>89.57%</td>
<td>82.41%</td>
<td>83.68%</td>
<td>91.05%</td>
</tr>
<tr>
<td>MCO Mean-7 to 11 Yrs</td>
<td>93.14%</td>
<td>85.80%</td>
<td>92.48%</td>
<td>89.13%</td>
<td>92.48%</td>
<td>84.84%</td>
<td>89.06%</td>
<td>97.03%</td>
<td></td>
</tr>
<tr>
<td>MCO Mean-12 to 19 Yrs</td>
<td>90.40%</td>
<td>82.60%</td>
<td>90.25%</td>
<td>93.75%</td>
<td>90.22%</td>
<td>84.71%</td>
<td>80.46%</td>
<td>91.83%</td>
<td></td>
</tr>
</tbody>
</table>

**Reference: CHIP Table CAP09**

Note: Denominators less than 30 were observed in Aetna – Tarrant in the seven to 11 year and 12 to 19 year age groups; rates are therefore not reported in this MCO/SDA group in these age bands. Denominators less than 30 in the 12 to 24 months age group were observed in many MCO/SDA groups; therefore this age band is not reported this year. Eligible members are included in the overall CHIP rate.

**Key Points:**

1. Charts 16A, 16B, and 16C provide the percentage of children and adolescents in CHIP who had a visit with a physician provider during the measurement period, distributed by MCO/SDA. Rates are presented separately for three age groups – 25 months to six years, seven to 11 years, and 12 to 19 years. The HEDIS® measure specifies visits with a primary care practitioner. After lifting provider constraints, the percentages shown here are slightly inflated, which should be taken into consideration when making comparisons with the national HEDIS® mean.
2. The best performing MCO/SDA groups, each of which exceeded 90 percent on this measure for each of the three age groups, were Community First – Bexar, Superior – El Paso, Texas Children’s – Harris, FirstCare – Lubbock, Driscoll – Nueces, and Mercy-Webb.

3. MCO/SDA results for the percentage of children between 25 months and six years of age who visited a care provider are as follows:

   - Nineteen out of 25 MCO/SDA groups were at or above the national HEDIS® mean of 84 percent for this measure. The six MCO/SDA groups below the national HEDIS® mean were: UniCare - Dallas (71 percent), Molina – Harris (74 percent), Superior – Nueces (78 percent), Aetna – Bexar (81 percent), Aetna – Tarrant (81 percent), and Seton – Travis (82 percent).

   - The MCO/SDA groups with the largest percentage of members visiting a care provider were Driscoll-Nueces (95 percent) and Texas Children’s – Harris (93 percent).

   - At the SDA level, the percentage of children between 25 months to six years of age visiting a care provider ranged from 83 percent in Travis to 94 percent in Nueces, with all SDAs except Travis performing above the national HEDIS® mean of 84 percent for this measure.

4. MCO/SDA results for the percentage of children between seven and 11 years of age who visited a care provider are as follows:

   - Out of the 18 MCO/SDA groups for which there is data on this measure, 17 were above the national HEDIS® mean of 86 percent. Seton – Travis performed slightly below the national mean (86 percent), at 85 percent.

   - The MCO/SDA groups with the largest percentage of members visiting a care provider were Mercy – Webb (97 percent), Texas Children’s – Harris (96 percent), and Driscoll - Nueces (96 percent). (Note that the majority of MCO/SDA groups were above 90 percent on this measure.)

   At the SDA level, the percentage of children between seven and 11 years of age visiting a care provider ranged from 85 percent in Travis to 97 percent in Webb, with all SDAs except Travis performing above the national HEDIS® mean of 86 percent for this measure. (Note that Travis performed slightly below the national mean.)

5. MCO/SDA results for the percentage of children and adolescents between 12 and 19 years of age who visited a care provider are as follows:

   - Out of the 19 MCO/SDA groups for which there is data on this measure, 18 were at or above the national HEDIS® mean of 83 percent. Superior-Travis was the only MCO/SDA to perform slightly under the national mean at 80 percent for this measure.

   - The MCO/SDA groups with the largest percentage of members visiting a care provider were AMERIGROUP - Tarrant (94 percent), and Driscoll - Nueces (94 percent).
• At the SDA level, there was little variation across SDAs, with all performing relatively well on this measure. The percentage of children and adolescents between 12 and 19 years of age visiting a care provider ranged from 85 percent in Travis to 94 percent in Nueces, with all SDAs performing above the national HEDIS® mean of 83 percent for this measure.

6. In CHIP overall, children between seven and 11 years of age had the best access to health care providers (93 percent), followed by children and adolescents between the ages of 12 and 19 years of age (90 percent), and children between 26 months and six years of age (89 percent). Except where noted above, children and adolescents had very good access to health care providers. However, it should be noted that this measure lifted provider constraints, and thus the rates may be slightly higher than would be calculated by following HEDIS® specifications.
Chart 17. HEDIS® Outpatient Drug Utilization - Average Cost of Prescriptions per Member per Month

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Cost of Prescriptions = $112,346,528

Key Points:

1. Chart 17 provides results for the HEDIS® Outpatient Drug Utilization measure, showing average cost of prescriptions per member per month during the measurement period, distributed by MCO.

2. The average cost of prescriptions for CHIP members per month was $24.06, which is approximately 14 dollars less than the HEDIS® mean of $37.80. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.)

   - In SFY 2007, the average costs of prescriptions per member per month was calculated by age group, zero to nine years of age, and 10 to 19 years of age. In SFY 2008, prescription costs were calculated for all CHIP members, thus this year’s results are not comparable to SFY 2007.
3. The average cost of prescriptions per members per month across MCOs ranged from $9.74 in Molina to $32.98 in Driscoll, with the lowest prescription costs found in Molina ($9.74), Aetna ($14.15), UniCare ($16.00), and Community Health Choice ($16.25).
Chart 18. HEDIS® Outpatient Drug Utilization - Average Cost of Prescriptions per Member per Month – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Cost of Prescriptions = $112,346,528

Reference: CHIP Table ORX09

Key Points:

1. Chart 18 provides results for the HEDIS® Outpatient Drug Utilization measure, showing the average cost of prescriptions per member per month, distributed by MCO/SDA.

2. There was variation across MCO/SDA groups in the average cost of prescriptions per member per month, with costs ranging from $9.74 in Molina – Harris to $32.98 in Driscoll-Nueces. All MCO/SDA groups had prescription costs below the national HEDIS® mean of $37.80. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.)
3. Among SDAs, prescription costs were lower than the HEDIS® mean ($37.80), with Webb ($19.75) and Travis ($19.76) having the lowest average cost of prescriptions per member per month. Nueces SDA had the highest average cost of prescriptions per member per month at $31.13.
Chart 19. HEDIS® Outpatient Drug Utilization - Average Number of Prescriptions per Member per Year

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Number of Prescriptions = 1,705,227

Reference: CHIP Table ORX09

Key Points:

1. Chart 19 provides results for the HEDIS® Outpatient Drug Utilization measure, showing the mean annual number of prescriptions per member in CHIP during the measurement period, distributed by MCO.

2. The average annual number of prescriptions per member was considerably lower in CHIP (mean = 4.38) than the national HEDIS® mean of 10.30. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.)

   - Comparisons to SFY 2007 on this measure are not available because averages in that program year were calculated for CHIP members by age, showing separate results for members zero to nine years of age and for members 10 to 19 years of age.

3. Across the MCOs, the average annual number of prescriptions per member ranged from 2.31 in Molina to 5.85 in Driscoll. All MCOs were well below the national HEDIS® mean (mean = 10.30) for annual average number of prescriptions per member.
Chart 20. HEDIS® Outpatient Drug Utilization - Average Number of Prescriptions per Member per Year – SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Number of Prescriptions = 1,705,227

Key Points:

1. Chart 20 provides results for the HEDIS® Outpatient Drug Utilization measure, showing the mean annual number of prescriptions per member in CHIP, distributed by MCO/SDA.

2. Across the MCO/SDA groups, the average number of prescriptions per member per year was below the national HEDIS® mean of 10.30, ranging from 2.31 in Molina – Harris to 5.85 in Driscoll - Nueces. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.)
3. At the SDA level, the average number of prescriptions per member per year ranged from 3.32 in Travis to 5.62 in Nueces. All SDAs were well below the national HEDIS® mean for this measure (mean = 10.30).
### Chart 21. Percent of Emergency Department Visits with a Primary Diagnosis of an Ambulatory Care Sensitive Condition

**CHIP MCOs - September 1, 2007 to August 31, 2008**

**CHIP ED Visits = 99,082**

<table>
<thead>
<tr>
<th>MCO</th>
<th>% of Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>33.18%</td>
</tr>
<tr>
<td>AMERIGROUP</td>
<td>27.75%</td>
</tr>
<tr>
<td>Community First</td>
<td>30.55%</td>
</tr>
<tr>
<td>Community Health Choice</td>
<td>28.45%</td>
</tr>
<tr>
<td>Cook Children's</td>
<td>24.95%</td>
</tr>
<tr>
<td>Driscoll</td>
<td>24.52%</td>
</tr>
<tr>
<td>El Paso First</td>
<td>31.50%</td>
</tr>
<tr>
<td>FirstCare</td>
<td>26.71%</td>
</tr>
<tr>
<td>Mercy</td>
<td>26.47%</td>
</tr>
<tr>
<td>Molina</td>
<td>27.55%</td>
</tr>
<tr>
<td>Parkland</td>
<td>30.03%</td>
</tr>
<tr>
<td>Seton</td>
<td>28.85%</td>
</tr>
<tr>
<td>Superior</td>
<td>28.85%</td>
</tr>
<tr>
<td>Superior EPO</td>
<td>26.60%</td>
</tr>
<tr>
<td>Texas Children's</td>
<td>33.30%</td>
</tr>
<tr>
<td>UniCare</td>
<td>26.10%</td>
</tr>
<tr>
<td>UnitedHealthcare-Texas</td>
<td>24.52%</td>
</tr>
</tbody>
</table>

- **MCO Mean = 29.01%**
- **All CHIP MCO Mean = 29.01%**

**Reference:** CHIP Table ACSC09

**Key Points:**

1. Chart 21 provides the percentage of emergency department visits among CHIP enrollees during the measurement period who had a primary diagnosis of an ambulatory care sensitive condition (ACSC), distributed by MCO. ACSCs are medical problems that are potentially treatable through proper outpatient monitoring and an effective community health care system. Therefore, admission of members with ACSCs to the emergency room may be considered an indication that outpatient monitoring and community health care systems are under-performing; they represent trips to the emergency room that could potentially have been prevented. For this measure, the higher the percentage, the lower the health plan performance.

2. In CHIP overall, 29 percent of visits to the emergency department involved an ACSC. The percentage of ACSC-related emergency department visits in CHIP is greater than the HHSC Performance Indicator Dashboard Standard of 24 percent, which indicates underperformance on this measure.

- In SFY 2007, among CHIP enrollees, 28 percent of emergency department visits involved a primary diagnosis of an ACSC.
3. There was some degree of variation among MCOs on this measure, ranging from 25 percent in El Paso First and Mercy to 35 percent in Parkland. However, performance across the MCOs did not meet the HHSC performance Indicator Dashboard standard of 24 percent.

4. HHSC may wish to consider program-wide efforts toward reducing rates of emergency department visits for ACSCs. In reducing ACSC-related emergency department visits, The Commonwealth Fund recommends: 1) Promoting preventative health care (e.g., vaccinations); 2) Educating parents of children with chronic conditions on how to manage those conditions; and 3) Increasing the use of care coordination services among those with chronic conditions. Furthermore, access to high-quality primary care has been shown to reduce emergency department visits for ACSCs. High-quality primary care that provides family-centered care (i.e., partnerships between families and care professionals), timeliness in care, and increases in parental perception of “realized access” (i.e., the belief that they will be able to access care and referrals) are all associated with a reduction in ACSC-related emergency department visits. HHSC may wish to continue efforts to improve the quality of primary care in CHIP by ensuring that the recommendations listed above are incorporated into health plans.
Chart 22. Percent of Emergency Department Visits with a Primary Diagnosis of an Ambulatory Care Sensitive Condition – SDA Breakout

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Superior EPO</th>
<th>Tarrant</th>
<th>Travis</th>
<th>Webb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>31.23%</td>
<td>31.25%</td>
<td>25.39%</td>
<td>28.67%</td>
<td>30.63%</td>
<td>29.24%</td>
<td>27.55%</td>
<td>29.47%</td>
<td>27.47%</td>
<td>24.52%</td>
</tr>
</tbody>
</table>

Reference: CHIP Table ACSC09

Key Points:

1. Chart 22 provides the percentage of emergency department visits for CHIP enrollees with a primary diagnosis of an ambulatory care sensitive condition (ACSC), distributed by MCO/SDA. ACSCs are described in more detail under Chart 21.

2. None of the MCO/SDA groups except AMERIGROUP – Nueces met the HHSC Performance Indicator Dashboard Standard of 24 percent for this measure, suggesting the need for program-wide efforts toward reducing rates of emergency department visits for ACSCs. The best-performing MCO/SDA group on this measure was AMERIGROUP – Nueces at 23 percent, and the lowest-performing was Parkland - Dallas at 35 percent.
3. Among the SDAs, all had a higher percentage of ACSC-related emergency department visits than the HHSC standard of 24 percent, suggesting the need for improved performance on this measure. There was little variation on this measure across the SDAs, ranging from 25 percent in Webb and El Paso to 31 percent in Bexar, Dallas, and Lubbock.

4. Please see Chart 21 for specific recommendations to reduce emergency department visits for CHIP enrollees with a primary diagnosis of an ACSC.
Key Points:

1. Chart 23 provides the overall percentage of CHIP enrollees who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement period, distributed by MCO. Rates were not reported by age cohorts for the present report since there were many low denominators observed among the individual age groups.

2. Among CHIP members with asthma, 95 percent were appropriately prescribed medications. CHIP’s performance on this measure is eight percentage points greater than the national HEDIS® mean of 87 percent. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.)

3. There was little variability across MCOs on this measure, ranging from 91 percent in FirstCare to 100 percent in Mercy for appropriate prescription of medications for those with asthma.
Chart 24. HEDIS® Use of Appropriate Medications for People with Asthma - SDA Breakout

CHIP MCOs - September 1, 2007 to August 31, 2008

CHIP Eligible = 2,401

<table>
<thead>
<tr>
<th>SDA</th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Lubbock</th>
<th>Nueces</th>
<th>Superior EPO</th>
<th>Tarrant</th>
<th>Travis</th>
<th>Webb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>94.92%</td>
<td>94.66%</td>
<td>97.48%</td>
<td>94.10%</td>
<td>92.21%</td>
<td>93.52%</td>
<td>95.36%</td>
<td>96.13%</td>
<td>97.12%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Reference: CHIP Table ASM09

Note: Denominators of less than 30 eligible members were observed in Aetna - Bexar, UniCare - Dallas, Superior - El Paso, Community Health Choice - Harris, Molina - Harris, UnitedHealthcare - Texas - Harris, AMERIGROUP - Nueces, Superior - Nueces, Aetna - Tarrant, AMERIGROUP - Tarrant and Superior - Travis; rates for these MCO/SDA groups are therefore not reported. Denominators less than 30 in five to nine year olds and 10 to 17 year olds were observed in many MCO/SDA groups; therefore the rates for these age groups are not reported this year. Eligible members were included in the overall CHIP rate.

Key Points:

1. Chart 24 provides the percentage of CHIP enrollees who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement period, distributed by MCO/SDA. Rates are presented for 14 MCO/SDA groups in 10 SDAs.
2. All MCO/SDA groups performed above the national HEDIS® mean of 87 percent for members receiving appropriate asthma medication, ranging from 89 percent in AMERIGROUP – Harris to 100 percent in Mercy - Webb. (Note: For this measure, interpreting CHIP results in relation to the national HEDIS® mean should be done with the knowledge that adults are included in the national rate.)

3. All SDAs exceeded the national HEDIS® mean (87 percent) for this measure. There was little variability among SDAs, ranging from 92 percent in Lubbock to 100 percent in Webb, with greater than 90 percent of members in each SDA being appropriately prescribed medication for asthma.

4. Overall, CHIP performed well on this measure with the vast majority of members with asthma receiving appropriate medications.
### Comparison of FY 2008 CHIP Quality of Care Measures with Fiscal Year 2008 Standards and Fiscal Year 2007 CHIP Measures

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient admission rate for asthma</td>
<td>88 per 100,000</td>
<td>NA</td>
<td>NA</td>
<td>181 per 100,000</td>
<td>95 per 100,000</td>
<td>NA</td>
</tr>
<tr>
<td>Inpatient admission rate for diabetes short-term complications</td>
<td>24 per 100,000</td>
<td>NA</td>
<td>NA</td>
<td>29 per 100,000</td>
<td>30 per 100,000</td>
<td>NA</td>
</tr>
<tr>
<td>Inpatient admission rate for gastroenteritis</td>
<td>42 per 100,000</td>
<td>NA</td>
<td>NA</td>
<td>183 per 100,000</td>
<td>38 per 100,000</td>
<td>NA</td>
</tr>
<tr>
<td>Inpatient admission rate for urinary tract infections</td>
<td>26 per 100,000</td>
<td>NA</td>
<td>NA</td>
<td>53 per 100,000</td>
<td>24 per 100,000</td>
<td>NA</td>
</tr>
<tr>
<td>Well-child visits in the 3rd, 4th, 5th, and 6th years of life*</td>
<td>59%</td>
<td>65%</td>
<td>56%</td>
<td>NA</td>
<td>61%</td>
<td>Unicare – Dallas (42%) FirstCare – Lubbock (48%) Molina – Harris (49%) UnitedHealthcare – Texas – Harris (49%) Aetna – Tarrant (53%) Superior – Travis (54%) Superior – Nueces (55%) Superior EPO – Statewide (55%)</td>
</tr>
<tr>
<td>Adolescent well-care visits**</td>
<td>39%</td>
<td>42%</td>
<td>38%</td>
<td>NA</td>
<td>39%</td>
<td>Molina – Harris (22%) Superior – Nueces (25%) Aetna – Tarrant (25%) UniCare – Dallas (26%) Superior – Lubbock (26%) Aetna – Bexar (27%) FirstCare – Lubbock (28%) UnitedHealthcare – Texas – Harris (31%) Superior – Travis (34%) Superior EPO – Statewide (35%)</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
<td>--------------------</td>
<td>---------------</td>
<td>------------------</td>
<td>----------------</td>
<td>-------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Follow-up after hospitalization for mental illness (7-day)***</td>
<td>40%</td>
<td>43%</td>
<td>32%</td>
<td>NA</td>
<td>41%</td>
<td>None</td>
</tr>
<tr>
<td>Follow-up after hospitalization for mental illness (30-day)***</td>
<td>71%</td>
<td>61%</td>
<td>52%</td>
<td>NA</td>
<td>72%</td>
<td>None</td>
</tr>
<tr>
<td>Readmission within 30 days after an inpatient stay for mental health</td>
<td>19%</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>36%</td>
<td>NA</td>
</tr>
<tr>
<td>Appropriate testing for children with pharyngitis</td>
<td>53%</td>
<td>58%</td>
<td>NA</td>
<td>NA</td>
<td>53%</td>
<td>NA</td>
</tr>
<tr>
<td>Children and adolescents’ access to primary care practitioners*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ages 25 months to 6 years</td>
<td>89%</td>
<td>84%</td>
<td>NA</td>
<td>NA</td>
<td>92%</td>
<td>NA</td>
</tr>
<tr>
<td>Ages 7 to 11 years</td>
<td>93%</td>
<td>86%</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Ages 12 to 19 years</td>
<td>90%</td>
<td>83%</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Average cost of prescriptions per member per month****</td>
<td>$24.06</td>
<td>$37.80</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Average number of prescriptions per member per year****</td>
<td>4.38</td>
<td>10.30</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Percent of ED visits with a primary diagnosis of an ACSC</td>
<td>29%</td>
<td>NA</td>
<td>24%</td>
<td>NA</td>
<td>28%</td>
<td>All MCO/SDA groups with the exception of AMERIGROUP - Nueces</td>
</tr>
<tr>
<td>Use of appropriate medications for people with asthma****</td>
<td>95%</td>
<td>87%</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

*The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any provider, while the HEDIS measure criteria include only visits to primary care practitioners.

**The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any provider, while the HEDIS measure criteria include only visits to primary care practitioners or OB/GYN practitioners.

***The Texas CHIP results are slightly inflated because the criteria used to determine the Texas CHIP measure include visits to any physician, while the HEDIS measure criteria include only visits to mental health providers.

****The criteria used to determine the Texas CHIP measure differ from the HEDIS criteria in that the HEDIS criteria include adults.
Endnotes


2 The information that NCQA compiles for Medicaid Managed Care Programs can be viewed at www.ncqa.org.


6 Technical specifications for the PDI can be viewed at http://www.qualityindicators.ahrq.gov/pqi_overview.htm.


11 Bergman, et al. 2006


INSTITUTE FOR CHILD HEALTH POLICY
Texas External Quality Review Organization

Technical Specifications Report for Annual Quality of Care Measures
Texas STAR, STAR+PLUS, CHIP, CHIP Dental, STAR Health, NorthSTAR & PCCM
Fiscal Year 2008

Prepared by
The Institute for Child Health Policy
University of Florida
The Texas External Quality Review Organization
for Medicaid Managed Care and the Children’s Health Insurance Program

Submitted:
October 29, 2009

Texas Contract Year 2009
SFY 2008 Quality of Care Report: CHIP
Version: V1.2
HHSC Approval Date: November 30, 2009
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</tr>
</tbody>
</table>
**Introduction**

The purpose of this document is to provide technical specifications for the Quality of Care measures submitted to the Texas Health and Human Services Commission (HHSC) and health plans annually.

The majority of measures follow the Healthcare Effectiveness Data and Information Set (HEDIS®) 2009 Technical Specifications calculated using a National Committee for Quality Assurance (NCQA) certified software tool. HHSC approved the use of this software so that all HEDIS® results could be calculated using a tool recognized by the NCQA. At HHSC’s request, the Institute for Child Health Policy (ICHP) developed a methodology to allow for flexibility in the provider specialty codes when determining eligibility for HEDIS® measures. As in the prior reporting period (SFY 2007), ICHP modified the NCQA specifications to relax provider constraints when determining eligibility for HEDIS® measures.

For further information about the HEDIS® indicators, please refer to the HEDIS® 2009 Technical Specifications Manual. For easier reference, the page numbers from the HEDIS® manual are identified, as appropriate, for the measures listed in this document. The changes to HEDIS® 2009 measures are also outlined with the table specifications.

The measures are calculated with a six-month lag time for data completeness. The reports are generated from the encounter data submitted to ICHP by Texas Medicaid & Healthcare Partnership (TMHP) and the enrollment data provided by the enrollment broker. Claims and encounter data are supplemented with pharmacy data from the Vendor Drug Program for calculating measures that need prescription information.

NCQA’s HEDIS® 2008 Medicaid mean results were used for comparison purposes for the Medicaid and CHIP populations where this information was available. Clients dually enrolled in both Medicaid and Medicare were excluded from reporting for the STAR+PLUS population. Since the HEDIS® mean is not specific to the unique population seen in STAR+PLUS and most likely indicates a significantly healthier enrollee pool, the HEDIS® mean is provided only as a reference point. Hence, comparisons between the HEDIS® mean and the STAR+PLUS results should be made cautiously.

This specifications report should be consulted in conjunction with the HEDIS® 2009 Technical Specifications Manual. The following HEDIS® manual sections should be reviewed prior to understanding the specific indicator(s):

- General Guidelines for Data Collection and Reporting, pages 9-36,

The Texas rates for HEDIS® measures are reported at the individual health plan/SDA level, by the overall health plan rate for each SDA, and the overall State rate. Regular review of the results will provide HHSC with valuable information to help determine needed changes in service delivery, program benefits, health plan coverage, and potential expansion or reform of Medicaid and CHIP programs.

**Administrative Methodology**

ICHP uses only administrative data to identify the denominator and the numerator of each measure, unless indicated otherwise. Per NCQA guidelines, rates are not reported if the denominator is too small (< 30). These results are indicated as LD (Low Denominator).
Tables PDI09 and PQI09: AHRQ’s Preventive Care Indicators (Adult and Pediatric Quality Indicators)

These tables report on CHIP (PDI only), STAR (PDI and PQI), STAR+PLUS (PDI and PQI), STAR Health (PDI only) and PCCM (PDI and PQI) programs.

Description: Indicators developed for the Agency for Healthcare Research and Quality (AHRQ) were used to evaluate the performance of MCOs related to inpatient admissions for various ambulatory care sensitive conditions (ACSCs). The AHRQ considers ACSCs “conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.”14 The Quality Indicators use hospital inpatient discharge data and are measured as rates of admission to the hospital. Specifically, two sets of indicators were used in the analysis and are reported herein: Prevention Quality Indicators (PQIs) for adult enrollees and Pediatric Quality Indicators (PDIs) for child enrollees. Unlike most other measures provided in the Quality of Care reports, low quality indicator rates are desired, as they suggest a better quality health care system outside the hospital setting. This year, the specifications used to calculate rates for these measures come from AHRQ’s PDI version 3.2 and PQI version 4.0.

The following indicators were used to assess adult admissions for ambulatory care sensitive conditions: (1) Diabetes Short-Term Complications, (2) Perforated Appendix, (3) Diabetes Long-Term Complications, (4) Chronic Obstructive Pulmonary Disease, (5) Low Birth Weight, (6) Hypertension, (7) Congestive Heart Failure, (8) Dehydration, (9) Bacterial Pneumonia, (10) Urinary Tract Infection, (11) Angina without Procedure, (12) Uncontrolled Diabetes, (13) Adult Asthma, and (14) Rate of Lower Extremity Amputation among Patients with Diabetes. For these measures, adults are those individuals ages 18 or older.

For children, there are five quality indicators measuring pediatric admissions for ambulatory care sensitive conditions: (1) Asthma, (2) Diabetes Short-Term Complications, (3) Gastroenteritis, (4) Perforated Appendix, and (5) Urinary Tract Infection. The age eligibility for these measures is 17 years old and younger.

Benchmarking: Comparisons to AHRQ national estimates and previous year’s results for the health plan on these measures are presented as appropriate.

Deviations from NCQA Guidelines: This is not a HEDIS® measure.

---

## Calculations:

### Adult Prevention Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQI 1</td>
<td>Diabetes Short-Term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PQI 2</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PQI 3</td>
<td>Diabetes Long-Term Complications Admission Rate</td>
<td>Number of admissions for long-term diabetes per 100,000 population</td>
</tr>
<tr>
<td>PQI 5</td>
<td>Chronic Obstructive Pulmonary Disease Admission Rate</td>
<td>Number of admissions for COPD per 100,000 population</td>
</tr>
<tr>
<td>PQI 7</td>
<td>Hypertension Admission Rate</td>
<td>Number of admissions for hypertension per 100,000 population</td>
</tr>
<tr>
<td>PQI 8</td>
<td>Congestive Heart Failure Admission Rate</td>
<td>Number of admissions for CHF per 100,000 population</td>
</tr>
<tr>
<td>PQI 9</td>
<td>Low Birth Weight Rate</td>
<td>Number of low birth weight births as a share of all births in an area</td>
</tr>
<tr>
<td>PQI 10</td>
<td>Dehydration Admission Rate</td>
<td>Number of admissions for dehydration per 100,000 population</td>
</tr>
<tr>
<td>PQI 11</td>
<td>Bacterial Pneumonia Admission Rate</td>
<td>Number of admissions for bacterial pneumonia per 100,000 population</td>
</tr>
<tr>
<td>PQI 12</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary tract infection per 100,000 population</td>
</tr>
<tr>
<td>PQI 13</td>
<td>Angina without Procedure Admission Rate</td>
<td>Number of admissions for angina without procedure per 100,000 population</td>
</tr>
<tr>
<td>PQI 14</td>
<td>Uncontrolled Diabetes Admission Rate</td>
<td>Number of admissions for uncontrolled diabetes per 100,000 population (Note: This indicator is designed to be combined with diabetes short-term complications.)</td>
</tr>
<tr>
<td>PQI 15</td>
<td>Adult Asthma Admission Rate</td>
<td>Number of admissions for asthma in adults per 100,000 population</td>
</tr>
<tr>
<td>PQI 16</td>
<td>Rate of Lower Extremity Amputation Among Patients with Diabetes</td>
<td>Number of admissions for lower extremity amputation among patients with diabetes per 100,000 population</td>
</tr>
</tbody>
</table>
### Pediatric Quality Indicators

<table>
<thead>
<tr>
<th>AHRQ Indicator Number</th>
<th>Indicator Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI 14</td>
<td>Asthma Admission Rate</td>
<td>Number of admissions for long-term asthma per 100,000 population</td>
</tr>
<tr>
<td>PDI 15</td>
<td>Diabetes Short-Term Complications Admission Rate</td>
<td>Number of admissions for diabetes short-term complications per 100,000 population</td>
</tr>
<tr>
<td>PDI 16</td>
<td>Gastroenteritis Admission Rate</td>
<td>Number of admissions for pediatric gastroenteritis per 100,000 population</td>
</tr>
<tr>
<td>PDI 17</td>
<td>Perforated Appendix Admission Rate</td>
<td>Number of admissions for perforated appendix as a share of all admissions for appendicitis within an area</td>
</tr>
<tr>
<td>PDI 18</td>
<td>Urinary Tract Infection Admission Rate</td>
<td>Number of admissions for urinary tract infection per 100,000 population</td>
</tr>
</tbody>
</table>

For further information about these quality of care indicators, please refer to the AHRQ website at http://www.qualityindicators.ahrq.gov.
**Table W1509: HEDIS® Well-Child Visits in the First 15 Months of Life**

This table reports on the STAR and PCCM programs.

**Description:** This table provides the percentage of members who turned 15 months old during the specified timeframe and who received zero or more well-child visit(s) with a provider during their first 15 months of life.

**HEDIS® 2009:**
- No Changes.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** ICHP does not cross-reference against the provider type to check if the provider is a primary care practitioner. All claims with pertinent procedure and/or diagnosis codes with any provider are considered to have received a well-child visit.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual for Well-Child Visits in the First 15 Months of Life, pages 252-254.
Table W3409: HEDIS® Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life

This table reports on CHIP, STAR, STAR+PLUS, and PCCM programs.

**Description:** This table provides the percentage of members three to six years old during the specified timeframe who received one or more well-child visit(s) with a provider.

**HEDIS® 2009:**
- No Changes.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** ICHP does not cross-reference against the provider type to check if the provider is a primary care practitioner. All claims with pertinent procedure and/or diagnosis codes with any provider are considered to have received a well-child visit.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual for Well-Child Visits in the Third, Fourth, Fifth, and Sixth Years of Life, pages 255-257.
Table AWC09: HEDIS® Adolescent Well-Care Visits

This table reports on CHIP, STAR, STAR+PLUS, and PCCM programs.

**Description:** The purpose of this table is to provide the percentage of members 12-21 years old during the specified timeframe, who received one or more well-care visits.

**HEDIS® 2009:**
- No Changes.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** ICHP does not cross-reference against the provider type to check if the provider is a primary care practitioner or an OB/GYN practitioner. All claims with pertinent procedure and/or diagnosis codes with any provider are considered to have received a well-child visit.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual for Adolescent Well-Care Visits, pages 258-260.
Table PPC09: HEDIS® Prenatal and Postpartum Care

This table reports on STAR, STAR+PLUS, and PCCM programs.

**Description:** This table provides the percentage of women who delivered a live birth during a specified time period and received timely prenatal or postpartum care visits.

Timeliness of

- Prenatal care – The percentage of deliveries that received a prenatal care visit as a member of the organization in the first trimester or within 42 days of enrollment in the organization.
- Postpartum care – The percentage of deliveries that had a postpartum visit on or between 21 and 56 days after delivery.

**HEDIS® 2009:**

- Deleted DRGs from Table PPC-B.
- Added LOINC codes 47527-7, 47528-5.
- Deleted CPT codes 88144, 88145.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** ICHP does not cross-reference against the provider type to check if the provider is a primary care practitioner or an OB/GYN practitioner. All claims with pertinent procedure and/or diagnosis codes with any provider are considered for compliance check.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual for Prenatal and Postpartum Care, pages 217-228.
Table CCS09: HEDIS® Cervical Cancer Screening

This table reports on the STAR, STAR+PLUS, and PCCM programs.

**Description:** This table provides the percentage of women 21-64 years of age who received one or more Pap tests to screen for cervical cancer.

**HEDIS® 2009:**
- Added LOINC code 427528-5.
- Added CPT codes 58570-58573.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** None

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual for Cervical Cancer Screening, pages 78-80.
Table MPT09: HEDIS® Mental Health Utilization

This table reports on the STAR Health and NorthSTAR programs.

**Description:** This table provides the number and percentage of members who received the following mental health services during the specified time period.
- Any services
- Inpatient
- Intensive outpatient or partial hospitalization
- Outpatient or ED

**HEDIS® 2009:** No Changes.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** ICHP does not cross-reference against the provider type to check if the provider who rendered the follow-up care is a mental health practitioner. All claims with pertinent procedure and/or diagnosis codes with any provider are considered for compliance check.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual for Mental Health Utilization, pages 291-294.
Table FUH09: HEDIS® Follow-Up after Hospitalization for Mental Illness (7-day and 30-day follow-up)

This table reports on CHIP, STAR, STAR+PLUS, STAR Health, NorthSTAR, and PCCM programs.

**Description:** This table provides the percentage of discharges for members six years of age and older who were hospitalized for selected mental health disorders and who had an outpatient visit, an intensive outpatient encounter, or partial hospitalization.

**HEDIS® 2009:**
- Deleted DRGs from Tables FUH-A, FUH-B.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** ICHP does not cross-reference against the provider type to check if the provider who rendered the follow-up care is a mental health practitioner. All claims with pertinent procedure and/or diagnosis codes with any provider are considered for compliance check.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual for Follow-Up After Hospitalization for Mental Illness, pages 170-172.
Table MHReadmit09: Readmission Within 30 Days After an Inpatient Stay for Mental Health

This table reports on CHIP, STAR, STAR+PLUS, STAR Health, NorthSTAR, and PCCM programs.

**Description:** This table provides information about mental health care inpatient readmission for members six years of age and older who were seen within 30 days of a previous behavioral health discharge.

**Benchmarking:** This is not a HEDIS® measure. Comparisons to the overall SDA and statewide rate are provided as appropriate.

**Calculations:**

**Inpatient Discharge:**
Inpatient care with mental health as the principal diagnosis.

**Mental Health Readmission:**
Each inpatient discharge in the period is checked for a readmission with an MH diagnosis within 30 days.

Per HHSC’s request, age stratification for NorthSTAR differs from other programs.

The following diagnosis codes, in conjunction with facility codes, as well as the following DRG codes, are used to identify mental health usage in an inpatient setting.

<table>
<thead>
<tr>
<th>Code Type</th>
<th>Code#</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICD-9-CM Codes</td>
<td>290</td>
<td>Senile and pre-senile organic psychotic conditions</td>
</tr>
<tr>
<td></td>
<td>293</td>
<td>Transient Organic Psychotic Condition</td>
</tr>
<tr>
<td></td>
<td>294</td>
<td>Other Organic Psychotic Conditions (chronic)</td>
</tr>
<tr>
<td></td>
<td>295</td>
<td>Schizophrenic Disorders</td>
</tr>
<tr>
<td></td>
<td>296</td>
<td>Affective Psychoses</td>
</tr>
<tr>
<td></td>
<td>297</td>
<td>Paranoid states (Delusional disorders)</td>
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<tr>
<td></td>
<td>298</td>
<td>Other Non-organic Psychoses</td>
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<tr>
<td></td>
<td>299</td>
<td>Psychoses with origin specific to childhood</td>
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<td></td>
<td>300</td>
<td>Anxiety states</td>
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<td></td>
<td>300.3</td>
<td>Obsessive-compulsive disorder</td>
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<td>300.4</td>
<td>Dysthymic disorder</td>
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<td></td>
<td>301</td>
<td>Personality Disorders</td>
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<tr>
<td></td>
<td>302</td>
<td>Sexual Deviations and Disorders</td>
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<tr>
<td></td>
<td>306</td>
<td>Physiological malfunction arising from mental factors</td>
</tr>
<tr>
<td></td>
<td>307</td>
<td>Special symptoms or syndromes, not elsewhere classified</td>
</tr>
<tr>
<td>Code Type</td>
<td>Code#</td>
<td>Description</td>
</tr>
<tr>
<td>-----------</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>ICD-9-CM Codes</td>
<td>308</td>
<td>Acute reaction to stress</td>
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<td></td>
<td>309</td>
<td>Adjustment reaction</td>
</tr>
<tr>
<td></td>
<td>310</td>
<td>Specific non-psychotic mental disorder due to organic brain damage</td>
</tr>
<tr>
<td></td>
<td>311</td>
<td>Depressive disorder, not elsewhere classified</td>
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<tr>
<td></td>
<td>312</td>
<td>Disturbance of conduct, not elsewhere classified</td>
</tr>
<tr>
<td></td>
<td>313</td>
<td>Disturbance of emotions - childhood and adolescence</td>
</tr>
<tr>
<td></td>
<td>314</td>
<td>Hyperkinetic syndrome of childhood</td>
</tr>
<tr>
<td></td>
<td>315</td>
<td>Specific delays in development</td>
</tr>
<tr>
<td></td>
<td>316</td>
<td>Psychic factors associated with diseases classified elsewhere</td>
</tr>
<tr>
<td>CMS-DRG Codes, excluding those with ICD-9-CM principal diagnosis of 317-319</td>
<td>424</td>
<td>O.R. Procedure with Principal Diagnosis of Mental Illness</td>
</tr>
<tr>
<td></td>
<td>425</td>
<td>Acute Adjustment Reactions and Psychosocial Dysfunction</td>
</tr>
<tr>
<td></td>
<td>426</td>
<td>Depressive Neuroses</td>
</tr>
<tr>
<td></td>
<td>427</td>
<td>Neuroses Except Depressive</td>
</tr>
<tr>
<td></td>
<td>428</td>
<td>Disorders of Personality and Impulse Control</td>
</tr>
<tr>
<td></td>
<td>429</td>
<td>Organic Disturbances and Mental Retardation</td>
</tr>
<tr>
<td></td>
<td>430</td>
<td>Psychoses</td>
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<tr>
<td></td>
<td>431</td>
<td>Childhood Mental Disorders</td>
</tr>
<tr>
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<td>432</td>
<td>Other Mental Disorder Diagnoses</td>
</tr>
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<td>MS-DRG Codes, excluding those with ICD-9-CM principal diagnosis of 317-319</td>
<td>876</td>
<td>O.R. Procedure with Principal Diagnosis of Mental Illness</td>
</tr>
<tr>
<td></td>
<td>880</td>
<td>Acute Adjustment Reactions and Psychosocial Dysfunction</td>
</tr>
<tr>
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<td>881</td>
<td>Depressive Neuroses</td>
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<tr>
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<td>882</td>
<td>Neuroses Except Depressive</td>
</tr>
<tr>
<td></td>
<td>883</td>
<td>Disorders of Personality and Impulse Control</td>
</tr>
<tr>
<td></td>
<td>884</td>
<td>Organic Disturbances and Mental Retardation</td>
</tr>
<tr>
<td></td>
<td>885</td>
<td>Psychoses</td>
</tr>
<tr>
<td></td>
<td>886</td>
<td>Behavioral and Developmental Disorders</td>
</tr>
<tr>
<td></td>
<td>887</td>
<td>Other Mental Disorder Diagnoses</td>
</tr>
</tbody>
</table>
Table CDC09: HEDIS® Comprehensive Diabetes Care

This table reports on the STAR, STAR+PLUS, and PCCM programs.

Description: This table presents the percentage of members 18-75 years of age with a diagnosis of diabetes (either type 1 or type 2) who received tests/services related to diabetes during the reporting/measurement period.

HEDIS® 2009:
- Added amylin analogs category to Table CDC-A
- Deleted CPT code 99499 from Table CDC-C
- For the eye exam indicator, removed the requirement that HCPCS S0625 be billed by an optometrist or ophthalmologist.
- Added CPT codes 67041-67043, 67113 to Table CDC-G.
- Clarified the use of CPT category II code 3072F in Table CDC-G.
- Deleted CPT codes 83715, 83716 from CDC-H.
- Deleted DRGs from Tables CDC-B, CDC-K.
- Added UB Type of Bill code 72x to Table CDC-K.
- Added POS code 65 to Table CDC-K.

Benchmarking: HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

Deviation from HEDIS®: None.

Calculations: This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual, pages 134-148.
Table CWP09: HEDIS® Appropriate Testing for Children with Pharyngitis

This table reports on the CHIP, STAR, and PCCM programs.

**Description:** This table presents the percentage of children two to 18 years old diagnosed with pharyngitis who were prescribed an antibiotic and received a group A streptococcus test during this office visit.

**HEDIS® 2009:**
- Deleted CPT code 99499 from Table CWP-B.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** None. It should be noted that LOINC codes are not available in the data and, therefore, were ignored.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual, pages 96-99.
Table CAP09: HEDIS® Children and Adolescents’ Access to Primary Care Practitioners

This table reports on the CHIP, STAR, and PCCM programs.

**Description:** This table presents the percentage of members 12 months to 19 years old who had a visit with a PCP.

**HEDIS® 2009:** No Changes.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** ICHP does not cross-reference against the provider type to check if the provider is a primary care practitioner. All claims with pertinent procedure and/or diagnosis codes with any provider are considered to have received a well-care visit.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual, pages 208-211. Four rates are typically reported for this measure:

- Children 12-24 months and 25 months – 6 years who had a visit with a PCP during the measurement year.
- Children 7-11 years and adolescents 12-19 years who had a visit with a PCP during the measurement year or the year prior to the measurement year.
Table ORX09: HEDIS® Outpatient Drug Utilization

This table reports on CHIP, STAR, STAR+PLUS, STAR Health, and PCCM programs.

**Description:** This table summarizes the outpatient utilization of drug prescriptions, stratified by age, during the measurement year.

**HEDIS® 2009:**
- Changed age bands for member month reporting.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** None.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual, pages 305-307.
Table ADV09: HEDIS® Annual Dental Visit

This table reports on the CHIP Dental program only.

**Description:** This table represents the percentage of members two to 21 years old who had at least one dental visit during the measurement year.

**HEDIS® 2009:** No Changes.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** None.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual, pages 210-211.
Table ACSC09: Emergency Room (ER) Use with a Primary Diagnosis of an Ambulatory Care Sensitive Condition (ACSC)

This table reports on CHIP, STAR, STAR+PLUS, STAR Health, and PCCM programs.

**Description:** This table provides information about ambulatory care sensitive conditions (ACSC) resulting in ER use. The total number of ACS visits, ACS visits as a percent of all visits, and the percent of members with ACS visits are reported for ER use.

**Benchmarking:** There is no benchmark for this table. Comparisons to previous results for the health plan on this measure and the overall statewide rate are presented as appropriate.

**Deviations from NCQA Guidelines:** This is not a HEDIS® measure.

**Calculations:**

**Revenue Codes:**

<table>
<thead>
<tr>
<th>Code Type</th>
<th>Code#</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Codes</td>
<td>450</td>
<td>Emergency Room, General</td>
</tr>
<tr>
<td></td>
<td>451</td>
<td>EMTALA ER</td>
</tr>
<tr>
<td></td>
<td>452</td>
<td>ER beyond EMTALA screening</td>
</tr>
<tr>
<td></td>
<td>456</td>
<td>Urgent Care</td>
</tr>
<tr>
<td></td>
<td>459</td>
<td>Emergency Room, Other</td>
</tr>
<tr>
<td></td>
<td>981</td>
<td>Professional Fee/ER</td>
</tr>
</tbody>
</table>

**Place of Service Code:**

<table>
<thead>
<tr>
<th>Code Type</th>
<th>Code#</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of Service</td>
<td>23</td>
<td>Emergency Room – Hospital</td>
</tr>
</tbody>
</table>

**CPT Codes:**

<table>
<thead>
<tr>
<th>Code Type</th>
<th>Code#</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPT Codes</td>
<td>99281</td>
<td>Emer Dept Self Limited/Minor</td>
</tr>
<tr>
<td></td>
<td>99282</td>
<td>Emer Dept Low to Moderate Severity</td>
</tr>
<tr>
<td></td>
<td>99283</td>
<td>Emer Dept Moderate Severity</td>
</tr>
<tr>
<td></td>
<td>99284</td>
<td>Emer Dept Hi Severity and Urgent Eval</td>
</tr>
<tr>
<td></td>
<td>99285</td>
<td>Emer Dept High Severity and Threat Func</td>
</tr>
</tbody>
</table>

**Ambulatory Care Sensitive Condition(s):**

Some hospitalizations and emergency room (ER) visits are called ambulatory care sensitive (ACS) admissions or visits because there is consensus that the condition usually can be managed successfully in the outpatient setting.
**ICD-9-CM Codes Used:**
Ambulatory Care Sensitive Conditions (ACSC) - Reference from the Agency for Healthcare Research and Quality (AHRQ) and the Institute for Child Health Policy. XX indicates null or a valid value between 0-9.

<table>
<thead>
<tr>
<th>Condition</th>
<th>ICD-9-CM Code(s)</th>
<th>ACSC Condition</th>
<th>Exclusions/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angina</td>
<td>411.1</td>
<td>Intermediate Coronary Syndrome (Angina)</td>
<td>Exclude cases with a surgical procedure [01-86.99]</td>
</tr>
<tr>
<td></td>
<td>411.8</td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td></td>
<td>413</td>
<td>Angina decubitus</td>
<td></td>
</tr>
<tr>
<td>Appendicitis</td>
<td>540.0</td>
<td>Acute appendicitis with generalized peritonitis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>540.1</td>
<td>Acute appendicitis with peritoneal abscess</td>
<td></td>
</tr>
<tr>
<td>Asthma</td>
<td>493.XX</td>
<td>Asthma</td>
<td></td>
</tr>
<tr>
<td>Bacterial Pneumonia</td>
<td>481</td>
<td>Pneumococcal pneumonia (streptococcus pneumonial pneumonia)</td>
<td>Exclude cases with secondary diagnosis of sickle cell [282.6] and patients &lt; 2 months</td>
</tr>
<tr>
<td></td>
<td>482.2</td>
<td>Pneumonia due to Hemophilus influenza (H. influenza)</td>
<td></td>
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<tr>
<td></td>
<td>482.3X</td>
<td>Pneumonia due to Streptococcus</td>
<td></td>
</tr>
<tr>
<td></td>
<td>482.9</td>
<td>Bacterial pneumonia unspecified</td>
<td></td>
</tr>
<tr>
<td></td>
<td>483.X</td>
<td>Pneumonia due to other specified organism</td>
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</tr>
<tr>
<td></td>
<td>485</td>
<td>Bronchopneumonia, organism unspecified</td>
<td></td>
</tr>
<tr>
<td></td>
<td>486</td>
<td>Pneumonia, organism unspecified</td>
<td></td>
</tr>
<tr>
<td>Bronchitis</td>
<td>490</td>
<td>Bronchitis, not specified as acute or chronic</td>
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</tr>
<tr>
<td>Cellulitis</td>
<td>681.XX</td>
<td>Cellulitis and abscess of finger and toe</td>
<td>Exclude cases with a surgical procedure [01-86.99], except incision of skin and subcutaneous tissue [86.0] where it is the only listed surgical procedure</td>
</tr>
<tr>
<td></td>
<td>682.X</td>
<td>Other cellulitis and abscess</td>
<td></td>
</tr>
<tr>
<td></td>
<td>683</td>
<td>Acute lymphadenitis</td>
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</tr>
<tr>
<td></td>
<td>686.X</td>
<td>Other local infections of skin and subcutaneous tissue</td>
<td></td>
</tr>
<tr>
<td>Common Cold</td>
<td>460</td>
<td>Acute nasopharyngitis</td>
<td></td>
</tr>
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<td>Congenital Syphilis</td>
<td>090.X</td>
<td>Congenital syphilis</td>
<td>Secondary diagnosis for newborns only</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>428.XX</td>
<td>Heart Failure</td>
<td>Exclude cases with the following surgical procedures: 36.01,</td>
</tr>
<tr>
<td></td>
<td>402.01</td>
<td>Hypertensive heart disease with heart failure, malignant</td>
<td></td>
</tr>
<tr>
<td>Condition</td>
<td>ICD-9-CM Code(s)</td>
<td>ACSC Condition</td>
<td>Exclusions/Comments</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>402.11</td>
<td>Hypertensive heart disease with heart failure, benign</td>
<td>36.02, 36.05, 36.1, 37.5, or 37.7</td>
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<tr>
<td>402.91</td>
<td>Hypertensive heart disease with heart failure, unspecified</td>
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</tr>
<tr>
<td>518.4</td>
<td>Acute edema of lung, unspecified</td>
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<tr>
<td>Dehydration</td>
<td>276.5</td>
<td>Dehydration – Volume depletion</td>
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<tr>
<td>Dehydration with Infant Readmission</td>
<td>276.0</td>
<td>Dehydration – Volume depletion – Infant Readmission. Disorder of fluid, electrolyte and acid-base balance. Hyperosmolarity and/or hypernatremia</td>
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<td>Diabetes</td>
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<td>Diabetes</td>
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<td>Epilepsy</td>
<td>345.X</td>
<td>Epilepsy</td>
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<tr>
<td>Feeding - Newborn</td>
<td>779.3</td>
<td>Feeding Problems in newborn</td>
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<tr>
<td>Gangrene</td>
<td>785.4</td>
<td>Gangrene</td>
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<td>Gastroenteritis</td>
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<tr>
<td>Hypertensive Disease</td>
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<td>Essential hypertension</td>
<td>Exclude cases with the following procedures: 36.01, 36.02, 36.05, 36.1, 37.5, or 37.7. (Procedures on vessels of the heart)</td>
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<td>Essential hypertension, unspecified</td>
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<td>402.00</td>
<td>Hypertensive heart disease, Chronic Heart Failure</td>
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<td>402.90</td>
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<td>HTN renal disease, malignant</td>
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<td>Secondary hypertension, malignant</td>
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<td>Immunization-Related and Preventable Conditions</td>
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<td>Whooping cough</td>
<td>Hemophilus meningitis [320.2] ages 1-5 only</td>
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<td>045.X</td>
<td>Acute poliomyelitis</td>
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<td>320.0</td>
<td>Hemophilus meningitis, Bacterial meningitis</td>
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<td>390</td>
<td>Rheumatic fever without mention of heart involvement</td>
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<td></td>
<td>391.X</td>
<td>Rheumatic fever with mention of heart involvement</td>
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<td>Smallpox</td>
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<td>Chickenpox</td>
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<td>Condition</td>
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<td>ACSC Condition</td>
<td>Exclusions/Comments</td>
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<tr>
<td>---------------------------------</td>
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<td>072.XXX</td>
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<td>Jaundice – Infant Readmission</td>
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<td>Hemolytic disease due to ABO isoimmunization</td>
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<td>Neonatal jaundice associated with preterm delivery</td>
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<tr>
<td>Neonatal jaundice due to delayed conjugation from other causes</td>
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<td>Unspecified fetal and neonatal jaundice</td>
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<td>Kernicterus not due to isoimmunization</td>
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<td>Nausea with Vomiting</td>
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<td>Nausea alone</td>
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<td>Vomiting alone</td>
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<td>Other Tuberculosis</td>
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<tr>
<td>Other respiratory tuberculosis</td>
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<td>Other respiratory tuberculosis</td>
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<td>Tuberculosis of meninges and central nervous system</td>
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</tr>
<tr>
<td>Tuberculosis of intestines, peritoneum, and mesenteric glands</td>
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<td>Tuberculosis of intestines, peritoneum, and mesenteric glands</td>
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<td>016.X</td>
<td>Tuberculosis of genitourinary system</td>
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</tr>
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<td>Tuberculosis of other organs</td>
<td>017.X</td>
<td>Tuberculosis of other organs</td>
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</tr>
<tr>
<td>Miliary tuberculosis</td>
<td>018.X</td>
<td>Miliary tuberculosis</td>
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<td>Otitis Media, Acute</td>
<td>382.XXX</td>
<td>Suppurative and unspecified otitis media</td>
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<tr>
<td>Pelvic Inflammatory Disease</td>
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<td>Perforated Ulcer</td>
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<td>Gastric ulcer, acute with perforation</td>
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</tr>
<tr>
<td>Gastric ulcer, chronic or unspecified with perforation</td>
<td>531.5</td>
<td>Gastric ulcer, chronic or unspecified with perforation</td>
<td></td>
</tr>
<tr>
<td>Gastric ulcer, chronic or unspecified with hemorrhage and perforation</td>
<td>531.6</td>
<td>Gastric ulcer, chronic or unspecified with hemorrhage and perforation</td>
<td></td>
</tr>
<tr>
<td>Duodenal ulcer, acute with perforation</td>
<td>532.1</td>
<td>Duodenal ulcer, acute with perforation</td>
<td></td>
</tr>
<tr>
<td>Duodenal ulcer, acute with hemorrhage and perforation</td>
<td>532.2</td>
<td>Duodenal ulcer, acute with hemorrhage and perforation</td>
<td></td>
</tr>
<tr>
<td>Duodenal ulcer, chronic or unspecified with perforation</td>
<td>532.5</td>
<td>Duodenal ulcer, chronic or unspecified with perforation</td>
<td></td>
</tr>
<tr>
<td>Duodenal ulcer, chronic or unspecified with perforation</td>
<td>532.6</td>
<td>Duodenal ulcer, chronic or unspecified with perforation</td>
<td></td>
</tr>
<tr>
<td>Condition</td>
<td>ICD-9-CM Code(s)</td>
<td>ACSC Condition</td>
<td>Exclusions/Comments</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------------------</td>
<td>-----------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>unspecified with hemorrhage and perforation</td>
<td></td>
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</tr>
<tr>
<td>533.1</td>
<td></td>
<td>Peptic ulcer, acute with perforation</td>
<td></td>
</tr>
<tr>
<td>533.2</td>
<td></td>
<td>Peptic ulcer, acute with hemorrhage and perforation</td>
<td></td>
</tr>
<tr>
<td>480.X</td>
<td></td>
<td>Viral pneumonia</td>
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</tr>
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<td>86.93</td>
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<td>Viral Syndrome</td>
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Table ASM09: HEDIS® Use of Appropriate Medications for People with Asthma

This table reports on the CHIP, STAR, and PCCM programs.

**Description:** This table represents the percentage of members 5-56 years of age during the measurement year who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement year.

**HEDIS® 2009:**
- Deleted CPT code 99499.

**Benchmarking:** HEDIS® 2008 Audit Means, Percentile and Ratio, and overall SDA and statewide rates.

**Deviations from NCQA Guidelines:** None.

**Calculations:** This is a HEDIS® measure and the HEDIS® technical specifications are followed. Refer to the HEDIS® 2009 Technical Specifications Manual, pages 114-117.
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 001-31826

Centene Corporation
(Exact name of registrant as specified in its charter)

Delaware 42-1406317
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

7700 Forsyth Boulevard
St. Louis, Missouri 63105
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (314) 725-4477

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.001 Par Value
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act.

☒ Large accelerated filer ☐ Accelerated filer
☐ Non-accelerated filer (do not check if a smaller reporting company) ☐ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the last reported sale price of the common stock on the New York Stock Exchange on June 28, 2013, was $2.9 billion.

As of February 14, 2014, the registrant had 57,615,380 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant’s 2014 annual meeting of stockholders are incorporated by reference in Part III, Items 10, 11, 12, 13 and 14.
<table>
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<tr>
<th>Item</th>
<th>Description</th>
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<td>Item 1</td>
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<td>Risk Factors</td>
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<td>Legal Proceedings</td>
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<td>Mine Safety Disclosures</td>
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<td>Item 5</td>
<td>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</td>
<td>28</td>
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<td>Item 6</td>
<td>Selected Financial Data</td>
<td>30</td>
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<tr>
<td>Item 7</td>
<td>Management's Discussion and Analysis of Financial Condition and Results of Operations</td>
<td>32</td>
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<tr>
<td>Item 7A</td>
<td>Quantitative and Qualitative Disclosures About Market Risk</td>
<td>49</td>
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<td>Item 8</td>
<td>Financial Statements and Supplementary Data</td>
<td>51</td>
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<tr>
<td>Item 9</td>
<td>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</td>
<td>82</td>
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<td>Controls and Procedures</td>
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<td>Item 9B</td>
<td>Other Information</td>
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<td>Item 10</td>
<td>Directors, Executive Officers and Corporate Governance</td>
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<tr>
<td>Item 11</td>
<td>Executive Compensation</td>
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<td>Item 12</td>
<td>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</td>
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<tr>
<td>Item 13</td>
<td>Certain Relationships and Related Transactions, and Director Independence</td>
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<tr>
<td>Item 14</td>
<td>Principal Accountant Fees and Services</td>
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<td>Item 15</td>
<td>Exhibits and Financial Statement Schedules</td>
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<td>Signatures</td>
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</table>
CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. We have attempted to identify these statements by terminology including “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “seek,” “target,” “goal,” “may,” “will,” “should,” “can,” “continue” and other similar words or expressions in connection with, among other things, any discussion of future operating or financial performance. In particular, these statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, including those entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 1A. “Risk Factors,” and Part I, Item 3 “Legal Proceedings.” Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

All forward-looking statements included in this filing are based on information available to us on the date of this filing and we undertake no obligation to update or revise the forward-looking statements included in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Actual results may differ from projections or estimates due to a variety of important factors, including:

- our ability to accurately predict and effectively manage health benefits and other operating expenses;
- competition;
- membership and revenue projections;
- timing of regulatory contract approval;
- changes in healthcare practices;
- changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder;
- changes in expected contract start dates;
- changes in expected closing dates and accretion for acquisitions;
- inflation;
- provider and state contract changes;
- new technologies;
- advances in medicine;
- reduction in provider payments by governmental payors;
- major epidemics;
- disasters and numerous other factors affecting the delivery and cost of healthcare;
- the expiration, cancellation or suspension of our Medicare or Medicaid managed care contracts by federal or state governments;
- the outcome of pending legal proceedings;
- availability of debt and equity financing, on terms that are favorable to us; and
- general economic and market conditions.

Item 1A “Risk Factors” of Part I of this filing contains a further discussion of these and other important factors that could cause actual results to differ from expectations. We disclaim any current intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Due to these important factors and risks, we cannot give assurances with respect to our future premium levels or our ability to control our future medical costs.

Other Information

The discussion in Part 2, Item 7. "Management’s Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Results of Operations" contains financial information for new and existing businesses. Existing businesses are primarily state markets, significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets, significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.
PART I

ITEM 1. Business.

OVERVIEW

We are a diversified, multi-line healthcare enterprise that provides programs and services to government sponsored healthcare programs, focusing on under-insured and uninsured individuals. We provide member-focused services through locally based staff by assisting in accessing care, coordinating referrals to related health and social services and addressing member concerns and questions. We also provide education and outreach programs to inform and assist members in accessing quality, appropriate healthcare services. We believe our local approach, including member and provider services, enables us to provide accessible, quality, culturally-sensitive healthcare coverage to our communities. Our health management, educational and other initiatives are designed to help members best utilize the healthcare system to ensure they receive appropriate, medically necessary services and effective management of routine, severe and chronic health problems, resulting in better health outcomes. We combine our decentralized local approach for care with a centralized infrastructure of support functions such as finance, information systems and claims processing.

We operate in two segments: Managed Care and Specialty Services. Our Managed Care segment provides health plan coverage to individuals through government subsidized programs, including Medicaid, the State Children's Health Insurance Program (CHIP), Long Term Care (LTC), Foster Care, dual-eligible individuals in Medicare Special Needs Plans and the Supplemental Security Income Program, also known as the Aged, Blind or Disabled Program, or collectively ABD. Beginning in 2014, our Managed Care segment also provides health plan coverage to individuals covered through federally-facilitated and state-based Marketplaces. Our Specialty Services segment consists of our specialty companies offering diversified healthcare services and products to state programs, correctional facilities, healthcare organizations, employer groups and other commercial organizations, as well as to our own subsidiaries. As of December 31, 2013, Medicaid accounted for 75% of our at-risk membership, while CHIP (also including Foster Care) and ABD (also including Medicare) accounted for 10% and 11%, respectively. Hybrid programs, LTC and correctional services represent the remaining 4% at-risk membership.

Our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving Medicaid members in Kentucky as of July 6, 2013. Accordingly, the results of operations for KSHP are classified as discontinued operations for all periods presented in our consolidated financial statements. The following discussion and analysis, with the exception of cash flow information, is presented in the context of continuing operations unless otherwise identified.

Our at-risk managed care membership totaled 2.7 million as of December 31, 2013. For the year ended December 31, 2013, our premium and service revenues and net earnings from continuing operations attributable to Centene were $10.5 billion and $161.2 million, respectively, and our total cash flow from operations was $382.5 million.

Our initial health plan commenced operations in Wisconsin in 1984. We were organized in Wisconsin in 1993 as a holding company for our initial health plan and reincorporated in Delaware in 2001. Our corporate office is located at 7700 Forsyth Boulevard, St. Louis, Missouri 63105, and our telephone number is (314) 725-4477. Our stock is publicly traded on the New York Stock Exchange under the ticker symbol “CNC.”

INDUSTRY

We provide our services primarily through Medicaid, CHIP, LTC, Foster Care, ABD, Medicare and other state and federal programs for the uninsured. The federal Centers for Medicare and Medicaid Services, or CMS, estimated the total Medicaid and CHIP market was approximately $408 billion in 2011, and estimate the market will grow to $839 billion by 2022. According to the most recent information provided by the Kaiser Commission on Medicaid and the Uninsured, Medicaid spending increased by 3.8% in fiscal 2013 and states appropriated an increase of 10.3% for Medicaid in fiscal 2014 budgets.

Established in 1965, Medicaid is the largest publicly funded program in the United States, and provides health insurance to low-income families and individuals with disabilities. Authorized by Title XIX of the Social Security Act, Medicaid is an entitlement program funded jointly by the federal and state governments and administered by the states. The majority of funding is provided at the federal level. Each state establishes its own eligibility standards, benefit packages, payment rates and program administration within federal standards. As a result, there are 56 Medicaid programs - one for each U.S. state, each U.S. territory and the District of Columbia. Eligibility is based on a combination of household income and assets, often determined by an income level relative to the federal poverty level. Historically, children have represented the largest eligibility group. Many states have selected Medicaid managed care as a means of delivering quality healthcare and controlling costs. We refer to these states as mandated managed care states.
Established in 1972, and authorized by Title XVI of the Social Security Act, ABD covers low-income persons with chronic physical disabilities or behavioral health impairments. ABD beneficiaries represent a growing portion of all Medicaid recipients. In addition, ABD recipients typically utilize more services because of their critical health issues.

The Balanced Budget Act of 1997 created CHIP to help states expand coverage primarily to children whose families earned too much to qualify for Medicaid, yet not enough to afford private health insurance. Some states include the parents of these children in their CHIP programs. Costs related to the largest eligibility group, children, are primarily composed of pediatrics and family care. These costs tend to be more predictable than those associated with other healthcare issues which predominantly affect the adult population.

A portion of Medicaid beneficiaries are dual-eligible, low-income seniors and people with disabilities who are enrolled in both Medicaid and Medicare. According to the Kaiser Commission on Medicaid and the Uninsured, there were approximately 9 million dual-eligible enrollees in 2013. These dual-eligible members may receive assistance from Medicaid for Medicaid benefits, such as nursing home care and/or assistance with Medicare premiums and cost sharing. Dual-eligibles also use more services due to their tendency to have more chronic health issues. We serve dual-eligibles through our ABD and LTC programs and through Medicare Special Needs Plans.

While Medicaid programs have directed funds to many individuals who cannot afford or otherwise maintain health insurance coverage, they did not initially address the inefficient and costly manner in which the Medicaid population tends to access healthcare. Medicaid recipients in non-managed care programs typically have not sought preventive care or routine treatment for chronic conditions, such as asthma and diabetes. Rather, they have sought healthcare in hospital emergency rooms, which tends to be more expensive. As a result, many states have found that the costs of providing Medicaid benefits have increased while the medical outcomes for the recipients remained unsatisfactory.

We expect that continued pressure on state Medicaid budgets will cause public policy to recognize the value of managed care as a means of delivering improved health outcomes for Medicaid beneficiaries and effectively controlling costs. A growing number of states have mandated that their Medicaid recipients enroll in managed care plans. Other states are considering moving to a mandated managed care approach. As a result, we believe a significant market opportunity exists for managed care organizations with operations and programs focused on the distinct socio-economic, cultural and healthcare needs of the uninsured population and the Medicaid, CHIP, LTC, Foster Care and ABD populations.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act collectively referred to as the Affordable Care Act (ACA), were enacted. While the constitutionality of the ACA was subsequently challenged in a number of legal actions, in June 2012, the Supreme Court upheld the constitutionality of the ACA, with one limited exception relating to the Medicaid expansion provision. The Supreme Court held that states could not be required to expand Medicaid and risk losing all federal money for their existing Medicaid programs. Under the ACA, Medicaid coverage was expanded to all individuals under age 65 with incomes up to 138% of the federal poverty level beginning January 1, 2014, subject to the states' elections. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for 3 years, from 2014 through 2016. In 2017, the federal share declines to 95%; in 2018 it is 94%; in 2019 it is 93%; and it will be 90% in 2020 and subsequent years. States may delay Medicaid expansion after 2014.

Health Insurance Marketplaces are a key component of the ACA and provide an opportunity for individuals and small businesses to obtain health insurance. States have the option of operating their own Marketplace or partnering with the federal government. States choosing neither option will default to a federally-facilitated Marketplace. Premium and cost-sharing subsidies are available to make coverage more affordable and access to Marketplaces is limited to U.S. citizens and legal immigrants. Insurers are required to offer a minimum level of benefits with three levels of coverage that vary based on premiums and out-of-pocket costs. Premium subsidies will be provided to families without access to other coverage and with incomes between 100-400% of the federal poverty level to help them purchase insurance through the Marketplaces. These subsidies are offered on a sliding scale basis. In May 2013, the Congressional Budget Office (CBO) estimated approximately 7 million individuals would enroll through Marketplaces by 2014 with the number increasing to 25 million by 2025. However, recent reports have indicated lower than anticipated enrollment for 2014.
OUR COMPETITIVE STRENGTHS

Our multi-line managed care approach is based on the following key attributes:

- **Strong Historic Operating Performance.** We have increased revenues as we have grown in existing markets, expanded into new markets and broadened our product offerings. We entered the Wisconsin market in 1984 as a single health plan and have grown to serve 20 states with at-risk membership totaling 2.7 million in 2013. For the year ended December 31, 2013, we had premium and service revenues from continuing operations of $10.5 billion, representing a five year Compound Annual Growth Rate, of 26.3% and generated total cash flow from operations of $382.5 million.

- **Innovative Technology and Scalable Systems.** The ability to access data and translate it into meaningful information is essential to operating across a multi-state service area in a cost-effective manner. Our centralized information systems support our core processing functions under a set of integrated databases and are designed to be both replicable and scalable to accommodate organic growth and growth from acquisitions. We continue to enhance our systems in order to leverage the platform we have developed for our existing states for configuration into new states or health plan acquisitions. Our predictive modeling technology enables our medical management operations to proactively case and disease manage specific high risk members. It can recommend medical care opportunities using a mix of company defined algorithms and evidence based medical guidelines. Interventions are determined by the clinical indicators, the ability to improve health outcomes, and the risk profile of members. Our integrated approach helps to assure that consistent sources of claim and member information are provided across all of our health plans. Our membership and claims processing system is capable of expanding to support additional members in an efficient manner.

- **Medicaid Expertise.** For more than 25 years, we have developed a specialized Medicaid expertise that has helped us establish and maintain relationships with members, providers and state governments. We have implemented programs developed to achieve savings for state governments and improve medical outcomes for members by reducing inappropriate emergency room use, inpatient days and high cost interventions, as well as by managing care of chronic illnesses. We work with state agencies in order to maximize the effectiveness of their programs. Our approach is to accomplish this while maintaining adequate levels of provider compensation and protecting our profitability.

- **Diversified Business Lines.** We continue to broaden our service offerings to address areas that we believe have been traditionally under-served by Medicaid managed care organizations. In addition to our Medicaid and Medicaid-related managed care services, our service offerings include behavioral health, care management software, correctional services managed care, Health Insurance Marketplaces, in-home health services, individual health insurance, life and health management, managed vision, telehealth services, pharmacy benefits management and specialty pharmacy. Through the utilization of a multi-business line approach, we are able to improve the quality of care, improve outcomes, diversify our revenues and help control our medical costs.

- **Localized Approach with Centralized Support Infrastructure.** We take a localized approach to managing our subsidiaries, including provider and member services. This approach enables us to facilitate access by our members to high quality, culturally sensitive healthcare services. Our systems and procedures have been designed to address these community-specific challenges through outreach, education, transportation and other member support activities. For example, our community outreach programs work with our members and their communities to promote health and self-improvement through employment and education on how best to access care. We complement this localized approach with a centralized infrastructure of support functions such as finance, information systems and claims processing, which allows us to minimize general and administrative expenses and to integrate and realize synergies from acquisitions. We believe this combined approach allows us to efficiently integrate new business opportunities in both Medicaid and specialty services while maintaining our local accountability and improved access.
OUR BUSINESS STRATEGY

Our objective is to become the leading multi-line healthcare enterprise focusing on the uninsured and under-insured population through government sponsored healthcare initiatives. We intend to achieve this objective by implementing the following key components of our strategy:

- **Increase Penetration of Existing State Markets.** We seek to continue to increase our Medicaid membership in states in which we currently operate through alliances with key providers, outreach efforts, development and implementation of community-specific products and acquisitions. For example, in 2013, we expanded our health plan in Florida with an expanded Medicaid managed care LTC contract.

- **Diversify Business Lines.** We seek to broaden our business lines into areas that complement our existing business to enable us to grow and diversify our revenue. We are constantly evaluating new opportunities for expansion both domestically and abroad. For instance, in 2013, we began operating through a joint venture subsidiary, Centurion, to provide managed care in correctional facilities and also acquired AcariaHealth, an independent, comprehensive specialty pharmacy company. In 2014, we acquired U.S. Medical Management, a management services organization and provider of in-home health services for high acuity populations. We employ a disciplined acquisition strategy that is based on defined criteria including internal rate of return, accretion to earnings per share, market leadership and compatibility with our information systems. We engage our executives in the relevant operational units or functional areas to ensure consistency between the diligence and integration process.

- **Address Emerging State Needs.** We work to assist the states in which we operate in addressing the operating challenges they face. We seek to assist the states in balancing premium rates, benefit levels, member eligibility, policies and practices, provider compensation and minimizing fraud and abuse. By helping states structure an appropriate level and range of Medicaid, CHIP and specialty services, we seek to ensure that we are able to continue to provide those services on terms that achieve targeted gross margins, provide an acceptable return and grow our business.

- **Develop and Acquire Additional State Markets.** We continue to leverage our experience to identify and develop new markets by seeking both to acquire existing business and to build our own operations. We focus expansion in states where Medicaid recipients are mandated to enroll in managed care organizations because we believe member enrollment levels are more predictable in these states. In addition, we focus on states where managed care programs can help address states' financial needs. For example, in 2013, we began managing care for Medicaid members in California, Kansas and New Hampshire.

- **Leverage Established Infrastructure to Enhance Operating Efficiencies.** We intend to continue to invest in infrastructure to further drive efficiencies in operations and to add functionality to improve the service provided to members and other organizations at a low cost. Information technology, or IT, investments complement our overall efficiency goals by increasing the automated processing of transactions and growing the base of decision-making analytical tools. Our centralized functions and common systems enable us to add members and markets quickly and economically.

- **Maintain Operational Discipline.** We seek to operate in markets that allow us to meet our internal metrics including membership growth, plan size, market leadership and operating efficiency. We use multiple techniques to monitor and reduce our medical costs, including on-site hospital review by staff nurses and involvement of medical management in significant cases. Our executive dashboard is utilized to quickly identify cost drivers and medical trends. Our management team regularly evaluates the financial impact of proposed changes in provider relationships, contracts, changes in membership and mix of members, potential state rate changes and cost reduction initiatives. We may divest contracts or health plans in markets where the state's Medicaid environment, over a long term basis, does not allow us to meet our targeted performance levels. For example, as a result of lower than anticipated financial performance, in July 2013, we terminated our Kentucky Medicaid managed care contract with the Commonwealth of Kentucky.
We have subsidiaries offering healthcare services in each state we serve. The table below provides summary data for the state markets we currently serve:

<table>
<thead>
<tr>
<th>State</th>
<th>Local Plan Name</th>
<th>First Year of Operations Under the Company</th>
<th>Counties Served at December 31, 2013</th>
<th>Market Share (1)</th>
<th>At-risk Managed Care Membership at December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>Bridgeway Health Solutions</td>
<td>2006</td>
<td>6</td>
<td>11.2%</td>
<td>7,100</td>
</tr>
<tr>
<td>Arizona</td>
<td>Cenpatico Behavioral Health of Arizona</td>
<td>2005</td>
<td>8</td>
<td>13.3%</td>
<td>(2)</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Arkansas Health and Wellness Solutions</td>
<td>2014</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>California</td>
<td>California Health and Wellness</td>
<td>2013</td>
<td>19</td>
<td>56.2%</td>
<td>97,200</td>
</tr>
<tr>
<td>Florida</td>
<td>Sunshine Health</td>
<td>2009</td>
<td>53</td>
<td>13.3%(3)</td>
<td>222,000</td>
</tr>
<tr>
<td>Georgia</td>
<td>Peach State Health Plan</td>
<td>2006</td>
<td>159</td>
<td>27.6%</td>
<td>318,700</td>
</tr>
<tr>
<td>Illinois</td>
<td>IlliniCare Health Plan</td>
<td>2011</td>
<td>12</td>
<td>51.3%</td>
<td>22,300</td>
</tr>
<tr>
<td>Indiana</td>
<td>Managed Health Services</td>
<td>1995</td>
<td>92</td>
<td>27.3%</td>
<td>195,500</td>
</tr>
<tr>
<td>Kansas</td>
<td>Sunflower State Health Plan</td>
<td>2013</td>
<td>105</td>
<td>36.3%</td>
<td>139,900</td>
</tr>
<tr>
<td>Louisiana</td>
<td>Louisiana Healthcare Connections</td>
<td>2012</td>
<td>64</td>
<td>17.0%</td>
<td>152,300</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>CeltiCare Health Plan</td>
<td>2009</td>
<td>14</td>
<td>5.2%</td>
<td>12,000</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Massachusetts Partnership for Correctional Healthcare</td>
<td>2013</td>
<td>N/A</td>
<td>N/A</td>
<td>10,600</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Centurion of Minnesota</td>
<td>2014</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Magnolia Health Plan</td>
<td>2011</td>
<td>82</td>
<td>54.7%</td>
<td>78,300</td>
</tr>
<tr>
<td>Missouri</td>
<td>Home State Health Plan</td>
<td>2012</td>
<td>54</td>
<td>14.6%</td>
<td>59,200</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>New Hampshire Healthy Families</td>
<td>2013</td>
<td>10</td>
<td>33.5%</td>
<td>33,600</td>
</tr>
<tr>
<td>Ohio</td>
<td>Buckeye Community Health Plan</td>
<td>2004</td>
<td>88</td>
<td>10.0%</td>
<td>173,200</td>
</tr>
<tr>
<td>South Carolina</td>
<td>Absolute Total Care</td>
<td>2007</td>
<td>39</td>
<td>14.0%</td>
<td>91,900</td>
</tr>
<tr>
<td>Tennessee</td>
<td>Centurion of Tennessee</td>
<td>2013</td>
<td>N/A</td>
<td>N/A</td>
<td>20,700</td>
</tr>
<tr>
<td>Texas</td>
<td>Superior Health Plan</td>
<td>1999</td>
<td>254</td>
<td>26.0%</td>
<td>935,100</td>
</tr>
<tr>
<td>Washington</td>
<td>Coordinated Care</td>
<td>2012</td>
<td>39</td>
<td>10.2%</td>
<td>82,100</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Managed Health Services</td>
<td>1984</td>
<td>46</td>
<td>10.2%</td>
<td>71,500</td>
</tr>
</tbody>
</table>

(1) Market share represents our % of the total at-risk members that are included in managed care programs in which we participate.
(2) Cenpatico Behavioral Health of Arizona provided behavioral health services for 156,600 members at December 31, 2013.
(3) Reflects Medicaid, ABD and CHIP programs. The Sunshine Health LTC program has a market share of 28.9%.

Substantially all of our revenue is derived from operations within the United States and its territories, and all of the Company's long lived assets are based in the United States and its territories. We generally receive a fixed premium per member per month pursuant to our state contracts. Our medical costs have a seasonality component due to cyclical illness, for example cold and flu season, resulting in higher medical expenses beginning in the fourth quarter and continuing throughout the first quarter of the following year. Our managed care subsidiaries in Texas had revenues from the state government that represent 37% of our consolidated total revenues from continuing operations in 2013.
Benefits to States

Our ability to establish and maintain a leadership position in the markets we serve results primarily from our demonstrated success in providing quality care while reducing and managing costs, and from our specialized programs in working with state governments. Among the benefits we are able to provide to the states with which we contract are:

- **Significant cost savings and budget predictability compared to state paid reimbursement for services.** We bring bottom-line management experience to our health plans. On the administrative and management side, we bring experience including quality of care improvement methods, utilization management procedures, an efficient claims payment system, and provider performance reporting, as well as managers and staff experienced in using these key elements to improve the quality of and access to care. We generally receive a contracted premium on a per member basis and are responsible for the medical costs and as a result, provide budget predictability.

- **Data-driven approaches to balance cost and verify eligibility.** We seek to ensure effective outreach procedures for new members, then educate them and ensure they receive needed services as quickly as possible. Our IT department has created mapping/translation programs for loading membership and linking membership eligibility status to all of Centene's subsystems. We utilize predictive modeling technology to proactively case and disease manage specific high risk members. In addition, we have developed Centelligence, our enterprise data warehouse system to provide a seamless flow of data across our organization, enabling providers and case managers to access information, apply analytical insight and make informed decisions.

- **Establishment of realistic and meaningful expectations for quality deliverables.** We have collaborated with state agencies in redefining benefits, eligibility requirements and provider fee schedules with the goal of maximizing the number of individuals covered through Medicaid.

- **Managed care expertise in government subsidized programs.** Our expertise in Medicaid has helped us establish and maintain strong relationships with our constituent communities of members, providers and state governments. We provide access to services through local providers and staff that focus on the cultural norms of their individual communities. To that end, systems and procedures have been designed to address community-specific challenges through outreach, education, transportation and other member support activities.

- **Improved quality and medical outcomes.** We have implemented programs developed to improve the quality of healthcare delivered to our members including Smart Start for your Baby, Living Well With Sickle Cell and The CentAccount Program.

- **Timely payment of provider claims.** We are committed to ensuring that our information systems and claims payment systems meet or exceed state requirements. We continuously endeavor to update our systems and processes to improve the timeliness of our provider payments.

- **Provider outreach and programs.** Our health plans have adopted a physician-driven approach where network providers are actively engaged in developing and implementing healthcare delivery policies and strategies. We prepare provider comparisons on a severity adjusted basis. This approach is designed to eliminate unnecessary costs, improve services to members and simplify the administrative burdens placed on providers.

- **Responsible collection and dissemination of utilization data.** We gather utilization data from multiple sources, allowing for an integrated view of our members' utilization of services. These sources include medical, vision and behavioral health claims and encounter data, pharmacy data, dental vendor claims and authorization data from the authorization and case management system utilized by us to coordinate care.

- **Timely and accurate reporting.** Our information systems have reporting capabilities which have been instrumental in identifying the need for new and/or improved healthcare and specialty programs. For state agencies, our reporting capability is important in demonstrating an auditable program.

- **Fraud and abuse prevention.** We have several systems in place to help identify, detect and investigate potential waste, abuse and fraud including pre and post payment review software. We collaborate with state and federal agencies and assist with investigation requests. We use nationally recognized standards to benchmark our processes.
Member Programs and Services

We recognize the importance of member-focused delivery of quality managed care services. Our locally-based staff assists members in accessing care, coordinating referrals to related health and social services and addressing member concerns and questions. While covered healthcare benefits vary from state to state, our health plans generally provide the following services:

- primary and specialty physician care
- inpatient and outpatient hospital care
- emergency and urgent care
- prenatal care
- laboratory and x-ray services
- home health and durable medical equipment
- behavioral health and substance abuse services
- 24-hour nurse advice line
- transportation assistance
- vision care
- dental care
- immunizations
- prescriptions and limited over-the-counter drugs
- therapies
- social work services
- care coordination

We also provide the following education and outreach programs to inform, assist and incentivize members in accessing quality, appropriate healthcare services in an efficient manner. Many of these programs have been recognized with awards for their excellence in education, outreach and/or case management techniques including Case In Point, Hermes Awards, and National Health Information Awards.

- **Start Smart For Your Baby**, or Smart Start, is our award winning prenatal and infant health program designed to increase the percentage of pregnant women receiving early prenatal care, reduce the incidence of low birth weight babies, identify high-risk pregnancies, increase participation in the federal Women, Infant and Children program, prevent hospital admissions in the first year of life and increase well-child visits.

- **Connections Plus** is a cell phone program developed for high-risk members who have limited or no access to a safe, reliable telephone. This program seeks to eliminate lack of safe, reliable access to a telephone as a barrier to coordinating care, thus reducing avoidable adverse events such as inappropriate emergency room utilization, hospital admissions and premature birth.

- **MemberConnections** is a community face-to-face outreach and education program designed to create a link between the member and the provider and help identify potential challenges or risk elements to a member's health, such as nutritional challenges and health education shortcomings.

- **Health Initiatives for Children** is aimed at educating child members on a variety of health topics. In order to empower and educate children, we have partnered with a nationally recognized children's author to develop our own children's book series on topics such as obesity prevention and healthy eating, asthma, diabetes, foster care, the ills of smoking, anti-bullying and heart healthy.

- **Health Initiatives for Teens** is aimed at empowering, educating and reinforcing life skills with our teenage members. We have developed an educational series that addresses health issues, dealing with chronic diseases including diabetes and asthma, as well as teen pregnancy.

- **Living Well with Sickle Cell** is our innovative program that assists with coordination of care for our sickle cell members. Our program ensures that sickle cell members have established a medical home and work on strategies to reduce unnecessary emergency department (ED) visits through proper treatment to control symptoms and chronic complications, as well as promote self-management.

- **My Route for Health** is our adult educational series used with our case management and disease management programs. The topics of this series include how to manage asthma, COPD, diabetes, heart disease and HIV.

- **Nurtur Diabetes Program** is an innovative program that is a collaboration with our life and health management subsidiary, Nurtur Health, Inc., and our health plans that targets diabetic patients and educates them on their disease state.

- **Community Health Record**, our patient-centric electronic database, collects patient demographic data, clinician visit records, dispensed medications, vital sign history, lab results, allergy charts, and immunization data. Providers can directly input additional or updated patient data and documentation into the database. All information is accessible
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anywhere, anytime to all authorized users, including health plan staff, greatly facilitating coordinated care among providers.

• The CentAccount Program offers members financial incentives for performing certain healthy behaviors. The incentives are delivered through a restricted-use prepaid debit card redeemable for health-related items only. This incentive-based approach effectively increases the utilization of preventive services while strengthening the relationships between members and their primary care providers.

• The Asthma Management Program integrates a hands-on approach with a flexible outreach methodology that can be customized to suit different age groups and populations affected by asthma. Working through Nurtur, we provide proactive identification of members, stratification into appropriate levels of intervention including home visits, culturally sensitive education, and robust outcome reporting. The program also includes aggressive care coordination to ensure patients have basic services such as transportation to the doctor, electricity to power the nebulizer, and a clean, safe home environment.

• Fluvention is an outreach program aimed at educating members on preventing the transmission of the influenza virus by encouraging members to get the seasonal influenza vaccines and take everyday precautions to prevent illness.

• Preventive Care Programs are designed to educate our members on the benefits of Early and Periodic Screening, Diagnosis and Treatment, or EPSDT, services. We have a systematic program of communicating, tracking, outreach, reporting and follow-through that promotes state EPSDT programs.

• Life and Health Management Programs are designed to help members understand their disease and treatment plans and improve their wellness in a cost effective manner. These programs address medical conditions that are common within the Medicaid population such as asthma, diabetes and pregnancy.

Providers

For each of our service areas, we establish a provider network consisting of primary and specialty care physicians, hospitals and ancillary providers. As of December 31, 2013, we contracted with over 50,000 primary care physicians, 165,000 specialty care physicians and 2,000 hospitals.

Our network of primary care physicians is a critical component in care delivery, management of costs and the attraction and retention of new members. Primary care physicians include family and general practitioners, pediatricians, internal medicine physicians and obstetricians and gynecologists. Specialty care physicians provide medical care to members generally upon referral by the primary care physicians. Specialty care physicians include, but are not limited to, orthopedic surgeons, cardiologists and otolaryngologists. We also provide education and outreach programs to inform and assist members in accessing quality, appropriate healthcare services.

Our health plans facilitate access to healthcare services for our members primarily through contracts with our providers. Our contracts with primary and specialty care physicians and hospitals usually are for one to two-year periods and renew automatically for successive one-year terms, but generally are subject to termination by either party upon 90 to 120 days prior written notice. In the absence of a contract, we typically pay providers at state Medicaid reimbursement levels. We pay hospitals under a variety of methods, including fee-for-service, capitation arrangements, per diems, diagnostic related grouping and case rates. We pay physicians under a fee-for-service, capitation arrangement, or risk-sharing arrangement. In addition, we are governed by state prompt payment policies.

• Under our fee-for-service contracts with physicians, particularly specialty care physicians, we pay a negotiated fee for covered services. This model is characterized as having no financial risk for the physician. In addition, this model requires management oversight because our total cost may increase as the units of services increase or as more expensive services replace less expensive services. We have prior authorization procedures in place that are intended to make sure that certain high cost diagnostic and other services are medically appropriate.

• Under our capitated contracts, primary care physicians are paid a monthly fee for each of our members assigned to his or her practice for all ambulatory care. In return for this payment, these physicians provide all primary care and preventive services, including primary care office visits and EPSDT services, and are at risk for all costs associated with such services. If these physicians also provide non-capitated services to their assigned members, they may receive payment under fee-for-service arrangements at standard Medicaid rates.
Under risk-sharing arrangements, physicians are paid under a capitated or fee-for-service arrangement. The arrangement, however, contains provisions for additional bonus to the physicians or reimbursement from the physicians based upon cost and quality measures.

We work with physicians to help them operate efficiently by providing financial and utilization information, physician and patient educational programs and disease and medical management programs. Our programs are also designed to help the physicians coordinate care outside of their offices.

We believe our collaborative approach with physicians gives us a competitive advantage in entering new markets. Our physicians serve on local committees that assist us in implementing preventive care programs, managing costs and improving the overall quality of care delivered to our members, while also simplifying the administrative burdens on our providers. This approach has enabled us to strengthen our provider networks through improved physician recruitment and retention that, in turn, have helped to increase our membership base. The following are among the services we provide to support physicians:

- **Customized Utilization Reports** provide certain of our contracted physicians with information that enables them to run their practices more efficiently and focuses them on specific patient needs. For example, quarterly detail reports update physicians on their status within their risk pools. Equivalency reports provide physicians with financial comparisons of capitated versus fee-for-service arrangements.

- **Case Management Support** helps the physician coordinate specialty care and ancillary services for patients with complex conditions and direct members to appropriate community resources to address both their health and socio-economic needs.

- **Web-based Claims and Eligibility Resources** have been implemented to provide physicians with on-line access to perform claims and eligibility inquiries.

Our contracted physicians also benefit from several of the services offered to our members, including the MemberConnections, EPSDT case management and health management programs. For example, the MemberConnections staff facilitates doctor/patient relationships by connecting members with physicians, the EPSDT programs encourage routine checkups for children with their physicians and the health management programs assist physicians in managing their patients with chronic disease.

Where appropriate, our health plans contract with our specialty services organizations to provide services and programs such as behavioral health, life and health management, managed vision, telehealth services, pharmacy benefits management and specialty pharmacy. When necessary, we also contract with third-party providers on a negotiated fee arrangement for physical therapy, home healthcare, dental, diagnostic laboratory tests, x-ray examinations, transportation, ambulance services and durable medical equipment.

**Quality Management**

Our medical management programs focus on improving quality of care in areas that have the greatest impact on our members. We employ strategies, including health management and complex case management, that are adjusted for implementation in our individual markets by a system of physician committees chaired by local physician leaders. This process promotes physician participation and support, both critical factors in the success of any clinical quality improvement program.

We have implemented specialized information systems to support our medical quality management activities. Information is drawn from our data warehouse, clinical databases and our membership and claims processing system to identify opportunities to improve care and to track the outcomes of the interventions implemented to achieve those improvements. Some examples of these intervention programs include:

- appropriate leveling of care for neonatal intensive care unit hospital admissions, other inpatient hospital admissions, and observation admissions, in accordance with Interqual criteria

- tightening of our pre-authorization list and more stringent review of durable medical equipment and injectibles

- emergency department, or ED, program designed to collaboratively work with hospitals to steer non-emergency care away from the costly ED setting (through patient education, on-site alternative urgent care settings, etc.)
• increase emphasis on case management and clinical rounding where case managers are nurses or social workers who are employed by the health plan to assist selected members with the coordination of healthcare services in order to meet a member's specific healthcare needs

• incorporation of disease management, which is a comprehensive, multidisciplinary, collaborative approach to chronic illnesses such as asthma and diabetes

• Start Smart For Your Baby, a prenatal case management program aimed at helping women with high-risk pregnancies deliver full-term, healthy infants

We provide reporting on a regular basis using our data warehouse. State and Health Employer Data and Information Set, or HEDIS, reporting constitutes the core of the information base that drives our clinical quality performance efforts. This reporting is monitored by Plan Quality Improvement Committees and our corporate medical management team.

In an effort to ensure the quality of our provider networks, we undertake to verify the credentials and background of our providers using standards that are supported by the National Committee for Quality Assurance, or NCQA.

It is our objective to provide access to the highest quality of care for our members. As a validation of that objective, we often pursue accreditation by independent organizations that have been established to promote healthcare quality. The NCQA Health Plan Accreditation and URAC Health Plan Accreditation programs provide unbiased, third party reviews to verify and publicly report results on specific quality care metrics. While we have achieved or are pursuing accreditation for all of our plans, accreditation is only one measure of our ability to provide access to quality care for our members. We currently have nine health plans and three specialty companies with NCQA accreditation.

SPECIALTY SERVICES

Our specialty services are a key component of our healthcare enterprise and complement our core Managed Care business. Specialty services diversify our revenue stream, provide higher quality health outcomes to our membership and others, and assist in controlling costs. Our specialty services are provided primarily through the following businesses:

• Behavioral Health. Cenpatico Behavioral Health, or Cenpatico, manages behavioral healthcare for members via a contracted network of providers. Cenpatico works with providers to determine the best services to help people overcome mental illness and lead productive lives. Our networks feature a full range of services and levels of care to help people with mental illness reach their recovery and wellness goals. In addition, we operate school-based programs in Arizona that focus on students with special needs and also provide speech and other therapy services.

• Correctional Services. Centurion, our joint venture subsidiary with MHM Services Inc., provides comprehensive healthcare services to individuals incarcerated in Massachusetts and Tennessee state correctional facilities. Beginning in January 2014, Centurion also began operating under a new contract with the Minnesota Department of Corrections.

• In-Home Health Services. U.S. Medical Management, our majority owned subsidiary acquired in January 2014, provides in-home health services for high acuity populations.

• Individual Insurance. Celtic Insurance Company, or Celtic, is a nationwide healthcare provider licensed in 49 states offering high-quality, affordable health insurance to individual customers and their families. Sold online and through independent insurance agents nationwide, Celtic's portfolio of major medical plans is designed to meet the diverse needs of the uninsured at all budget and benefit levels. Celtic also offers a standalone guaranteed-issue medical conversion program to self-funded employer groups, stop-loss and fully-insured group carriers, managed care plans, and HMO reinsurers.

• Life and Health Management. Nurtur specializes in implementing life and health management programs that encourage healthy behaviors, promote healthier workplaces, improve workforce and societal productivity and reduce healthcare costs. Health risk appraisals, biometric screenings, online and telephonic wellness programs, disease management and work-life/employee assistance services are areas of focus. Nurtur uses telephonic health and work-life balance coaching, in-home and online interaction and informatics processes to deliver effective clinical outcomes, enhanced patient-provider satisfaction and lower overall healthcare cost.
Managed Vision. OptiCare Managed Vision, Inc., or OptiCare, administers routine and medical surgical eye care benefits via its own contracted national network of eye care providers. OptiCare clients include Medicaid, Medicare, and commercial health plans, as well as employer groups. OptiCare has been providing vision network services for over 25 years and offers a variety of plan designs to meet the individual needs of its clients and members.

Telehealth Services. NurseWise LP provides a toll-free nurse triage line 24 hours per day, 7 days per week, 52 weeks per year. Our members call one number and reach bilingual customer service representatives and nursing staff who provide health education, triage advice and offer continuous access to health plan functions. Additionally, our representatives verify eligibility, confirm primary care provider assignments and provide benefit and network referral coordination for members and providers after business hours. Our staff can arrange for urgent pharmacy refills, transportation and qualified behavioral health professionals for crisis stabilization assessments.

Pharmacy Benefits Management & Specialty Pharmacy. US Script, Inc., or US Script, offers progressive pharmacy benefits management services that are specifically designed to improve quality of care while containing costs. This is achieved through a lowest net cost strategy that helps optimize clients’ pharmacy benefit. Services include claims processing, pharmacy network management, benefit design consultation, drug utilization review, formulary and rebate management, specialty and mail order pharmacy services, and patient and physician intervention.

In April 2013, we acquired AcariaHealth, a comprehensive specialty pharmacy company. With this transaction, we expanded our specialized pharmacy benefit services for complex diseases, including Hepatitis C, Hemophilia, Multiple Sclerosis, Rheumatoid Arthritis and Oncology.

Care Management Software. Casenet, LLC, or Casenet, is a software provider of innovative care management solutions that automate the clinical, administrative and technical components of care management programs. During 2012, we acquired the remaining minority interest in Casenet and implemented this new software platform, which is available for sale to third parties and used by our health plans.

CORPORATE COMPLIANCE

Our Corporate Ethics and Compliance Program provides controls by which we assure that our values are reflected in everything we do, further enhance operations, improve access to quality care and safeguard against fraud and abuse.

The two primary standards by which corporate compliance programs in the healthcare industry are measured are the Federal Organizational Sentencing Guidelines and Compliance Program Guidance series issued by the Department of Health and Human Services’ Office of the Inspector General, or OIG. Our program contains each of the seven elements suggested by the Sentencing Guidelines and the OIG guidance. These key components are:

- written standards of conduct
- designation of a corporate compliance officer and compliance committee
- effective training and education
- effective lines for reporting and communication
- enforcement of standards through disciplinary guidelines and actions
- internal monitoring and auditing
- prompt response to detected offenses and development of corrective action plans

The goal of the program is to build a culture of ethics and compliance, which is assessed periodically using a diagnostic survey to measure the integrity of the organization. Our internal Corporate Compliance intranet site, accessible to all employees, contains our Business Ethics and Conduct Policy (Code of Conduct), Compliance Program description and various resources for employees to report concerns or ask questions. If needed, employees have access to the contact information for the members of our Board of Directors' Audit Committee to report concerns. Our Ethics and Compliance Helpline is a toll-free number and web-based reporting tool operated by a third party independent of the Company and allows employees or other persons to report suspected incidents of misconduct, fraud, abuse or other compliance violations. Furthermore, the Board of Directors reviews an ethics and compliance report on a quarterly basis.

COMPETITION

We continue to face varying and increasing levels of competition as we expand in our existing service areas or enter new markets. Federal regulations require at least two competitors in each service area. Healthcare reform may cause a number of commercial managed care organizations to decide to enter or exit the Medicaid market.
In our business, our principal competitors for state contracts, members and providers consist of the following types of organizations:

- **Medicaid Managed Care Organizations** focus on providing healthcare services to Medicaid recipients. These organizations consist of national and regional organizations, as well as not-for-profits and smaller organizations that operate in one city or state and are owned by providers, primarily hospitals.

- **National and Regional Commercial Managed Care Organizations** have Medicaid members in addition to members in private commercial plans. Some of these organizations offer a range of specialty services including pharmacy benefits management, behavioral health management, health management, and nurse triage call support centers.

- **Primary Care Case Management Programs** are programs established by the states through contracts with primary care providers. Under these programs, physicians provide primary care services to Medicaid recipients, as well as limited medical management oversight.

We compete with other managed care organizations and specialty companies for state contracts. In order to grant a contract, state governments consider many factors. These factors include quality of care, financial requirements, an ability to deliver services and establish provider networks and infrastructure. In addition, our specialty companies also compete with other providers, such as disease management companies, individual health insurance companies, and pharmacy benefits managers for non-governmental contracts.

We also compete to enroll new members and retain existing members. People who wish to enroll in a managed healthcare plan or to change healthcare plans typically choose a plan based on the quality of care and services offered, ease of access to services, a specific provider being part of the network and the availability of supplemental benefits.

We also compete with other managed care organizations to enter into contracts with physicians, physician groups and other providers. We believe the factors that providers consider in deciding whether to contract with us include existing and potential member volume, reimbursement rates, medical management programs, speed of reimbursement and administrative service capabilities. See “Risk Factors - Competition may limit our ability to increase penetration of the markets that we serve.”

**REGULATION**

Our operations are regulated at both state and federal levels. Government regulation of the provision of healthcare products and services is a changing area of law that varies from jurisdiction to jurisdiction. Regulatory agencies generally have discretion to issue regulations and interpret and enforce laws and rules. Changes in applicable laws and rules also may occur periodically.

Our regulated subsidiaries are licensed to operate as health maintenance organizations, third party administrators, utilization review and/or insurance companies in their respective states. In each of the jurisdictions in which we operate, we are regulated by the relevant insurance, health and/or human services departments that oversee the activities of managed care organizations providing or arranging to provide services to Medicaid, Medicare and Health Insurance Marketplace enrollees.

The process for obtaining authorization to operate as a managed care organization is complex and requires us to demonstrate to the regulators the adequacy of the health plan's organizational structure, financial resources, utilization review, quality assurance programs, complaint procedures, provider network and procedures for covering emergency medical conditions. Under both state managed care organization statutes and insurance laws, our health plan subsidiaries, as well as our applicable specialty companies, must comply with minimum statutory capital and other financial solvency requirements, such as deposit and surplus requirements. Insurance regulations may also require prior state approval of acquisitions of other managed care organization businesses and the payment of dividends, as well as notice for loans or the transfer of funds. Our subsidiaries are also subject to periodic state and federal reporting requirements. In addition, each health plan and individual health insurance provider must meet criteria to secure the approval of state regulatory authorities before implementing operational changes, including the development of new product offerings and, in some states, the expansion of service areas.

States have adopted a number of regulations that may affect our business and results of operations. These regulations in certain states include:

- premium taxes or similar assessments
- stringent prompt payment laws
We are regulated as an insurance holding company and are subject to the insurance holding company acts of the states in which our insurance company and HMO subsidiaries are domiciled. These acts contain certain reporting requirements as well as restrictions on transactions between an insurer or HMO and its affiliates. These holding company laws and regulations generally require insurance companies and HMOs within an insurance holding company system to register with the insurance department of each state where they are domiciled and to file with those states' insurance departments reports describing capital structure, ownership, financial condition, intercompany transactions and general business operations. In addition, depending on the size and nature of the transaction, there are various notice and reporting requirements that generally apply to transactions between insurance companies and HMOs and their affiliates within an insurance holding company structure. Some insurance holding company laws and regulations require prior regulatory approval or, in certain circumstances, prior notice of certain material intercompany transfers of assets as well as certain transactions between insurance companies, HMOs, their parent holding companies and affiliates. Among other provisions, state insurance and HMO laws may restrict the ability of our regulated subsidiaries to pay dividends.

Additionally, the holding company acts of the states in which our subsidiaries are domiciled restrict the ability of any person to obtain control of an insurance company or HMO without prior regulatory approval. Under those statutes, without such approval or an exemption, no person may acquire any voting security of an insurance holding company, which controls an insurance company or HMO, or merge with such a holding company, if as a result of such transaction such person would “control” the insurance holding company. “Control” is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a company and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of a company.

Our mail order pharmacies must be licensed to do business as pharmacies in the states in which they are located. Our mail order pharmacies must also register with the U.S. Drug Enforcement Administration and individual state controlled substance authorities to dispense controlled substances. In many of the states where our mail order pharmacies deliver pharmaceuticals, there are laws and regulations that require out-of-state mail order pharmacies to register with that state’s board of pharmacy or similar regulatory body. These states generally permit the pharmacy to follow the laws of the state in which the mail order pharmacy is located, although some states require that we also comply with certain laws in that state.

State Contracts

In addition to being a licensed insurance company or health maintenance organization, in order to be a Medicaid managed care organization in each of the states in which we operate, we must operate under a contract with the state’s Medicaid agency. States generally use either a formal proposal process, reviewing a number of bidders, or award individual contracts to qualified applicants that apply for entry to the program. We receive monthly payments based on specified capitation rates determined on an actuarial basis. These rates differ by membership category and by state depending on the specific benefits and policies adopted by each state.

Our state contracts and the regulatory provisions applicable to us generally set forth the requirements for operating in the Medicaid sector, including provisions relating to:

- eligibility, enrollment and dis-enrollment processes
- covered services
- eligible providers
- subcontractors
- record-keeping and record retention
- periodic financial and informational reporting
- quality assurance
- accreditation
- health education and wellness and prevention programs
- timeliness of claims payment
- financial standards
- safeguarding of member information
- fraud and abuse detection and reporting
- grievance procedures
- organization and administrative systems

A health plan or individual health insurance provider's compliance with these requirements is subject to monitoring by state regulators and by CMS. A health plan is also subject to periodic comprehensive quality assurance evaluations by a third-party reviewing organization and generally by the insurance department of the jurisdiction that licenses the health plan. A health plan or individual health insurance provider must also submit reports to various regulatory agencies, including quarterly and annual statutory financial statements and utilization reports.
The table below sets forth the terms of our contracts and provides details regarding related renewal or extension and termination provisions. The contracts are subject to termination for cause, an event of default or lack of funding.

<table>
<thead>
<tr>
<th>Contract</th>
<th>Expiration Date</th>
<th>Renewal or Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona - Behavioral Health</td>
<td>June 30, 2014</td>
<td>Renewable for one additional one-year term.</td>
</tr>
<tr>
<td>Arizona - LTC</td>
<td>September 30, 2014</td>
<td>May be extended for up to two additional one-year terms.</td>
</tr>
<tr>
<td>California - Medicaid, ABD &amp; CHIP</td>
<td>October 31, 2018</td>
<td>Renewable up to three additional one-year terms.</td>
</tr>
<tr>
<td>Florida - CHIP</td>
<td>September 30, 2014</td>
<td>May be extended for up to two additional one-year terms.</td>
</tr>
<tr>
<td>Florida - Foster Care</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Florida - LTC</td>
<td>August 31, 2018</td>
<td>Renewable through the state's recertification process.</td>
</tr>
<tr>
<td>Florida - Medicaid &amp; ABD (2)</td>
<td>August 31, 2015</td>
<td>Renewable through the state's recertification process.</td>
</tr>
<tr>
<td>Georgia - Medicaid &amp; CHIP</td>
<td>June 30, 2014</td>
<td>Renewable for two additional one-year terms.</td>
</tr>
<tr>
<td>Illinois - ABD &amp; LTC</td>
<td>April 30, 2016</td>
<td>May be extended for up to five additional years.</td>
</tr>
<tr>
<td>Illinois - Ds</td>
<td>December 31, 2015</td>
<td>Renewable for two additional one-year terms.</td>
</tr>
<tr>
<td>Indiana - Medicaid, CHIP &amp; Hybrid (Healthy Indiana Plan)</td>
<td>December 31, 2014</td>
<td>Renewable for two additional one-year terms.</td>
</tr>
<tr>
<td>Kansas - Medicaid, ABD, CHIP, LTC &amp; Foster Care</td>
<td>December 31, 2015</td>
<td>Renewable for two additional one-year terms.</td>
</tr>
<tr>
<td>Louisiana - Medicaid, CHIP, ABD &amp; Foster Care</td>
<td>January 31, 2015</td>
<td>Renewable for an additional two-year period through the state's recertification process.</td>
</tr>
<tr>
<td>Massachusetts - Correctional Services</td>
<td>June 30, 2018</td>
<td>Renewable for two additional one-year terms.</td>
</tr>
<tr>
<td>Massachusetts - Medicaid</td>
<td>September 30, 2015</td>
<td>May be extended for five additional one-year terms.</td>
</tr>
<tr>
<td>Minnesota - Correctional Services</td>
<td>June 30, 2016</td>
<td>May be extended for up to two and a half additional years.</td>
</tr>
<tr>
<td>Mississippi - Medicaid, ABD &amp; Foster Care</td>
<td>June 30, 2014</td>
<td>Renewable through the state's reprocurement process. (3)</td>
</tr>
<tr>
<td>State/Medicaid Type</td>
<td>Expiration Date</td>
<td>Renewal Information</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-----------------------</td>
<td>----------------------------------------------------------------</td>
</tr>
<tr>
<td>Missouri - Medicaid, CHIP &amp; Foster Care</td>
<td>June 30, 2014</td>
<td>Renewable for one additional one-year term.</td>
</tr>
<tr>
<td>New Hampshire - Medicaid, CHIP, Foster Care &amp; ABD</td>
<td>June 30, 2015</td>
<td>Renewable for one additional two-year term.</td>
</tr>
<tr>
<td><strong>Ohio - Duals</strong></td>
<td>June 30, 2014</td>
<td>Renewable annually for successive 12-month periods.</td>
</tr>
<tr>
<td><strong>Ohio - Special Needs Plan (Medicare)</strong></td>
<td>December 31, 2014</td>
<td>Renewable annually for successive 12-month periods.</td>
</tr>
<tr>
<td><strong>South Carolina - Medicaid, CHIP &amp; ABD</strong></td>
<td>June 30, 2014</td>
<td>Renewable through the state's recertification process.</td>
</tr>
<tr>
<td><strong>South Carolina - Duals</strong></td>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Tennessee - Correctional Services</strong></td>
<td>August 31, 2016</td>
<td>Renewable through the state's reprocurement process.</td>
</tr>
<tr>
<td><strong>Texas - ABD Dallas Expansion</strong></td>
<td>August 31, 2015</td>
<td>May be extended for up to three additional years.</td>
</tr>
<tr>
<td><strong>Texas - ABD MRSA</strong></td>
<td>August 31, 2017</td>
<td>May be extended for up to five additional years.</td>
</tr>
<tr>
<td><strong>Texas - CHIP Rural Service Area</strong></td>
<td>August 31, 2015</td>
<td>May be extended for up to three additional years.</td>
</tr>
<tr>
<td><strong>Texas - Foster Care</strong></td>
<td>February 22, 2015</td>
<td>Renewable through the state's reprocurement process.</td>
</tr>
<tr>
<td><strong>Texas - Hybrid (Healthy Texas)</strong></td>
<td>August 31, 2015</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Texas - Medicaid, CHIP &amp; ABD</strong></td>
<td>August 31, 2015</td>
<td>May be extended for up to four and a half additional years.</td>
</tr>
<tr>
<td><strong>Texas - Special Needs Plan (Medicare)</strong></td>
<td>December 31, 2014</td>
<td>Renewable annually for successive 12-month periods.</td>
</tr>
<tr>
<td><strong>Washington - Medicaid, CHIP, Foster Care &amp; ABD</strong></td>
<td>December 31, 2014</td>
<td>Renewable through the state's recertification process.</td>
</tr>
<tr>
<td><strong>Wisconsin - Medicaid, CHIP &amp; ABD</strong></td>
<td>December 31, 2015</td>
<td>Renewable through the state's recertification process every two years.</td>
</tr>
<tr>
<td><strong>Wisconsin - Network Health Plan Subcontract</strong></td>
<td>December 31, 2015</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Wisconsin - Special Needs Plan (Medicare)</strong></td>
<td>December 31, 2014</td>
<td>Renewable annually for successive 12-month periods.</td>
</tr>
</tbody>
</table>

(1) The Company has received notice of intent to award a contract, however a final contract has not yet been executed.

(2) The current contract expires in August 2015. In September 2013, the Florida Agency for Health Care Administration provided notice of intent to award a contract to our Florida subsidiary, Sunshine Health, in 9 of 11 regions of the Managed Medical Assistance (MMA) program. The MMA program includes TANF recipients as well as ABD and dual-eligible members. The award is subject to challenge and contract readiness periods, with enrollment expected to begin in the second quarter of 2014 and continue through October 2014.

(3) The current contract expires June 30, 2014. In February 2014, the State of Mississippi Department of Medicaid provided notice of intent to award a contract to our Mississippi subsidiary, Magnolia Health, to continue serving Medicaid, ABD and Foster Care members effective July 1, 2014 for a three-year period, renewable for up to two additional years.

(4) The Texas Health and Human Services Commission (HHSC) has communicated that the Healthy Texas program is expected to end in December 2014.

(5) The Company and NHP are currently in negotiation regarding any future extensions.
Marketplace Contracts

Beginning in 2014, we began operating under federally facilitated Marketplace contracts with CMS in seven states: Arkansas, Florida, Georgia, Indiana, Mississippi, Ohio and Texas. These contracts expire annually and are renewable upon mutual consent.

In 2014, we also began operating under two state based Marketplaces in Massachusetts and Washington that expire annually. The Massachusetts contract may be extended for up to two additional one-year terms. The Washington contract is renewable annually through the state's recertification process.

In addition, we began operating under a contract with the Arkansas division of Medical Services and the Arkansas Insurance Department to participate in the Medicaid expansion model that Arkansas has adopted (referred to as the "private option") in January 2014. This contract expires December 31, 2014 and may be extended for subsequent and consecutive one year terms.

HIPAA Omnibus Rule and HITECH

In 1996, Congress enacted the Health Insurance Portability and Accountability Act, or HIPAA. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including HIPAA and the Gramm-Leach-Bliley Act. HIPAA is designed to improve the portability and continuity of health insurance coverage, simplify the administration of health insurance through standard transactions and ensure the privacy and security of individual health information. Among the main requirements of HIPAA are the Administrative Simplification provisions which include:

- standards for processing health insurance claims and related transactions (Transactions Standards);
- requirements for protecting the privacy and limiting the use and disclosure of medical records and other personal health information (Privacy Rule);
- and standards and specifications for safeguarding personal health information which is maintained, stored or transmitted in electronic format (Security Rule).

The Health Information Technology for Economic and Clinical Health (HITECH) Act amended certain provisions of HIPAA and introduced new data security obligations for covered entities and their business associates. HITECH also mandated individual notifications in instances of a data breach, provided enhanced penalties for HIPAA violations, and granted enforcement authority to states' Attorneys General in addition to the HHS Office of Civil Rights. The HIPAA Omnibus Rule is based on the changes under the HITECH Acts and the Genetic Information Nondiscrimination Act of 2008 (GINA) which clarifies that genetic information is protected under the HIPAA Privacy Rule and prohibits most health plans from using or disclosing genetic information for underwriting purposes. This Omnibus rule enhances the privacy protections and strengthens the government's ability to enforce the law. The preemption provisions of HIPAA provide that the federal standards will not preempt state laws that are more stringent than the related federal requirements.

The Privacy and Security Rules and HITECH/Omnibus enhancements establish requirements to protect the privacy of medical records and safeguard personal health information maintained and used by healthcare providers, health plans, healthcare clearinghouses, and their business associates.

The Security Rule requires healthcare providers, health plans, healthcare clearinghouses, and their business associates to implement administrative, physical and technical safeguards to ensure the privacy and confidentiality of health information when it is electronically stored, maintained or transmitted. The HITECH Act and Omnibus Rule established a federal requirement for notification when the security of protected health information is breached. In addition, there are state laws that have been adopted to provide for, among other things, private rights of action for breaches of data security and mandatory notification to persons whose identifiable information is obtained without authorization.

The requirements of the Transactions Standards apply to certain healthcare related transactions conducted using “electronic media.” Since “electronic media” is defined broadly to include “transmissions that are physically moved from one location to another using magnetic tape, disk or compact disk media,” many communications are considered to be electronically transmitted. Under HIPAA, health plans are required to have the capacity to accept and send all covered transactions in a standardized electronic format. Penalties can be imposed for failure to comply with these requirements. The transaction standards have been modified to version 5010 to prepare for the implementation of the ICD-10 coding system. We are planning for an expected transition to ICD-10 in October 2014.

We have implemented processes, policies and procedures to comply with HIPAA, HITECH and the Omnibus Rule, including administrative, technical and physical safeguards to prevent against electronic data breach. We provide education and training for employees specifically designed to help prevent any unauthorized use or access to health information and enhance the reporting of suspected breaches. In addition, our corporate privacy officer and health plan privacy officials handle privacy complaints and serve as resources to employees to address questions or concerns they may have.
Other Fraud and Abuse Laws

Investigating and prosecuting healthcare fraud and abuse continues to be a top priority for state and federal law enforcement entities. The focus of these efforts has been directed at participants in public government healthcare programs such as Medicare and Medicaid. The laws and regulations relating to fraud and abuse and the contractual requirements applicable to health plans participating in these programs are complex and regularly changing and compliance with them may require substantial resources. We are constantly looking for ways to improve our waste, fraud and abuse detection methods. While we have both prospective and retrospective processes to identify abusive patterns and fraudulent billing, we continue to increase our capabilities to proactively detect inappropriate billing prior to payment.

EMPLOYEES

As of December 31, 2013, we had approximately 8,800 employees. None of our employees are represented by a union. We believe our relationships with our employees are positive.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our executive officers, including their ages, at February 8, 2014:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael F. Neidorff</td>
<td>71</td>
<td>Chairman, President and Chief Executive Officer</td>
</tr>
<tr>
<td>K. Rone Baldwin</td>
<td>55</td>
<td>Executive Vice President, Insurance Group Business Unit</td>
</tr>
<tr>
<td>Carol E. Goldman</td>
<td>56</td>
<td>Executive Vice President and Chief Administrative Officer</td>
</tr>
<tr>
<td>Jason M. Harrold</td>
<td>44</td>
<td>Executive Vice President, Specialty Company Business Unit</td>
</tr>
<tr>
<td>Robert T. Hitchcock</td>
<td>47</td>
<td>Executive Vice President, Health Plan Business Unit</td>
</tr>
<tr>
<td>Jesse N. Hunter</td>
<td>38</td>
<td>Executive Vice President, Chief Business Development Officer</td>
</tr>
<tr>
<td>Donald G. Imholz</td>
<td>61</td>
<td>Executive Vice President, Operations and Chief Information Officer</td>
</tr>
<tr>
<td>Edmund E. Kroll</td>
<td>54</td>
<td>Senior Vice President, Finance and Investor Relations</td>
</tr>
<tr>
<td>C. David Minifie</td>
<td>43</td>
<td>Executive Vice President, Business Integration &amp; Chief Marketing Officer</td>
</tr>
<tr>
<td>William N. Scheffel</td>
<td>60</td>
<td>Executive Vice President, Chief Financial Officer and Treasurer</td>
</tr>
<tr>
<td>Jeffrey A. Schwaneke</td>
<td>38</td>
<td>Senior Vice President, Corporate Controller and Chief Accounting Officer</td>
</tr>
<tr>
<td>Keith H. Williamson</td>
<td>61</td>
<td>Executive Vice President, General Counsel and Secretary</td>
</tr>
</tbody>
</table>

Michael F. Neidorff. Mr. Neidorff has served as our Chairman and Chief Executive Officer since May 2004. From May 1996 to May 2004, Mr. Neidorff served as President, Chief Executive Officer and as a member of our Board of Directors. Mr. Neidorff also serves as a director of Brown Shoe Company, Inc., a publicly-traded footwear company with global operations.

K. Rone Baldwin. Mr. Baldwin has served as our Executive Vice President, Insurance Group Business Unit since December 2012. Prior to joining Centene, he served as Executive Vice President and Business Leader of Group Insurance Business, which included both group health and ancillary product lines, for Guardian Life Insurance Company, which he joined in 2006.

Carol E. Goldman. Ms. Goldman has served as Executive Vice President and Chief Administrative Officer since June 2007. Prior to this position, Ms. Goldman has held various positions of increasing responsibility since joining Centene in 2001.

Jason M. Harrold. Mr. Harrold has served as our Executive Vice President, Specialty Company Business Unit since April 2012. From August 2009 to April 2012, he served as our Senior Vice President, Specialty Business Unit. He served as President of OptiCare from July 2000 to August 2009.

Robert T. Hitchcock. Mr. Hitchcock has served as our Executive Vice President, Health Plan Business Unit, since October 2012. From March 1997 to October 2012, Mr. Hitchcock held various positions of increasing responsibility at Humana including Divisional Vice President, Western Division Medicare Operations.

Jesse N. Hunter. Mr. Hunter has served as our Executive Vice President, Chief Business Development Officer since December 2012. From February 2012 to December 2012, he served as our Executive Vice President, Operations. He
previously served as our Executive Vice President, Corporate Development from April 2008 to February 2012. He served as our Senior Vice President, Corporate Development from April 2007 to April 2008.

**Donald G. Imholz.** Mr. Imholz has served as our Executive Vice President, Operations and Chief Information Officer since December 2009. Mr. Imholz served as our Senior Vice President and Chief Information Officer from September 2008 to December 2009.

**Edmund E. Kroll.** Mr. Kroll has served as our Senior Vice President, Finance and Investor Relations since May 2007.

**C. David Minifie.** Mr. Minifie has served as our Executive Vice President, Business Integration & Chief Marketing Officer since December 2012. He previously served as our Vice President, Chief Marketing Officer from April 2012 to December 2012. From 1999 to April 2012, Mr. Minifie held various positions of increasing responsibility at Procter & Gamble including Global Eukanuba Associate Marketing Director.

**William N. Scheffel.** Mr. Scheffel has served as our Executive Vice President, Chief Financial Officer and Treasurer since May 2009. He served as our Executive Vice President, Specialty Business Unit from June 2007 to May 2009.

**Jeffrey A. Schwaneke.** Mr. Schwaneke has served as our Senior Vice President, Corporate Controller since December 2011 and our Chief Accounting Officer since September 2008. He served as our Vice President, Corporate Controller from July 2008 to December 2011. He previously served as Vice President, Controller and Chief Accounting Officer at Novelis Inc. from October 2007 to July 2008.

**Keith H. Williamson.** Mr. Williamson has served as our Executive Vice President, General Counsel and Secretary since November 2012. He served as Senior Vice President and General Counsel from November 2006 to November 2012. Mr. Williamson also serves as a director of PPL Corporation, a publicly-traded utility holding company.

### Available Information

We are subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and, as a result, we file periodic reports and other information with the Securities and Exchange Commission, or SEC. We make these filings available on our website free of charge, the URL of which is http://www.centene.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website (http://www.sec.gov) that contains our annual, quarterly and current reports and other information we file electronically with the SEC. You can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1850, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Information on our website does not constitute part of this Annual Report on Form 10-K.

### ITEM 1A. Risk Factors.

**FACTORS THAT MAY AFFECT FUTURE RESULTS AND THE TRADING PRICE OF OUR COMMON STOCK**

You should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. You should also refer to the other information in this filing, including our consolidated financial statements and related notes. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our Company.

**Reductions in funding or changes to eligibility requirements for government sponsored healthcare programs in which we participate could substantially affect our financial position, results of operations and cash flows.**

The majority of our revenues come from government subsidized healthcare programs including Medicaid, Medicare, CHIP, LTC, ABD, Foster Care and Health Insurance Marketplace premiums. The base premium rate paid for each program differs, depending on a combination of factors such as defined upper payment limits, a member’s health status, age, gender, county or region and benefit mix. Since Medicaid was created in 1965, the federal government and the states have shared the costs, with the federal share currently averaging around 57%.
Future levels of funding and premium rates may be affected by continuing government efforts to contain healthcare costs and may further be affected by state and federal budgetary constraints. Governments periodically consider reducing or reallocating the amount of money they spend for Medicaid, Medicare, CHIP, LTC, ABD and Foster Care. Adverse economic conditions may continue to put pressures on state budgets as tax and other state revenues decrease while the population that is eligible to participate in these programs increases, creating more need for funding. We anticipate this will require government agencies to find funding alternatives, which may result in reductions in funding for programs, contraction of covered benefits, and limited or no premium rate increases or premium rate decreases. A reduction (or less than expected increase), a protracted delay, or a change in allocation methodology in government funding for these programs, as well as termination of the contract for the convenience of the government, may materially and adversely affect our results of operations, financial position and cash flows.

Additionally, changes in these programs could reduce the number of persons enrolled in or eligible for these programs or increase our administrative or healthcare costs under these programs. Recent legislation generally requires that eligibility levels be maintained, but this could cause states to reduce reimbursement or reduce benefits in order for states to afford to maintain eligibility levels. If any state in which we operate were to decrease premiums paid to us or pay us less than the amount necessary to keep pace with our cost trends, it could have a material adverse effect on our results of operations, financial position and cash flows.

Lastly, if a federal government shutdown were to occur for a prolonged period of time, federal government payment obligations, including its obligations under Medicaid, Medicare, CHIP, LTC, ABD, Foster Care and the new Health Insurance Marketplaces, may be delayed. If the federal government fails to make payments under these programs on a timely basis, our business could suffer, and our financial position, results of operations or cash flows may be materially affected.

**Failure to accurately estimate and price our medical expenses or effectively manage our medical costs or related administrative costs could negatively affect our financial position, results of operations or cash flows.**

Our profitability depends, to a significant degree, on our ability to estimate and effectively manage expenses related to health benefits through our ability to contract favorably with hospitals, physicians and other healthcare providers. For example, our Medicaid revenue is often based on bids submitted before the start of the initial contract year. If our actual medical expense exceeds our estimates, our medical benefits ratio, or our expenses related to medical services as a percentage of premium revenue, would increase and our profits would decline. Because of the narrow margins of our health plan business, relatively small changes in our health benefits ratio can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of utilization of healthcare services, hospital and pharmaceutical costs, major epidemics or pandemics, new medical technologies, pharmaceutical compounds and other external factors, including general economic conditions such as inflation and unemployment levels, are beyond our control and could reduce our ability to accurately predict and effectively control the costs of providing health benefits.

Our medical expense includes claims reported but not paid, estimates for claims incurred but not reported, and estimates for the costs necessary to process unpaid claims at the end of each period. Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information as well as inpatient acuity information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified. However, we still cannot be sure that our medical claims liability estimate is adequate or that adjustments to the estimate will not unfavorably impact our results of operations.

Additionally, when we commence operations in a new state, region or product, we have limited information with which to estimate our medical claims liability. For a period of time after the inception of the new business, we base our estimates on state-provided historical actuarial data and limited actual incurred and received claims and inpatient acuity information. The addition of new categories of individuals who are eligible under new legislation may pose the same difficulty in estimating our medical claims liability. Similarly, we may face difficulty in estimating our medical claims liability beginning in January 2014 when we begin providing coverage for the first time under the newly created Health Insurance Marketplaces.

From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. If it is determined that our estimates are significantly different than actual results, our results of operations and financial position could be adversely affected. In addition, if there is a significant delay in our receipt of premiums, our business operations, cash flows, or earnings could be negatively impacted.
The implementation of the Health Reform Legislation and other reforms could materially and adversely affect our results of operations, financial position and cash flows.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act, collectively referred to as the Affordable Care Act (ACA), were enacted. While the constitutionality of the ACA was generally upheld by the Supreme Court in 2012, the Court determined that states could not be required to expand Medicaid and risk losing all federal money for their existing Medicaid programs.

Under the ACA, Medicaid coverage was expanded to all individuals under age 65 with incomes up to 138% of the federal poverty level beginning January 1, 2014, subject to each states’ election. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for 3 years (2014 through 2016). Beginning in 2017, the federal share begins to decline to 90% by 2020 and subsequent years. To date, 25 states have expanded Medicaid eligibility, and the remaining states are involved in a variety of legislative proposals. The ACA also extended CHIP through September 30, 2019.

The ACA required the establishment of Health Insurance Marketplaces for individuals and small employers to purchase health insurance coverage commencing in January 2014. Open enrollment began on October 1, 2013 and continues until March 31, 2014. The ACA required insurers participating on the Health Insurance Marketplaces to offer a minimum level of benefits and included guidelines on setting premium rates and coverage limitations.

Our ability to adequately price products offered in the Health Insurance Marketplaces may have a negative impact on our results of operations, financial position and cash flow. We may be adversely selected by individuals who will have a higher acuity level than the anticipated pool of participants. In addition, the risk corridor, reinsurance and risk adjustment ("three Rs") provisions of the ACA established to reduce risk for insurers may not be effective in appropriately mitigating the financial risks related to the Marketplace product. Further, the reinsurance component may not be adequately funded. Any variation from our expectations regarding acuity, enrollment levels, adverse selection, the three Rs, or other assumptions utilized in setting adequate premium rates could have a material adverse effect on our results of operations, financial position and cash flows.

The U.S. Department of Health and Human Services (HHS) has stated that it will consider a limited number of premium assistance demonstration proposals from States that want to privatize Medicaid expansion. States must provide a choice between at least two qualified health plans and offer very similar benefits as those available in the newly created Health Insurance Marketplaces. Arkansas became the first state to obtain federal approval to use Medicaid funding to purchase private insurance for low-income residents and we began operations under the program beginning January 1, 2014.

The ACA imposes an annual insurance industry assessment of $8 billion starting in 2014, with increasing annual amounts thereafter. Such assessments are not deductible for income tax purposes. The fee will be allocated based on health insurers’ premium revenues in the previous year. Each health insurer’s fee is calculated by multiplying its market share by the annual fee. Market share is based on commercial, Medicare, and Medicaid premium revenue. Not-for-profit insurers may have a competitive advantage since they are exempt from paying the fee if they receive at least 80% of their premium revenue from Medicare, Medicaid, and CHIP, and other not-for-profit insurers are allowed to exclude 50% of their premium revenue from the fee calculation. If this federal premium assessment is imposed as enacted, and if we are not reimbursed by the states for the cost of the federal premium assessment (including the associated tax impact), or if we are unable to otherwise adjust our business model to address this new assessment, our results of operations, financial position and cash flows may be materially adversely affected.

There are numerous steps required to implement the legislation, including the promulgation of a substantial number of new and potentially more onerous federal regulations. Further, various health insurance reform proposals are also emerging at the state level. Because of the unsettled nature of these reforms and numerous steps required to implement them, we cannot predict what additional health insurance requirements will be implemented at the federal or state level, or the effect that any future legislation or regulation will have on our business or our growth opportunities. Although we believe the legislation may provide us with significant opportunities to grow our business, the enacted reforms, as well as future regulations and legislative changes, may in fact have a material adverse effect on our results of operations, financial position or liquidity. If we fail to effectively implement our operational and strategic initiatives with respect to the implementation of healthcare reform, or do not do so as effectively as our competitors, our results of operations may be materially adversely affected.

Our business activities are highly regulated and new laws or regulations or changes in existing laws or regulations or their enforcement or application could force us to change how we operate and could harm our business.

Our business is extensively regulated by the states in which we operate and by the federal government. In addition, the managed care industry has received negative publicity that has led to increased legislation, regulation, review of industry
practices and private litigation in the commercial sector. In each of the jurisdictions in which we operate, we are regulated by the relevant insurance, health and/or human services departments that oversee the activities of managed care organizations providing or arranging to provide services to Medicaid, Medicare and Health Insurance Marketplace enrollees. For example, our health plan subsidiaries, as well as our applicable specialty companies, must comply with minimum statutory capital and other financial solvency requirements, such as deposit and surplus requirements.

The frequent enactment of, changes to, or interpretations of laws and regulations could, among other things: force us to restructure our relationships with providers within our network; require us to implement additional or different programs and systems; restrict revenue and enrollment growth; increase our healthcare and administrative costs; impose additional capital and surplus requirements; and increase or change our liability to members in the event of malpractice by our contracted providers. In addition, changes in political party or administrations at the federal or state level may change the attitude towards healthcare programs.

Our contracts with states may require us to maintain a minimum health benefits ratio or may require us to share profits in excess of certain levels. In certain circumstances, our plans may be required to rebate premium back to the state in the event profits exceed established levels or HBR does not meet the minimum requirement. Other states may require us to meet certain performance and quality metrics in order to maintain our contract or receive additional or full contractual revenue.

The governmental healthcare programs in which we participate are subject to the satisfaction of certain regulations and performance standards. For example, under Health Reform Legislation, Congress authorized CMS and the states to implement managed care demonstration programs to serve dually eligible beneficiaries to improve the coordination of their care. Participation in these demonstration programs is subject to CMS approval and the satisfaction of conditions to participation, including meeting certain performance requirements. Our inability to improve or maintain adequate quality scores and star ratings to meet government performance requirements or to match the performance of our competitors could result in limitations to our participation in or exclusion from these or other government programs. Specifically, several of our Medicaid contracts require us to maintain a Medicare health plan. Although we strive to comply with all existing regulations and to meet performance standards applicable to our business, failure to meet these requirements could result in financial fines and penalties. Also, states may not allow us to continue to participate in their government programs, or we may fail to win procurements to participate in such programs which could materially and adversely affect our results of operations, financial position and cash flows.

Our businesses providing pharmacy benefit management (PBM) and specialty pharmacy services face regulatory and other risks and uncertainties which could materially and adversely affect our results of operations, financial position and cash flows.

We provide PBM and specialty pharmacy services through our US Script and AcariaHealth businesses. Each business is subject to federal and state laws that govern the relationships of the business with pharmaceutical manufacturers, physicians, pharmacies, customers and consumers. They also conduct business as a mail order pharmacy and specialty pharmacy, which subjects them to extensive federal, state and local laws and regulations. In addition, federal and state legislatures regularly consider new regulations for the industry that could materially and adversely affect current industry practices, including the receipt or disclosure of rebates from pharmaceutical companies, the development and use of formularies, and the use of average wholesale prices.

Our PBM businesses would be materially and adversely affected by an inability to contract on favorable terms with pharmaceutical manufacturers and other suppliers, and could face potential claims in connection with purported errors by our mail order or specialty pharmacies, including in connection with the risks inherent in the authorization, compounding, packaging and distribution of pharmaceuticals and other healthcare products. Disruptions at any of our mail order or specialty pharmacies due to an event that is beyond our control could affect our ability to process and dispense prescriptions in a timely manner and could materially and adversely affect our results of operations, financial position and cash flows.

If any of our government contracts are terminated or are not renewed or we receive an adverse review, audit or investigation, our business will suffer.

We provide managed care programs and selected services to individuals receiving benefits under governmental assistance programs. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. Our government contracts are generally intended to run for three years and may be extended for additional years if the contracting entity or its agent elects to do so. When our contracts expire, they may be opened for bidding by competing healthcare providers, and there is no guarantee that our contracts will be renewed or extended. Competitors may buy their way into the market by submitting bids with lower pricing. Further, our government contracts contain certain provisions regarding
eligibility, enrollment and dis-enrollment processes for covered services, eligible providers, periodic financial and informational reporting, quality assurance, timeliness of claims payment, agreement to maintain a Medicare plan in the state and financial standards and are subject to cancellation if we fail to perform in accordance with the standards set by regulatory agencies.

We are also subject to various reviews, audits and investigations to verify our compliance with the terms of our contracts with various governmental agencies and applicable laws and regulations. Any adverse review, audit or investigation could result in: cancellation of our contracts; refunding of amounts we have been paid pursuant to our contracts; imposition of fines, penalties and other sanctions on us; loss of our right to participate in various programs; increased difficulty in selling our products and services; or loss of one or more of our licenses.

If any of our government contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, or we have an adverse review, audit or investigation, our business will suffer, our goodwill could be impaired and our financial position, results of operations or cash flows may be materially affected.

**Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.**

Our health plans rely on other state-operated systems or sub-contractors to qualify, solicit, educate and assign eligible members into managed care plans. The effectiveness of these state operations and sub-contractors can have a material effect on a health plan’s enrollment in a particular month or over an extended period. When a state implements new programs to determine eligibility, new processes to assign or enroll eligible members into health plans, or chooses new subcontractors, there is an increased potential for an unanticipated impact on the overall number of members assigned to managed care plans.

**Our investment portfolio may suffer losses which could materially and adversely affect our results of operations or liquidity.**

We maintain a significant investment portfolio of cash equivalents and short-term and long-term investments in a variety of securities, which are subject to general credit, liquidity, market and interest rate risks and will decline in value if interest rates increase or one of the issuers’ credit ratings is reduced. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

**Execution of our growth strategy may increase costs or liabilities, or create disruptions in our business.**

Our growth strategy includes the acquisition of health plans participating in government sponsored healthcare programs and specialty services businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets and start-up operations in new markets or new products in existing markets. Although we review the records of companies or businesses we plan to acquire, it is possible that we could assume unanticipated liabilities or adverse operating conditions, or an acquisition may not perform as well as expected or may not achieve timely profitability. We also face the risk that we will not be able to effectively integrate acquisitions into our existing operations effectively without substantial expense, delay or other operational or financial problems and we may need to divert more management resources to integration than we planned.

In connection with start-up operations, we may incur significant expenses prior to commencement of operations and the receipt of revenue. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place and demonstrate our ability to administer a state contract and process claims. We may experience delays in operational start dates. As a result of these factors, start-up operations may decrease our profitability. In the event we pursue any opportunity to diversify our business internationally, we would become subject to additional risks, including, but not limited to, political risk, an unfamiliar regulatory regime, currency exchange risk and exchange controls, cultural and language differences, foreign tax issues, and different labor laws and practices.

If we are unable to effectively execute our growth strategy, our future growth will suffer and our results of operations could be harmed.

**If competing managed care programs are unwilling to purchase specialty services from us, we may not be able to successfully implement our strategy of diversifying our business lines.**

We are seeking to diversify our business lines into areas that complement our government sponsored health plan business in order to grow our revenue stream and balance our dependence on risk reimbursement. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be
unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our government sponsored programs. Our ineffectiveness in marketing specialty services to third-parties may impair our ability to execute our business strategy.

**Adverse credit market conditions may have a material adverse effect on our liquidity or our ability to obtain credit on acceptable terms.**

The securities and credit markets have been experiencing extreme volatility and disruption over the past several years. The availability of credit, from virtually all types of lenders, has at times been restricted. In the event we need access to additional capital to pay our operating expenses, fund subsidiary surplus requirements, make payments on or refinance our indebtedness, pay capital expenditures, or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant, particularly if we are unable to access our existing credit facility.

Our access to additional financing will depend on a variety of factors such as prevailing economic and credit market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, and perceptions of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms or at all.

**If state regulators do not approve payments of dividends and distributions by our subsidiaries to us, we may not have sufficient funds to implement our business strategy.**

We principally operate through our health plan subsidiaries. As part of normal operations, we may make requests for dividends and distributions from our subsidiaries to fund our operations. These subsidiaries are subject to regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny our subsidiaries’ request to pay dividends, the funds available to us would be limited, which could harm our ability to implement our business strategy.

**We derive a majority of our premium revenues from operations in a limited number of states, and our financial position, results of operations or cash flows would be materially affected by a decrease in premium revenues or profitability in any one of those states.**

Operations in a limited number of states have accounted for most of our premium revenues to date. If we were unable to continue to operate in any of our current states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative or other governmental or regulatory actions and decisions, economic conditions and similar factors in those states. For example, states we currently serve may bid out their Medicaid program through a request for proposal process. Our inability to continue to operate in any of the states in which we operate could harm our business.

**Competition may limit our ability to increase penetration of the markets that we serve.**

We compete for members principally on the basis of size and quality of provider networks, benefits provided and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided. In addition, the impact of healthcare reform legislation and potential growth in our segment may attract new competitors.

Some of the health plans with which we compete have greater financial and other resources and offer a broader scope of products than we do. In addition, significant merger and acquisition activity has occurred in the managed care industry, as well as complementary industries, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

**If we are unable to maintain relationships with our provider networks, our profitability may be harmed.**

Our profitability depends, in large part, upon our ability to contract at competitive prices with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians, specialists and hospitals generally may
be canceled by either party without cause upon 90 to 120 days prior written notice. We cannot provide any assurance that we will be able to continue to renew our existing contracts or enter into new contracts on a timely basis or under favorable terms enabling us to service our members profitably. Healthcare providers with whom we contract may not properly manage the costs of services, maintain financial solvency or avoid disputes with other providers. Any of these events could have a material adverse effect on the provision of services to our members and our operations.

In any particular market, physicians and healthcare providers could refuse to contract, demand higher payments, or take other actions that could result in higher medical costs or difficulty in meeting regulatory or accreditation requirements. In some markets, certain healthcare providers, particularly hospitals, physician/hospital organizations or multi-specialty physician groups, may have significant market positions or near monopolies that could result in diminished bargaining power on our part. In addition, accountable care organizations, practice management companies, which aggregate physician practices for administrative efficiency and marketing leverage, and other organizational structures that physicians, hospitals and other care providers choose may change the way in which these providers interact with us and may change the competitive landscape. Such organizations or groups of physicians may compete directly with us, which could adversely affect our operations, and our results of operations, financial position and cash flows by impacting our relationships with these providers or affecting the way that we price our products and estimate our costs, which might require us to incur costs to change our operations. Provider networks may consolidate, resulting in a reduction in the competitive environment. In addition, if these providers refuse to contract with us, use their market position to negotiate contracts unfavorable to us or place us at a competitive disadvantage, our ability to market products or to be profitable in those areas could be materially and adversely affected.

From time to time providers assert or threaten to assert claims seeking to terminate non-cancellable agreements due to alleged actions or inactions by us. In addition, we are aware that other managed care organizations have been subject to class action suits by physicians with respect to claim payment procedures, and we may be subject to similar suits. Regardless of whether any suits brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively. If we are unable to retain our current provider contract terms or enter into new provider contracts timely or on favorable terms, our profitability may be harmed.

**We may be unable to attract and retain key personnel.**

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team, including our chief executive officer, Michael F. Neidorff, who has been instrumental in developing our business strategy and forging our business relationships, our business and financial position, results of operations or cash flows could be harmed. Our ability to replace any departed members of our senior management or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in the managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel.

**If we are unable to integrate and manage our information systems effectively, our operations could be disrupted.**

Our operations depend significantly on effective information systems. The information gathered and processed by our information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our providers also depend upon our information systems for membership verifications, claims status and other information. Our information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs and regulatory requirements. We regularly upgrade and expand our information systems’ capabilities. If we experience difficulties with the transition to or from information systems or are unable to properly maintain or expand our information systems, we could suffer, among other things, operational disruptions, loss of existing members and difficulty in attracting new members, regulatory problems and increases in administrative expenses. In addition, our ability to integrate and manage our information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists.

**From time to time, we may become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management.**

We are a defendant from time to time in lawsuits and regulatory actions relating to our business, including, without limitation, medical malpractice claims. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business and financial position, results of operations or cash flows. In addition, regardless of the outcome of any
litigation or regulatory proceedings, such proceedings are costly and time consuming and require significant attention from our management, and could therefore harm our business and financial position, results of operations or cash flows.

**An impairment charge with respect to our recorded goodwill and intangible assets could have a material impact on our results of operations.**

We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may be impaired, in which case a charge to earnings may be necessary. Changes in business strategy, government regulations or economic or market conditions have resulted and may result in impairments of our goodwill and other intangible assets at any time in the future. Our judgments regarding the existence of impairment indicators are based on, among other things, legal factors, market conditions, and operational performance. For example, the non-renewal of our health plan contracts with the state in which they operate may be an indicator of impairment. If an event or events occur that would cause us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets, such revision could result in a non-cash impairment charge that could have a material impact on our results of operations in the period in which the impairment occurs.

If we fail to comply with applicable privacy, security, and data laws, regulations and standards, including with respect to third-party service providers that utilize sensitive personal information on our behalf, our business, reputation, results of operations, financial position and cash flows could be materially and adversely affected.

As part of our normal operations, we collect, process and retain confidential member information. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including HIPAA and the Gramm-Leach-Bliley Act, which require us to protect the privacy of medical records and safeguard personal health information we maintain and use. Despite our best attempts to maintain adherence to information security best practices as well as compliance with applicable laws and rules, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism or theft, malware, misplaced or lost data including paper or electronic media, programming and/or human errors or other similar events. In the past, we have had data breaches resulting in disclosure of confidential or protected health information that have not resulted in any material financial loss or penalty to date. However, future data breaches could require us to expend significant resources to remediate any damage, interrupt our operations and damage our reputation, subject us to state or federal agency review and could also result in enforcement actions, material fines and penalties, litigation or other actions which could have a material adverse effect on our business, reputation and results of operations, financial position and cash flows.

Many of our businesses are also subject to the Payment Card Industry Data Security Standard, which is a multifaceted security standard that is designed to protect credit card account data as mandated by payment card industry entities.

HIPAA broadened the scope of fraud and abuse laws applicable to healthcare companies. HIPAA created civil penalties for, among other things, billing for medically unnecessary goods or services. HIPAA established new enforcement mechanisms to combat fraud and abuse, including civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of protected health information. The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states’ Attorneys General in addition to the HHS Office of Civil Rights. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules. In addition, HHS has announced that it will continue its audit program to assess HIPAA compliance efforts by covered entities. Although we are not aware of HHS plans to audit any of our covered entities, an audit resulting in findings or allegations of noncompliance could have a material adverse effect on our results of operations, financial position and cash flows.

Under HIPAA, health plans are required to have the capacity to accept and send all covered transactions in a standardized electronic format. Penalties can be imposed for failure to comply with these requirements. The transaction standards have been modified to version 5010 to prepare for the implementation of the ICD-10 coding system. While we have prepared for the transition to ICD-10 in October 2014, if unforeseen circumstances arise, it is possible that we could be exposed to investigations and allegations of noncompliance. In addition, if some providers continue to use ICD-9 codes on claims after October 1, 2014, we may have to reject such claims, which may lead to claim resubmissions, increased call volume and provider and customer dissatisfaction. Further, providers may use ICD-10 codes differently than they used ICD-9 codes in the past, which could result in higher costs and reimbursement levels, or lost revenues under risk adjustment. During the transition to ICD-10, certain claims processing and payment information we have historically used to establish our reserves may not be
reliable or available in a timely manner. As a result, implementation of ICD 10 may have a material adverse effect on our results of operations, financial position and cash flows.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks, could have an adverse effect on our business.

Information security risks have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct our operations, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state agents. Our operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in our computer systems and networks.

Security breaches may arise from external or internal threats. External breaches include hacking personal information for financial gain, attempting to cause harm to our operations, or intending to obtain competitive information. We experience attempted external hacking attacks on a regular basis. We maintain a rigorous system of preventive and detective controls through our security programs; however, our prevention and detection controls may not prevent or identify all such attacks. Internal breaches may result from inappropriate security access to confidential information by rogue employees, consultants or third party service providers. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential member information, financial data, competitively sensitive information, or other proprietary data, whether by us or a third party, could have a material adverse effect on our business reputation, financial condition, cash flows, or results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own our corporate office headquarters buildings and land located in St. Louis, Missouri. We generally lease space in the states where our health plans, specialty companies and claims processing facilities operate. We are required by various insurance and regulatory authorities to have offices in the service areas where we provide benefits. We believe our current facilities are adequate to meet our operational needs for the foreseeable future.

Item 3. Legal Proceedings.

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking a declaration of the Company's right to terminate the contract on July 5, 2013. In April 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. In May 2013, the Franklin Circuit Court ruled that Kentucky Spirit does not have a contractual right to terminate the contract early. Kentucky Spirit has appealed that ruling to the Kentucky Court of Appeals.

The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet. In response, the Company filed a lawsuit in April 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches. This lawsuit was subsequently consolidated with the original lawsuit for declaratory relief and continues to proceed.

Kentucky Spirit's efforts to resolve issues with the Commonwealth were unsuccessful and on July 5, 2013, Kentucky Spirit proceeded with its previously announced exit. The Commonwealth has alleged that Kentucky Spirit's exit constitutes a material breach of contract. The Commonwealth seeks to recover substantial damages and to enforce its rights under Kentucky Spirit's $25.0 million performance bond. Any claim for damages by the Commonwealth may include the costs of transition and the additional costs to the Commonwealth to cover Kentucky Spirit's former members through July 5, 2014. Kentucky Spirit is pursuing its litigation claims for damages against the Commonwealth and will vigorously defend against any allegations that it has breached the contract.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If the Company prevails on its claims, Kentucky Spirit would be entitled to damages under its lawsuit. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky
litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of December 31, 2013. While uncertain, the ultimate resolution of the pending litigation could have a material effect on the financial position, cash flow or results of operations of the Company in the period it is resolved or becomes known.

Excluding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position, cash flow or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.
PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Common Stock; Dividends

Our common stock has been traded and quoted on the New York Stock Exchange under the symbol “CNC” since October 16, 2003. The high and low prices, as reported by the NYSE, are set forth below for the periods indicated.

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<td></td>
<td>(through February 12, 2014)</td>
<td>High</td>
<td>Low</td>
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<tr>
<td>First Quarter</td>
<td>63.09</td>
<td>56.88</td>
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<tr>
<td>Second Quarter</td>
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<td>67.84</td>
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</table>

As of February 14, 2014, there were 56 holders of record of our common stock.

We have never declared any cash dividends on our capital stock and currently anticipate that we will retain any future earnings for the development, operation and expansion of our business.

Issuer Purchases of Equity Securities

On October 26, 2009, the Company's Board of Directors extended the Company's stock repurchase program. The program authorizes the repurchase of up to 4,000,000 shares of the Company's common stock from time to time on the open market or through privately negotiated transactions. We have 1,667,724 available shares remaining under the program for repurchases as of December 31, 2013. No duration has been placed on the repurchase program. The Company reserves the right to discontinue the repurchase program at any time. During the year ended December 31, 2013, we did not repurchase any shares through this publicly announced program.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased(^1)</th>
<th>Average Price Paid per Share</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</th>
<th>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1 – October 31, 2013</td>
<td>9,311</td>
<td>$62.37</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>November 1 – November 30, 2013</td>
<td>5,363</td>
<td>57.82</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>December 1 – December 31, 2013</td>
<td>234,055</td>
<td>56.44</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>Total</td>
<td>248,729</td>
<td>$56.69</td>
<td>—</td>
<td>1,667,724</td>
</tr>
</tbody>
</table>

\(^1\) Shares acquired represent shares relinquished to the Company by certain employees for payment of taxes or option cost upon vesting of restricted stock units or option exercise.

\(^2\) Our Board of Directors adopted a stock repurchase program which allows for repurchases of up to a remaining amount of 1,667,724 shares. No duration has been placed on the repurchase program.
The graph below compares the cumulative total stockholder return on our common stock for the period from December 31, 2008 to December 31, 2013 with the cumulative total return of the New York Stock Exchange Composite Index and the Standard & Poor's Supercomposite Managed Healthcare Index over the same period. The graph assumes an investment of $100 on December 31, 2008 in our common stock (at the last reported sale price on such day), the New York Stock Exchange Composite Index and the Standard & Poor's Supercomposite Managed Healthcare Index and assumes the reinvestment of any dividends. In prior years, the Company used the Morgan Stanley Healthcare Payor Index, which was discontinued in October 2013.

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centene Corporation</td>
<td>$100.00</td>
<td>$107.41</td>
<td>$128.56</td>
<td>$200.86</td>
<td>$208.02</td>
<td>$299.09</td>
</tr>
<tr>
<td>New York Stock Exchange Composite Index</td>
<td>100.00</td>
<td>124.80</td>
<td>138.34</td>
<td>129.88</td>
<td>146.66</td>
<td>180.65</td>
</tr>
<tr>
<td>S&amp;P Supercomposite Managed Healthcare Index</td>
<td>100.00</td>
<td>128.05</td>
<td>140.22</td>
<td>187.84</td>
<td>196.95</td>
<td>285.81</td>
</tr>
<tr>
<td>Centene Corporation closing stock price</td>
<td>$19.71</td>
<td>$21.17</td>
<td>$25.34</td>
<td>$39.59</td>
<td>$41.00</td>
<td>$58.95</td>
</tr>
<tr>
<td>Centene Corporation annual shareholder return</td>
<td>7.4%</td>
<td>19.7%</td>
<td>56.2%</td>
<td>3.6%</td>
<td>43.8%</td>
<td></td>
</tr>
</tbody>
</table>
Table of Contents

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes and “Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K. The assets, liabilities and results of operations of Kentucky Spirit Health Plan, FirstGuard and University Health Plans have been classified as discontinued operations for all periods presented.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>(In thousands, except share data)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$10,153,460</td>
<td>$7,568,889</td>
<td>$4,948,137</td>
<td>$4,192,172</td>
<td>$3,786,525</td>
</tr>
<tr>
<td>Service</td>
<td>372,580</td>
<td>112,742</td>
<td>103,765</td>
<td>91,661</td>
<td>91,758</td>
</tr>
<tr>
<td><strong>Premium and service revenues</strong></td>
<td>10,526,040</td>
<td>7,681,631</td>
<td>5,051,902</td>
<td>4,283,833</td>
<td>3,878,283</td>
</tr>
<tr>
<td>Premium tax</td>
<td>337,289</td>
<td>428,665</td>
<td>159,375</td>
<td>165,118</td>
<td>224,581</td>
</tr>
<tr>
<td>Total revenues</td>
<td>10,863,329</td>
<td>8,110,296</td>
<td>5,211,477</td>
<td>4,448,323</td>
<td>4,102,864</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>8,994,641</td>
<td>6,781,081</td>
<td>4,191,268</td>
<td>3,584,452</td>
<td>3,230,131</td>
</tr>
<tr>
<td>Cost of services</td>
<td>326,924</td>
<td>87,705</td>
<td>78,114</td>
<td>63,919</td>
<td>60,789</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>931,137</td>
<td>677,157</td>
<td>577,898</td>
<td>477,765</td>
<td>225,888</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>333,210</td>
<td>428,354</td>
<td>160,394</td>
<td>165,118</td>
<td>224,581</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>28,033</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>10,585,912</td>
<td>8,002,330</td>
<td>5,007,674</td>
<td>4,291,254</td>
<td>3,964,729</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>277,417</td>
<td>107,966</td>
<td>203,803</td>
<td>157,069</td>
<td>138,135</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>18,457</td>
<td>35,285</td>
<td>13,355</td>
<td>15,205</td>
<td>15,691</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>—</td>
<td>(8,488)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(26,957)</td>
<td>(20,460)</td>
<td>(20,320)</td>
<td>(17,992)</td>
<td>(16,318)</td>
</tr>
<tr>
<td>Earnings from continuing operations, before income tax expense</td>
<td>268,917</td>
<td>122,791</td>
<td>188,350</td>
<td>154,282</td>
<td>137,508</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>107,080</td>
<td>87,705</td>
<td>78,114</td>
<td>63,919</td>
<td>60,789</td>
</tr>
<tr>
<td>Earnings from continuing operations, net of income tax expense</td>
<td>161,837</td>
<td>75,379</td>
<td>117,663</td>
<td>88,262</td>
<td>76,719</td>
</tr>
<tr>
<td>Discontinued operations, net of income tax expense (benefit) of $2,284, $(47,741), $(4,165), $4,388, and $(1,204), respectively</td>
<td>3,881</td>
<td>(86,674)</td>
<td>(9,300)</td>
<td>3,889</td>
<td>(2,422)</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>165,718</td>
<td>(11,295)</td>
<td>108,363</td>
<td>94,271</td>
<td>86,245</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>619</td>
<td>(13,154)</td>
<td>(2,855)</td>
<td>3,435</td>
<td>2,574</td>
</tr>
<tr>
<td><strong>Net earnings attributable to Centene Corporation</strong></td>
<td>$165,099</td>
<td>$1,859</td>
<td>$111,218</td>
<td>$94,836</td>
<td>$83,671</td>
</tr>
</tbody>
</table>

Amounts attributable to Centene Corporation common shareholders:

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings from continuing operations, net of income tax expense</td>
<td>$161,218</td>
<td>$88,533</td>
<td>$120,518</td>
<td>$90,947</td>
<td>$86,093</td>
</tr>
<tr>
<td>Discontinued operations, net of income tax expense (benefit)</td>
<td>3,881</td>
<td>(86,674)</td>
<td>(9,300)</td>
<td>3,889</td>
<td>(2,422)</td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>$165,099</td>
<td>$1,859</td>
<td>$111,218</td>
<td>$94,836</td>
<td>$83,671</td>
</tr>
</tbody>
</table>

Net earnings (loss) per common share attributable to Centene Corporation:

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Basic:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$2.98</td>
<td>$1.72</td>
<td>$2.40</td>
<td>$1.87</td>
<td>$2.00</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.07</td>
<td>(1.68)</td>
<td>(0.18)</td>
<td>0.08</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$3.05</td>
<td>$0.04</td>
<td>$2.22</td>
<td>$1.95</td>
<td>$1.94</td>
</tr>
<tr>
<td>Diluted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$2.87</td>
<td>$1.65</td>
<td>$2.30</td>
<td>$1.80</td>
<td>$1.94</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.07</td>
<td>(1.62)</td>
<td>(0.18)</td>
<td>0.08</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$2.94</td>
<td>$0.03</td>
<td>$2.12</td>
<td>$1.88</td>
<td>$1.89</td>
</tr>
</tbody>
</table>

Weighted average number of common shares outstanding:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54,126,545</td>
<td>51,509,366</td>
<td>50,198,954</td>
<td>48,754,947</td>
<td>43,034,791</td>
<td></td>
</tr>
<tr>
<td>Diluted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56,247,173</td>
<td>53,714,375</td>
<td>52,474,238</td>
<td>50,447,888</td>
<td>44,316,467</td>
<td></td>
</tr>
</tbody>
</table>
Consolidated Balance Sheet Data From Continuing Operations:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 974,304</td>
<td>$ 745,933</td>
<td>$ 493,532</td>
<td>$ 433,914</td>
<td>$ 400,951</td>
</tr>
<tr>
<td>Investments and restricted deposits</td>
<td>940,972</td>
<td>727,157</td>
<td>652,992</td>
<td>639,983</td>
<td>585,183</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,413,483</td>
<td>2,534,612</td>
<td>2,092,530</td>
<td>1,937,852</td>
<td>1,668,772</td>
</tr>
<tr>
<td>Medical claims liability</td>
<td>1,111,709</td>
<td>815,161</td>
<td>518,840</td>
<td>456,765</td>
<td>470,932</td>
</tr>
<tr>
<td>Long term debt</td>
<td>665,697</td>
<td>535,481</td>
<td>348,344</td>
<td>327,824</td>
<td>307,085</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>1,243,439</td>
<td>953,767</td>
<td>936,419</td>
<td>797,055</td>
<td>619,427</td>
</tr>
</tbody>
</table>
ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing. The discussion contains forward-looking statements that involve known and unknown risks and uncertainties, including those set forth under Part I, Item 1A. “Risk Factors” of this Form 10-K.

OVERVIEW

Our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving Medicaid members in Kentucky as of July 6, 2013. Accordingly, the results of operations for KSHP are classified as discontinued operations for all periods presented in our consolidated financial statements. The following discussion and analysis, with the exception of cash flow information, is presented in the context of continuing operations unless otherwise identified.

Our financial performance for 2013 is summarized as follows:

- Year-end at-risk managed care membership of 2,723,200, an increase of 298,700 members, or 12.3% over 2012.
- Premium and service revenues of $10.5 billion, representing 37.0% growth year over year.
- Health Benefits Ratio of 88.6%, compared to 89.6% in 2012.
- General and Administrative expense ratio of 8.8%, compared to 8.8% in 2012.
- Total operating cash flows of $382.5 million, or 2.3 times net earnings.
- Diluted net earnings per share of $2.87, compared to $1.65 in 2012.

The following items contributed to our revenue and membership growth over the last two years:

- **AcariaHealth.** In April 2013, we completed the acquisition of AcariaHealth, a specialty pharmacy company, for $142.5 million. The transaction consideration was financed through a combination of Centene common stock and cash on hand.

- **California.** In November 2013, our California subsidiary, California Health and Wellness Plan (CHWP), began operating under a new contract with the California Department of Health Care Services to serve Medicaid beneficiaries in 18 rural counties under the state's Medi-Cal Managed Care Rural Expansion program. Also in November 2013, CHWP began operating under a new contract to serve Medi-Cal beneficiaries in Imperial County.

- **Florida.** In August 2013, our Florida subsidiary, Sunshine Health, began operating under a contract with the Florida Agency for Health Care Administration to serve members of the Medicaid managed care LTC program. Enrollment began in August 2013 and will be implemented by region and continue through March 2014.

- **Kansas.** In January 2013, our subsidiary, Sunflower State Health Plan, began operating under a statewide contract to serve members in the state's KanCare program, which includes TANF, ABD (dual and non-dual), foster care, LTC and CHIP beneficiaries.

- **Louisiana.** In February 2012, Louisiana Healthcare Connections (LHC), began operating through a joint venture under a new contract in Louisiana to provide healthcare services to Medicaid enrollees participating in the Bayou Health program. LHC completed its three-phase membership roll-out for the three geographical service areas during the second quarter of 2012. In November 2012, the covered services provided by LHC expanded to include pharmacy benefits. During the fourth quarter of 2012, we acquired the ownership interest of our joint venture partner, bringing our ownership to 100%.

- **Massachusetts.** In July 2013, our joint venture subsidiary, Centurion, began operating under a new contract with the Department of Corrections in Massachusetts to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. Centurion is a joint venture between Centene and MHM Services Inc.

- **Mississippi.** In December 2012, our subsidiary, Magnolia Health Plan, began operating under an expanded contract to provide managed care services statewide to Medicaid members as well as providing behavioral health services.
• **Missouri.** In July 2012, our majority owned subsidiary, Home State Health Plan, began operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.

• **New Hampshire.** In December 2013, our subsidiary, New Hampshire Healthy Families, began operating under a new contract with the Department of Health and Human Services to serve Medicaid beneficiaries.

• **Ohio.** In July 2013, our Ohio subsidiary, Buckeye Community Health Plan (Buckeye), began operating under a new and expanded contract with Ohio Department of Job and Family Services (ODJFS) to serve Medicaid members statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). Buckeye also began serving members under the ABD Children program in July 2013.

• **Tennessee.** In September 2013, our joint venture subsidiary, Centurion, began operating under a new contract to provide comprehensive healthcare services to individuals incarcerated in Tennessee state correctional facilities.

• **Texas.** In March 2012, we began operating under contracts in Texas that expanded its operations through new service areas including the 10 county Hidalgo Service Area and the Medicaid Rural Service Areas of West Texas, Central Texas and North-East Texas, as well as the addition of STAR+PLUS in the Lubbock Service Area. The expansion also added the management of outpatient pharmacy benefits in all service areas and products, as well as inpatient facility services for the STAR+PLUS program.

• **Washington.** In July 2012, we began operating under a new contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state, operating as Coordinated Care.

We expect the following items to contribute to our future growth potential:

• We expect to realize the full year benefit in 2014 of business commenced during 2013 in California, Florida, Massachusetts, New Hampshire, Ohio, and Tennessee as discussed above.

• In February 2014, our Mississippi subsidiary, Magnolia Health Plan, was awarded a statewide managed care contract to continue serving members enrolled in the Mississippi Coordinated Access Network (MississippiCAN) program, as one of two contractors. Under the new contract, Magnolia will continue providing outpatient, behavioral health, pharmacy, vision and dental services, and will also begin providing non-emergency transportation as of July 1, 2014.

• In January 2014, we acquired a majority interest in U.S. Medical Management, LLC, a management services organization and provider of in-home health services for high acuity populations, for approximately $200.0 million. The transaction consideration was financed through a combination of cash on hand and 2,243,217 shares of Centene common stock.

• In January 2014, we began serving members enrolled in Health Insurance Marketplaces in certain regions of 9 states: Arkansas, Florida, Georgia, Indiana, Massachusetts, Mississippi, Ohio, Texas and Washington.

• In January 2014, our CeltiCare subsidiary began operating under a new contract with the Massachusetts Executive Office of Health and Human Services to participate in the MassHealth CarePlus program in all five regions.

• In January 2014, Centurion began operating under a new agreement with the Minnesota Department of Corrections to provide managed healthcare services to offenders in the state's correctional facilities.

• In December 2013, we signed a definitive agreement to purchase a majority stake in Fidelis SecureCare of Michigan, Inc. (Fidelis), a subsidiary of Fidelis SeniorCare, Inc. The transaction is expected to close in the fourth quarter of 2014, subject to certain closing conditions including regulatory approvals, and will involve cash purchase price payments contingent on the performance of the plan over the course of 2015. Fidelis was recently selected by the Michigan Department of Community Health to provide integrated healthcare services to members who are dually eligible for Medicare and Medicaid in Macomb and Wayne counties. Enrollment is expected to commence in the fourth quarter of 2014.
• In November 2013, our South Carolina subsidiary, Absolute Total Care, was selected by the South Carolina Department of Health and Human Services to serve dual-eligible members as part of the state's pilot program to provide integrated and coordinated care for individuals who are eligible for both Medicare and Medicaid. Operations are expected to commence in the second half of 2014.

• In September 2013, the Florida Agency for Health Care Administration provided notice of intent to award a contract to our subsidiary, Sunshine Health, in 9 of 11 regions of the Managed Medical Assistance (MMA) program. The MMA program includes TANF recipients as well as ABD and dual-eligible members. The award is subject to challenge and contract readiness periods, with enrollment expected to begin in the second quarter of 2014 and continue through October 2014. In addition, we were recommended as the sole provider under a contract award for the Child Welfare Specialty Plan (Foster Care), which is expected to commence in the second quarter of 2014.

• In September 2013, we were awarded a contract in Texas from the Texas Health and Human Services Commission to expand our operations and serve STAR+PLUS members in two Medicaid Rural Service Areas. Enrollment is expected to begin in the second half of 2014.

• In November 2012, our Illinois subsidiary, IlliniCare Health Plan, was selected, contingent upon successful completion of contract negotiations, to serve dual-eligible members in Cook, DuPage, Lake, Kane, Kankakee and Will counties (Greater Chicago region) as part of the Illinois Medicare-Medicaid Alignment Initiative. Upon execution of a contract and regulatory approval, enrollment is expected to begin in 2014.

• In August 2012, we were notified by the ODJFS that Buckeye, our Ohio subsidiary, was selected to serve Medicaid members in a dual-eligible demonstration program in three of Ohio’s pre-determined seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton). This three-year program, which is part of the state of Ohio's Integrated Care Delivery System (ICDS) expansion, will serve those who have both Medicare and Medicaid eligibility. Enrollment is expected to begin in 2014.

In March 2013, we were notified by the Arizona Health Care Cost Containment System (AHCCCS) that our Bridgeway Health Solutions of Arizona, LLC acute care contract was not renewed. As a result, our contract terminated on September 30, 2013. Bridgeway served 16,700 Medicaid acute care members in Yavapai County at September 30, 2013.

MEMBERSHIP

From December 31, 2011 to December 31, 2013, we increased our at-risk managed care membership by 1,087,900, or 66.5%. The following table sets forth our membership by state for our managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>7,100</td>
<td>23,500</td>
<td>23,700</td>
</tr>
<tr>
<td>California</td>
<td>97,200</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Florida</td>
<td>222,000</td>
<td>214,000</td>
<td>198,300</td>
</tr>
<tr>
<td>Georgia</td>
<td>318,700</td>
<td>313,700</td>
<td>298,200</td>
</tr>
<tr>
<td>Illinois</td>
<td>22,300</td>
<td>18,000</td>
<td>16,300</td>
</tr>
<tr>
<td>Indiana</td>
<td>195,500</td>
<td>204,000</td>
<td>206,900</td>
</tr>
<tr>
<td>Kansas</td>
<td>139,900</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Louisiana</td>
<td>152,300</td>
<td>165,600</td>
<td>—</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>22,600</td>
<td>21,500</td>
<td>35,700</td>
</tr>
<tr>
<td>Mississippi</td>
<td>78,300</td>
<td>77,200</td>
<td>31,600</td>
</tr>
<tr>
<td>Missouri</td>
<td>59,200</td>
<td>59,600</td>
<td>—</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>33,600</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>173,200</td>
<td>157,800</td>
<td>159,900</td>
</tr>
<tr>
<td>South Carolina</td>
<td>91,900</td>
<td>90,100</td>
<td>82,900</td>
</tr>
<tr>
<td>Tennessee</td>
<td>20,700</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Texas</td>
<td>935,100</td>
<td>949,900</td>
<td>503,800</td>
</tr>
<tr>
<td>Washington</td>
<td>82,100</td>
<td>57,200</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>71,500</td>
<td>72,400</td>
<td>78,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,723,200</td>
<td>2,424,500</td>
<td>1,635,300</td>
</tr>
</tbody>
</table>
### Table of Contents

The following table sets forth our membership by line of business:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>2,054,700</td>
<td>1,877,100</td>
<td>1,202,300</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>275,100</td>
<td>235,200</td>
<td>210,600</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>305,300</td>
<td>274,600</td>
<td>175,100</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>19,000</td>
<td>29,100</td>
<td>40,500</td>
</tr>
<tr>
<td>LTC</td>
<td>37,800</td>
<td>8,500</td>
<td>6,800</td>
</tr>
<tr>
<td>Correctional Services</td>
<td>31,300</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,723,200</strong></td>
<td><strong>2,424,500</strong></td>
<td><strong>1,635,300</strong></td>
</tr>
</tbody>
</table>

The following table identifies the Company's dual-eligible membership by line of business. The membership tables above include these members.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>71,700</td>
<td>62,600</td>
<td>34,400</td>
</tr>
<tr>
<td>LTC</td>
<td>28,800</td>
<td>7,700</td>
<td>6,200</td>
</tr>
<tr>
<td>Medicare</td>
<td>6,500</td>
<td>5,100</td>
<td>3,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107,000</strong></td>
<td><strong>75,400</strong></td>
<td><strong>43,800</strong></td>
</tr>
</tbody>
</table>

At December 31, 2013, we also served 156,600 members under our behavioral health contract in Arizona, compared to 157,900 members at December 31, 2012.

From December 31, 2012 to December 31, 2013 our membership increased as a result of:
- operations commencing in California, Kansas and New Hampshire;
- geographic expansion in Ohio;
- growth in Washington; and,
- the commencement of correctional services contracts in Massachusetts and Tennessee.

From December 31, 2011 to December 31, 2012 our membership increased as a result of the commencement of operations in Louisiana, Missouri and Washington as well as the geographic expansion in Texas.
RESULTS OF OPERATIONS

The following discussion and analysis is based on our consolidated statements of operations, which reflect our results of operations for each of the three years ended December 31, 2013, prepared in accordance with generally accepted accounting principles in the United States ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>% Change 2012-2013</th>
<th>% Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>$10,153.4</td>
<td>$7,568.9</td>
<td>$4,948.1</td>
<td>34.1 %</td>
<td>53.0 %</td>
</tr>
<tr>
<td>Service</td>
<td>372.6</td>
<td>112.7</td>
<td>103.8</td>
<td>230.5 %</td>
<td>8.7 %</td>
</tr>
<tr>
<td><strong>Premium and service revenues</strong></td>
<td>10,526.0</td>
<td>7,681.6</td>
<td>5,051.9</td>
<td>37.0 %</td>
<td>52.1 %</td>
</tr>
<tr>
<td>Premium tax</td>
<td>337.3</td>
<td>428.7</td>
<td>159.6</td>
<td>(213.3) %</td>
<td>168.6 %</td>
</tr>
<tr>
<td>Total revenues</td>
<td>10,863.3</td>
<td>8,110.3</td>
<td>5,211.5</td>
<td>33.9 %</td>
<td>55.6 %</td>
</tr>
<tr>
<td>Medical costs</td>
<td>8,994.7</td>
<td>6,781.1</td>
<td>4,191.3</td>
<td>32.6 %</td>
<td>61.8 %</td>
</tr>
<tr>
<td>Cost of services</td>
<td>326.9</td>
<td>87.7</td>
<td>78.1</td>
<td>272.8 %</td>
<td>12.3 %</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>931.1</td>
<td>677.2</td>
<td>577.9</td>
<td>37.5 %</td>
<td>17.2 %</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>333.2</td>
<td>428.4</td>
<td>160.4</td>
<td>(22.2) %</td>
<td>167.1 %</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>28.0</td>
<td>—</td>
<td>(100.0) %</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Earnings from operations</strong></td>
<td>277.4</td>
<td>107.9</td>
<td>203.8</td>
<td>156.9 %</td>
<td>(47.0) %</td>
</tr>
<tr>
<td>Investment and other income, net</td>
<td>(8.5)</td>
<td>14.8</td>
<td>(15.5)</td>
<td>(157.3) %</td>
<td>195.9 %</td>
</tr>
<tr>
<td>Earnings from continuing operations, before income tax expense</td>
<td>268.9</td>
<td>122.7</td>
<td>188.3</td>
<td>119.0 %</td>
<td>(34.8) %</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>107.1</td>
<td>47.4</td>
<td>70.7</td>
<td>125.8 %</td>
<td>(32.9) %</td>
</tr>
<tr>
<td>Earnings from continuing operations, net of income tax</td>
<td>161.8</td>
<td>75.3</td>
<td>117.6</td>
<td>114.7 %</td>
<td>(35.9) %</td>
</tr>
<tr>
<td>Discontinued operations, net of income tax expense (benefit) of $2.3, $(47.7), and $(4.2) respectively</td>
<td>3.9</td>
<td>(86.7)</td>
<td>(9.3)</td>
<td>104.5 %</td>
<td>n.m.</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>165.7</td>
<td>(11.4)</td>
<td>108.3</td>
<td>104.5 %</td>
<td>(110.4) %</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>0.6</td>
<td>(13.2)</td>
<td>(2.9)</td>
<td>104.7 %</td>
<td>(360.7) %</td>
</tr>
<tr>
<td><strong>Net earnings attributable to Centene Corporation</strong></td>
<td>$165.1</td>
<td>$1.8</td>
<td>$111.2</td>
<td>n.m.</td>
<td>(98.3) %</td>
</tr>
</tbody>
</table>

Amounts attributable to Centene Corporation common shareholders:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>% Change 2012-2013</th>
<th>% Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings from continuing operations, net of income tax expense</td>
<td>$161.2</td>
<td>$88.5</td>
<td>$120.5</td>
<td>82.1 %</td>
<td>(26.5) %</td>
</tr>
<tr>
<td>Discontinued operations, net of income tax expense</td>
<td>3.9</td>
<td>(86.7)</td>
<td>(9.3)</td>
<td>104.5 %</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>$165.1</td>
<td>$1.8</td>
<td>$111.2</td>
<td>n.m.</td>
<td>(98.3) %</td>
</tr>
</tbody>
</table>

Diluted earnings (loss) per common share attributable to Centene Corporation:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>% Change 2012-2013</th>
<th>% Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations</td>
<td>$2.87</td>
<td>$1.65</td>
<td>$2.30</td>
<td>73.9 %</td>
<td>(28.3) %</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.07</td>
<td>(1.62)</td>
<td>(0.18)</td>
<td>104.3 %</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Total diluted earnings per common share</strong></td>
<td>$2.94</td>
<td>$0.03</td>
<td>$2.12</td>
<td>n.m.</td>
<td>(98.6) %</td>
</tr>
</tbody>
</table>

n.m.: not meaningful.

Revenues and Revenue Recognition

Our health plans generate revenues primarily from premiums we receive from the states in which we operate. We generally receive a fixed premium per member per month pursuant to our state contracts. We generally receive premium payments and recognize premium revenue during the month in which we are obligated to provide services to our members. In some instances, our base premiums are subject to an adjustment, or risk score, based on the acuity of our membership. Generally, the risk score is determined by the state analyzing submissions of processed claims data to determine the acuity of our membership relative to the entire state’s membership. Some contracts allow for additional premiums associated with certain supplemental services provided such as maternity deliveries.

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Our contracts with states may require us to maintain a minimum health benefits ratio or may require us to share profits in excess of certain levels. In certain circumstances, our plans may be required to pay a rebate to the state in the event profits exceed established levels. We recognize reductions in revenue in the current period for these programs. Other states may require us to meet certain performance and quality metrics in order to receive additional or full contractual revenue. For performance-based contracts, we do not recognize revenue subject to refund until data is sufficient to measure performance.

Revenues are recorded based on membership and eligibility data provided by the states, which is adjusted on a monthly basis by the states for retroactive additions or deletions to membership data. These eligibility adjustments are estimated monthly and subsequently adjusted in the period known. We continuously review and update those estimates as new information becomes available. It is possible that new information could require us to make additional adjustments, which could be significant, to these estimates.

Our specialty services generate revenues under contracts with state programs, healthcare organizations, and other commercial organizations, as well as from our own subsidiaries. Revenues are recognized when the related services are provided or as ratably earned over the covered period of services.

Premium and service revenues collected in advance are recorded as unearned revenue. Premium and service revenues due to us are recorded as premium and related receivables and are recorded net of an allowance based on historical trends and our management's judgment on the collectibility of these accounts. As we generally receive payments during the month in which services are provided, the allowance is typically not significant in comparison to total revenues and does not have a material impact on the presentation of our financial condition or results of operations.

Some states enact premium taxes, similar assessments and provider and hospital pass-through payments, collectively, premium taxes, and these taxes are recorded as a component of revenues as well as operating expenses. We exclude premium taxes from our key ratios as we believe the premium tax is a pass-through of costs and not indicative of our operating performance.

The Centers for Medicare and Medicaid Services (CMS) deploys a risk adjustment model that retroactively apportions Medicare premiums paid according to health severity and certain demographic factors. The model pays more for members whose medical history indicates they have certain medical conditions. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, physician treatment settings as well as prescription drug events. The Company estimates the amount of risk adjustment based upon the diagnosis and pharmacy data submitted and expected to be submitted to CMS and records revenues on a risk adjusted basis.

Operating Expenses

Medical Costs

Medical costs include payments to physicians, hospitals, and other providers for healthcare and specialty services claims. Medical costs also include estimates of medical expenses incurred but not yet reported, or IBNR, and estimates of the cost to process unpaid claims. We use our judgment to determine the assumptions to be used in the calculation of the required IBNR estimate. The assumptions we consider include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to Medicaid fee schedules, and the incidence of high dollar or catastrophic claims.

Our development of the IBNR estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified.

Additionally, we contract with independent actuaries to review our estimates on a quarterly basis. The independent actuaries provide us with a review letter that includes the results of their analysis of our medical claims liability. We do not solely rely on their report to adjust our claims liability. We utilize their calculation of our claims liability only as additional information, together with management's judgment, to determine the assumptions to be used in the calculation of our liability for medical costs.
While we believe our IBNR estimate is appropriate, it is possible future events could require us to make significant adjustments for revisions to these estimates. Accordingly, we cannot assure you that medical costs will not materially differ from our estimates.

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately predict costs incurred. The health benefits ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided.

Cost of Services

Cost of services expense includes the pharmaceutical costs associated with our pharmacy benefit manager and specialty pharmacy's external revenues and certain direct costs to support the functions responsible for generation of our service revenues. These expenses consist of the salaries and wages of the professionals who provide the services and associated expenses.

General and Administrative Expenses

General and administrative expenses, or G&A, primarily reflect wages and benefits, including stock compensation expense, and other administrative costs associated with our health plans, specialty companies and centralized functions that support all of our business units. Our major centralized functions are finance, information systems and claims processing. G&A expenses also include business expansion costs, such as wages and benefits for administrative personnel, contracting costs, and information technology buildouts, incurred prior to the commencement of a new contract or health plan.

The G&A expense ratio represents G&A expenses as a percentage of premium and service revenues, and reflects the relationship between revenues earned and the costs necessary to earn those revenues.

Other Income (Expense)

Other income (expense) consists principally of investment income from cash and investments, earnings in equity method investments, and interest expense on debt.

Discontinued Operations

Our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving Medicaid members in Kentucky as of July 6, 2013. Accordingly, the results of operations for KSHP are classified as discontinued operations for all periods presented in our consolidated financial statements. The following discussion and analysis is presented primarily in the context of continuing operations unless otherwise identified.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Premium and Service Revenues

Premium and service revenues increased 37.0% in the year ended December 31, 2013 over the corresponding period in 2012 as a result of the Texas, Mississippi, Louisiana and Florida expansions, pharmacy carve-ins in Texas and Louisiana, the additions of the Kansas, Missouri, Washington, California and New Hampshire contracts, commencement of the correctional healthcare contracts in Massachusetts and Tennessee, rate increases in several of our markets and the acquisition of AcariaHealth. During the year ended December 31, 2013, we received premium rate adjustments which yielded a net 2.7% composite increase across all of our markets.

Premium Tax Revenue

Premium tax revenue decreased 21.3% in the year ended December 31, 2013 over the corresponding period in 2012. This is as a result of one of our states paying us approximately $180 million in 2012 to pay to specified providers.
Operating Expenses

Medical Costs

The table below depicts the HBR for our membership by member category for the year ended December 31:

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid and CHIP</td>
<td>87.5%</td>
<td>88.8%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>90.4</td>
<td>90.7</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>85.4</td>
<td>92.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>88.6</strong></td>
<td><strong>89.6</strong></td>
</tr>
</tbody>
</table>

The consolidated HBR for the year ended December 31, 2013, of 88.6% was a decrease of 100 basis points over the comparable period in 2012. The 2013 HBR reflects performance improvement in Texas and our individual insurance business from 2012.

Cost of Services

Cost of services increased by $239.2 million in the year ended December 31, 2013, compared to the corresponding period in 2012. This was primarily due to the additional volume resulting from the acquisition of AcariaHealth.

General & Administrative Expenses

General and administrative expenses, or G&A, increased by $254.0 million in the year ended December 31, 2013, compared to the corresponding period in 2012. This was primarily due to expenses for additional staff and facilities to support our membership growth, AcariaHealth transaction costs, as well as performance based compensation.

The consolidated G&A expense ratio for the years ended December 31, 2013 and 2012 was 8.8% and 8.8% respectively. The G&A expense ratio reflects an increase in performance based compensation expense in 2013 as well as AcariaHealth transaction costs, offset by the benefits of leveraging of expenses over higher revenue in 2013 and our efforts to control costs.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the year ended December 31, ($ in millions):

<table>
<thead>
<tr>
<th>Component</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$18.5</td>
<td>$15.9</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>—</td>
<td>1.5</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>—</td>
<td>17.9</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(27.0)</td>
<td>(20.5)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(8.5)</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Investment income. The increase in investment income in 2013 primarily reflects an increase in investment balances over 2012.

Gain on sale of investments. During 2012, we recognized $1.5 million in net gains primarily as a result of the liquidation of $75.5 million of investments held by the Georgia health plan in order to meet short term liquidity needs due to delays in premium receipts from the state.

Gain on sale of investment in convertible note. During 2012, we executed an agreement with a third party borrower whereby the borrower agreed to pay us total consideration of $50.0 million for retirement of $30.0 million of outstanding notes and equity ownership conversion features in certain Medicaid and Medicare related businesses. As a result, we recorded a pre-tax gain of $17.9 million in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the balance sheet.
Interest expense. Interest expense increased during the year ended December 31, 2013 by $6.5 million reflecting the addition of $175 million of Senior Notes in the fourth quarter of 2012.

Income Tax Expense

Excluding the effects of noncontrolling interests, our effective tax rate for the year ended December 31, 2013 was 39.9% compared to 34.9% in 2012. The increase in the income tax rate over 2012 resulted from a tax benefit in 2012 resulting from the clarification by a state taxing authority regarding a state income tax calculation, partially offset by a non-deductible goodwill impairment in 2012.

Segment Results

The following table summarizes our operating results by segment for the year ended December 31, (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>% Change 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care</td>
<td>$9,781.8</td>
<td>$7,212.0</td>
<td>35.6%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>2,932.5</td>
<td>2,107.0</td>
<td>39.2%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(2,188.3)</td>
<td>(1,637.4)</td>
<td>(33.6)%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$10,526.0</td>
<td>$7,681.6</td>
<td>37.0%</td>
</tr>
<tr>
<td>Earnings from Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care</td>
<td>$197.8</td>
<td>$62.9</td>
<td>214.7%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>79.6</td>
<td>45.1</td>
<td>76.4%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$277.4</td>
<td>$108.0</td>
<td>156.9%</td>
</tr>
</tbody>
</table>

Managed Care

Premium and service revenues increased 35.6% in the year ended December 31, 2013, due to the Texas, Mississippi, Louisiana and Florida expansions, pharmacy carve-ins in Texas and Louisiana, the additions of the California, Kansas, Missouri, New Hampshire and Washington contracts and rate increases in several of our markets. Earnings from operations increased $134.9 million in the year ended December 31, 2013, primarily due to improvements in the performance of the Texas business from 2012.

Specialty Services

Premium and service revenues increased 39.2% in the year ended December 31, 2013, due to the carve-in of pharmacy services in Texas and Louisiana, growth in our Medicaid segment and the associated services provided to this increased membership, the acquisition of AcariaHealth and the additions of the Centurion contracts in Massachusetts and Tennessee. Earnings from operations increased $34.5 million in the year ended December 31, 2013. This reflects improvement in our individual health insurance business in 2013 and the impact of a $28.0 million impairment loss in 2012 in our individual insurance business.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues

Premium and service revenues increased 52.1% in the year ended December 31, 2012 over the corresponding period in 2011 as a result of the additional revenue from our Illinois, Louisiana, Mississippi, Missouri and Washington contracts, Texas and Arizona expansions, pharmacy carve-ins in Texas and Ohio, and organic membership growth. During the year ended December 31, 2012, we received premium rate adjustments which yielded a net 2.6% composite increase across all of our markets.
Operating Expenses

Medical Costs

The table below depicts the HBR for our membership by member category for the year ended December 31,:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid and CHIP</td>
<td>88.8%</td>
<td>82.0%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>90.7</td>
<td>90.1</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>92.0</td>
<td>86.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>89.6</td>
<td>84.7</td>
</tr>
</tbody>
</table>

The consolidated HBR for the year ended December 31, 2012, of 89.6% was an increase of 490 basis points over the comparable period in 2011. The increase compared to last year primarily reflects (1) a high level of medical costs in the March 1, 2012 expansion areas in Texas, (2) a high level of medical costs in our individual health business, especially for policies issued to members who converted in the first quarter of 2012 and (3) a high level of flu costs during the fourth quarter of 2012.

General and Administrative Expenses

General and administrative expenses, or G&A, increased by $99.3 million in the year ended December 31, 2012, compared to the corresponding period in 2011. This was primarily due to expenses for additional staff and facilities to support our membership growth, partially offset by a reduction in performance based compensation expense in 2012.

The consolidated G&A expense ratio for the years ended December 31, 2012 and 2011 was 8.8% and 11.4% respectively. The year over year decrease in the G&A expense ratio reflects the leveraging of expenses over higher revenues in 2012 and a reduction in performance based compensation expense in 2012 which lowered the G&A expense ratio by approximately 60 basis points.

Impairment Loss

During 2011, the Company completed its annual goodwill and intangible asset impairment testing and concluded that the fair value of all reporting units with material amounts of goodwill was substantially in excess of the carrying value as of our impairment testing date. Specifically, the Company tested its Celtic reporting unit under a quantitative model which included anticipated financial performance for new business to be converted in 2012. Under the quantitative model, the testing revealed that the carrying value exceeded fair value of the Celtic reporting unit by approximately 190%.

During 2012, our subsidiary, Celtic Insurance Company, experienced a high level of medical costs for individual health policies, especially for recently issued policies related to members converted from another insurer during the first quarter of 2012. Additionally, in June 2012, the U.S. Supreme Court upheld the constitutionality of the Patient Protection and Affordable Care Act. The Affordable Care Act, among other things, limits the profitability of the individual health insurance business because of minimum medical loss ratios, guaranteed issue policies, and increased competition in the Marketplace product. As a result of these factors, our expectations for future growth and profitability were lower than previous estimates and we conducted an impairment analysis of the identifiable intangible assets and goodwill of the Celtic reporting unit. The impairment analysis resulted in goodwill and intangible asset impairments of $28.0 million, recorded as an impairment loss in the consolidated statement of operations. The impaired identifiable intangible assets of $2.3 million and goodwill of $25.7 million were reported under the Specialty Services segment; $26.6 million of the impairment loss is not deductible for income tax purposes.
Investment and Other Income, Net

The following table summarizes the components of other income (expense) for the year ended December 31, ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$15.9</td>
<td>$13.0</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>1.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>17.9</td>
<td>—</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>(20.5)</td>
<td>(8.5)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>—</td>
<td>(20.3)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$14.8</td>
<td>$(15.5)</td>
</tr>
</tbody>
</table>

**Investment income.** The increase in investment income in 2012 primarily reflects higher investment balances in 2012.

**Gain on sale of investments.** During the year ended December 31, 2012, we recognized $1.5 million in net gains primarily as a result of the liquidation of $75.5 million of investments held by the Georgia health plan in order to meet short term liquidity needs due to delays in premium receipts from the state.

**Gain on sale of investment in convertible note.** Between July 2008 and October 2011, we made an investment of $30.0 million in secured notes receivable to a third party as part of an investment in certain Medicaid and Medicare related businesses. The notes included a feature to convert the note balance into an equity ownership in the underlying businesses. In September 2012, we executed an agreement with the borrower whereby the borrower agreed to pay us total consideration of $50.0 million for retirement of the outstanding notes and equity ownership conversion feature. As a result, during the third quarter of 2012, we recorded a pre-tax gain of $17.9 million in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the balance sheet.

**Interest expense.** Interest expense increased during the year ended December 31, 2012 by $0.2 million reflecting the issuance of an additional $175 million in Senior Notes in November 2012, partially offset by the refinancing of our $250 million Senior Notes and execution of the associated interest rate swap agreement in May 2011.

**Income Tax Expense**

Excluding the effects of noncontrolling interests, our effective tax rate for 2012 was 34.9% compared to 37.0% in 2011. The tax rate for the year ended December 31, 2012, reflects a tax benefit resulting from the clarification by a state taxing authority regarding a state income tax calculation, partially offset by Celtic's non-deductible goodwill impairment.

**Segment Results**

The following table summarizes our operating results by segment for the year ended December 31, (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>% Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Service Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care</td>
<td>$7,212.0</td>
<td>$4,636.2</td>
<td>55.6%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>2,107.0</td>
<td>1,190.5</td>
<td>77.0%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(1,637.4)</td>
<td>(774.8)</td>
<td>(111.3)%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$7,681.6</td>
<td>$5,051.9</td>
<td>52.1%</td>
</tr>
<tr>
<td>Earnings from Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care</td>
<td>$62.9</td>
<td>$161.9</td>
<td>(61.2)%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>45.1</td>
<td>41.9</td>
<td>7.6%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$108.0</td>
<td>$203.8</td>
<td>(47.0)%</td>
</tr>
</tbody>
</table>

**Managed Care**

Premium and service revenues increased 55.6% in the year ended December 31, 2012, due to the addition of our Illinois, Louisiana, Mississippi, Missouri and Washington contracts, Texas expansion, pharmacy carve-ins in Texas and Ohio, and organic membership growth. Earnings from operations decreased $99.0 million in the year ended December 31, 2012,
primarily due to higher medical costs in our Texas health plan specifically in the expansion areas and increased flu costs during the fourth quarter of 2012.

Specialty Services

Premium and service revenues increased 77.0% in the year ended December 31, 2012, due to (1) the carve-in of pharmacy services in Texas and Ohio, (2) Specialty Company revenue related to the growth in our Medicaid segment and the associated specialty services provided to this increased membership and (3) the Arizona expansion. Earnings from operations increased $3.2 million in the year ended December 31, 2012, reflecting growth in our pharmacy business and the associated specialty services provided to our increased Medicaid membership, partially offset by the impairment loss of $28.0 million recorded in 2012 and a high level of medical costs in Celtic Insurance Company, especially for members converted in the first quarter of 2012.

LIQUIDITY AND CAPITAL RESOURCES

Shown below is a condensed schedule of cash flows for the years ended December 31, 2013, 2012 and 2011, used in the discussion of liquidity and capital resources ($ in millions).

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$382.5</td>
<td>$278.7</td>
<td>$261.7</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$(342.1)</td>
<td>$(187.9)</td>
<td>$(129.1)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>153.7</td>
<td>179.5</td>
<td>6.9</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>$(140.3)</td>
<td>$(91.9)</td>
<td>$(120.4)</td>
</tr>
</tbody>
</table>

Cash Flows Provided by Operating Activities

Normal operations are funded primarily through operating cash flows and borrowings under our revolving credit facility.

Cash flows from operating activities for 2013 increased $103.8 million, or 37% compared to 2012 due to an increase in net earnings between years and growth in our business. Additionally, incentive compensation accruals increased from 2012 due to the performance of the Company. This accrual will be paid during the first and second quarter of 2014.

Cash flows from operating activities for 2012 increased $17.0 million, or 6% compared to 2011 driven by lower net earnings that were partially offset by the growth in medical claims liabilities associated with business expansions.

Cash flows from operations in each year were impacted by the timing of payments we receive from our states. States may prepay the following month premium payment, which we record as unearned revenue, or they may delay our premium payment, which we record as a receivable. We typically receive capitation payments monthly, however the states in which we operate may decide to adjust their payment schedules which could positively or negatively impact our reported cash flows from operating activities in any given period. The table below details the impact to cash flows from operations from the timing of payments from our states ($ in millions).

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and related receivables</td>
<td>$(143.0)</td>
<td>$(116.6)</td>
<td>$(11.3)</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>2.7</td>
<td>24.7</td>
<td>(109.1)</td>
</tr>
<tr>
<td>Net decrease in operating cash flow</td>
<td>$(140.3)</td>
<td>$(91.9)</td>
<td>$(120.4)</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities in 2011 was negatively impacted by the timing of payments from our states by $120.4 million. As of December 31, 2011, we had received all December 2011 capitation payments from our states and had not received any prepayments of January 2012 capitation. This was offset by an increase in medical claims liabilities related to the start up of our Mississippi, Illinois and Kentucky health plans, as well as expansion of our Texas health plan in 2011.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in 2013 primarily consisted of additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long term investments, the acquisition of AcariaHealth and
capital expenditures. We completed the acquisition of AcariaHealth in April 2013 for $142.5 million in total consideration. The transaction was financed through a combination of Centene common stock as well as $67.1 million cash on hand. During 2012 and 2011, our investing activities primarily related to additions to the investment portfolio of our regulated subsidiaries and capital expenditures.

Our investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets within our guidelines. Net cash provided by and used in investing activities will fluctuate from year to year due to the timing of investment purchases, sales and maturities. As of December 31, 2013, our investment portfolio consisted primarily of fixed-income securities with an average duration of 2.9 years. These securities generally are actively traded in secondary markets and the reported fair market value is determined based on recent trading activity, recent trading activity in similar securities and other observable inputs. Our investment guidelines comply with the regulatory restrictions enacted in each state. We had unregulated cash and investments of $44.7 million at December 31, 2013, compared to $37.3 million at December 31, 2012.

We spent $67.8 million, $82.1 million and $73.7 million in 2013, 2012 and 2011 respectively, on capital expenditures for system enhancements, a new datacenter and market expansions including $20.9 million in 2012 for land in close proximity to our corporate headquarters to support future growth.

**Cash Flows Provided by Financing Activities**

Our financing activities provided cash of $153.7 million, $179.5 million and $6.9 million in 2013, 2012 and 2011 respectively. Financing activities in 2013, 2012 and 2011 are discussed below.

**2013.** During 2013, our financing activities primarily related to borrowings under our revolving credit facility, the sale of $15.2 million of common stock to fund the escrow account for the acquisition of AcariaHealth and the repayment of a mortgage note.

In May 2013, we entered into a new unsecured $500 million revolving credit facility and terminated our previous $350 million revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended) or certain financial conditions are not met, including carrying $100 million of unrestricted cash on deposit. As of December 31, 2013, we had $150.0 million in borrowings outstanding under our revolving credit facility, and we were in compliance with all covenants.

**2012.** In November 2012, pursuant to a shelf registration statement, we issued an additional $175 million of non-callable 5.75% Senior Notes due June 1, 2017 ($175 million Add-on Notes) at a premium to yield 4.29%. The indenture governing the $175 million Add-on Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio. Interest is paid semi-annually in June and December. We used the net proceeds from the offering to make capital contributions to our regulated subsidiaries.

**2011.** In January 2011, we replaced our $300 million revolving credit agreement with a new $350 million revolving credit facility, or the revolver. The revolver was unsecured and had a five-year maturity with non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt to EBITDA ratios and minimum net worth. Borrowings under the revolver bore interest based upon LIBOR rates, the Federal funds rate, or the prime rate. There was a commitment fee on the unused portion of the agreement that ranges from 0.25% to 0.50% depending on the total debt to EBITDA ratio.

In May 2011, we exercised our option to redeem the $175 million 7.25% Senior Notes due April 1, 2014 ($175 million Notes). We redeemed the $175 million Notes at 103.625% and wrote off unamortized debt issuance costs, resulting in a pre-tax expense of $8.5 million.

In May 2011, pursuant to a shelf registration statement, we issued $250 million of non-callable 5.75% Senior Notes due June 1, 2017 ($250 million Notes) at a discount to yield 6%. The indenture governing the $250 million Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio. Interest is paid semi-annually in June and December. We used a portion of the net proceeds from the offering to repay the $175 million Notes and call premium and to repay approximately $50 million outstanding on our revolving credit facility. The additional proceeds were used for general corporate purposes. In connection with the issuance, we entered into $250 million notional amount of interest rate swap agreements (Swap Agreements) that are scheduled to expire June 1, 2017. Under the Swap Agreements, we receive a fixed rate of 5.75% and pay a variable rate of LIBOR plus 3.5% adjusted quarterly, which allows us to adjust the $250 million Notes to a floating rate. We do not hold or issue any derivative instrument for trading or speculative purposes.
Liquidity Metrics

The $500 million revolving credit agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt-to-EBITDA ratios and minimum tangible net worth. We are required not to exceed a maximum debt-to-EBITDA ratio of 3.0 to 1.0. As of December 31, 2013, there were no limitations on the availability under the revolving credit agreement as a result of the debt-to-EBITDA ratio.

We had outstanding letters of credit of $28.8 million as of December 31, 2013, which were not part of our revolving credit facility and bore interest at 0.51%. In addition, we had outstanding surety bonds of $102.6 million as of December 31, 2013.

We are required not to exceed a maximum debt-to-EBITDA ratio of 3.0 to 1.0. As of December 31, 2013, there were no limitations on the availability under the revolving credit agreement as a result of the debt-to-EBITDA ratio.

We had working capital, defined as current assets less current liabilities, of $241.1 million, as compared to $176.5 million at December 31, 2012. We manage our short term and long term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short term requirements as needed.

At December 31, 2013, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 35.0%, compared to 36.1% at December 31, 2012. Excluding the $72.8 million non-recourse mortgage note, our debt to capital ratio is 32.4%, compared to 32.7% at December 31, 2012. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.

We have a stock repurchase program authorizing us to repurchase up to four million shares of common stock from time to time on the open market or through privately negotiated transactions. We have 1.7 million available shares remaining under the program for repurchases as of December 31, 2013. No duration has been placed on the repurchase program. We reserve the right to discontinue the repurchase program at any time. We did not make any repurchases under this plan during 2013 or 2012.

During the year ended December 31, 2013, 2012 and 2011, we received dividends of $18.0 million, $29.0 million, and $69.1 million, respectively, from our regulated subsidiaries.

2014 Expectations

In January 2014, we acquired a majority interest in U.S. Medical Management, LLC, a leading management services organization and provider of in-home health services for high acuity populations, for approximately $200.0 million. The transaction consideration was financed through a combination of cash on hand and 2,243,217 shares of Centene common stock.

In December 2013, we signed a definitive agreement to purchase a majority stake in Fidelis SecureCare of Michigan, Inc., a subsidiary of Fidelis SeniorCare, Inc. The transaction is expected to close in the fourth quarter of 2014, subject to certain closing conditions including regulatory approvals, and will involve cash purchase price payments contingent on the performance of the plan over the course of 2015.

We expect to make capital contributions to our insurance subsidiaries of approximately $350 million during 2014 associated with our growth and spend approximately $95 million in additional capital expenditures primarily associated with system enhancements and market expansions. These capital contributions are expected to be funded by unregulated cash flow generation in 2014 and borrowings on our revolving credit facility.

Based on our operating plan, we expect that our available cash, cash equivalents and investments, cash from our operations and cash available under our credit facility, along with the issuance of shares of Centene common stock in connection with the acquisition of U.S. Medical Management, LLC discussed above will be sufficient to finance our general operations, planned acquisition of U.S. Medical Management, LLC and capital expenditures for at least 12 months from the date of this filing.
CONTRACTUAL OBLIGATIONS

The following table summarizes future contractual obligations. These obligations contain estimates and are subject to revision under a number of circumstances. Our debt consists of borrowings from our senior notes, credit facility, mortgages and capital leases. The purchase obligations consist primarily of software purchases and maintenance contracts. The contractual obligations and estimated period of payment over the next five years and beyond are as follows (in thousands):

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>Total</th>
<th>Less Than 1 Year</th>
<th>1-3 Years</th>
<th>3-5 Years</th>
<th>More Than 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical claims liability</td>
<td>$1,111,709</td>
<td>$1,111,709</td>
<td>—</td>
<td>$60,725</td>
<td>$81,149</td>
</tr>
<tr>
<td>Debt and interest</td>
<td>775,385</td>
<td>31,180</td>
<td>62,331</td>
<td>600,725</td>
<td>81,149</td>
</tr>
<tr>
<td>Operating lease obligations</td>
<td>126,186</td>
<td>25,350</td>
<td>50,073</td>
<td>31,963</td>
<td>18,800</td>
</tr>
<tr>
<td>Purchase obligations</td>
<td>51,549</td>
<td>28,404</td>
<td>19,424</td>
<td>2,732</td>
<td>989</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$2,064,829</td>
<td>$1,196,643</td>
<td>$131,828</td>
<td>$635,420</td>
<td>$100,938</td>
</tr>
</tbody>
</table>

1 Our Consolidated Balance Sheet as of December 31, 2013, includes $60,015 of other long term liabilities. This consists primarily of long term deferred income taxes, liabilities under our deferred compensation plan, and reserves for uncertain tax positions. These liabilities have been excluded from the table above as the timing and/or amount of any cash payment is uncertain. As of December 31, 2013, reserves for uncertain tax positions totaled $3,274. See the "Income Taxes" footnote for additional information regarding our deferred tax positions and accruals for uncertain tax positions. Other long term liabilities also include $6,888 separate account liabilities from third party reinsurance that will not be settled in cash.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our operations are conducted through our subsidiaries. As managed care organizations, these subsidiaries are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state, and restrict the timing, payment and amount of dividends and other distributions that may be paid to us. Generally, the amount of dividend distributions that may be paid by a regulated subsidiary without prior approval by state regulatory authorities is limited based on the entity’s level of statutory net income and statutory capital and surplus.

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of December 31, 2013, our subsidiaries, including Kentucky Spirit Health Plan, had aggregate statutory capital and surplus of $1,279.7 million, compared with the required minimum aggregate statutory capital and surplus requirements of $686.4 million. During the year ended December 31, 2013, we contributed $426 million of statutory capital to our subsidiaries. We estimate our Risk Based Capital, or RBC, percentage to be in excess of 350% of the Authorized Control Level.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of December 31, 2013, each of our health plans was in compliance with the risk-based capital requirements enacted in those states.

RECENT ACCOUNTING PRONOUNCEMENTS

For this information, refer to Note 2, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements, included herein.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with GAAP. Our significant accounting policies are more fully described in Note 2, Summary of Significant Accounting Policies, to our consolidated financial statements included elsewhere herein. Our accounting policies regarding medical claims liability and intangible assets are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management. As a result, they are subject to an inherent degree of uncertainty. We have reviewed these critical accounting policies and related disclosures with the Audit Committee of our Board of Directors.
Medical Claims Liability

Our medical claims liability includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. We estimate our medical claims liability using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors such as historical data for payment patterns, cost trends, product mix, seasonality, utilization of healthcare services and other relevant factors.

Actuarial Standards of Practice generally require that the medical claims liability estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amounts ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. We include in our IBNR an estimate for medical claims liability under moderately adverse conditions which represents the risk of adverse deviation of the estimates in our actuarial method of reserving.

We use our judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions we consider when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to fee schedules, and the incidence of high dollar or catastrophic claims.

We apply various estimation methods depending on the claim type and the period for which claims are being estimated. For more recent periods, incurred non-inpatient claims are estimated based on historical per member per month claims experience adjusted for known factors. Incurred hospital inpatient claims are estimated based on known inpatient utilization data and prior claims experience adjusted for known factors. For older periods, we utilize an estimated completion factor based on our historical experience to develop IBNR estimates. The completion factor is an actuarial estimate of the percentage of claims incurred during a given period that have been received or adjudicated as of the reporting period to the estimate of the total ultimate incurred costs. When we commence operations in a new state or region, we have limited information with which to estimate our medical claims liability. See “Risk Factors - Failure to accurately predict our medical expenses could negatively affect our financial position, results of operations or cash flows.” These approaches are consistently applied to each period presented.

Additionally, we contract with independent actuaries to review our estimates on a quarterly basis. The independent actuaries provide us with a review letter that includes the results of their analysis of our medical claims liability. We do not solely rely on their report to adjust our claims liability. We utilize their calculation of our claims liability only as additional information, together with management’s judgment, to determine the assumptions to be used in the calculation of our liability for claims.

Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as additional claims receipts and payment information becomes available. As more complete claims information becomes available, we adjust the amount of the estimates, and include the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, our operating results include the effects of more completely developed medical claims liability estimates associated with previously reported periods. We consistently apply our reserving methodology from period to period. As additional information becomes known to us, we adjust our actuarial models accordingly to establish medical claims liability estimates.

The paid and received completion factors, claims per member per month and per diem cost trend factors are the most significant factors affecting the IBNR estimate. The following table illustrates the sensitivity of these factors and the estimated potential impact on our operating results caused by changes in these factors based on December 31, 2013 data:
Completion Factors (1):

<table>
<thead>
<tr>
<th>(Decrease)</th>
<th>Increase in Factors</th>
<th>(Decrease)</th>
<th>Increase in Medical Claims Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>(2.0)%</td>
<td>$137,100</td>
<td>(2.0)%</td>
<td>$36,800</td>
</tr>
<tr>
<td>(1.5)</td>
<td>$102,300</td>
<td>(1.5)</td>
<td>$27,700</td>
</tr>
<tr>
<td>(1.0)</td>
<td>$67,800</td>
<td>(1.0)</td>
<td>$18,500</td>
</tr>
<tr>
<td>(0.5)</td>
<td>$33,800</td>
<td>(0.5)</td>
<td>$9,200</td>
</tr>
<tr>
<td>0.5</td>
<td>($33,500)</td>
<td>0.5</td>
<td>$9,200</td>
</tr>
<tr>
<td>1.0</td>
<td>($66,500)</td>
<td>1.0</td>
<td>$18,700</td>
</tr>
<tr>
<td>1.5</td>
<td>($99,100)</td>
<td>1.5</td>
<td>$28,000</td>
</tr>
<tr>
<td>2.0</td>
<td>($131,600)</td>
<td>2.0</td>
<td>$37,300</td>
</tr>
</tbody>
</table>

Cost Trend Factors (2):

<table>
<thead>
<tr>
<th>(Decrease)</th>
<th>Increase in Factors</th>
<th>(Decrease)</th>
<th>Increase in Medical Claims Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>(2.0)%</td>
<td>$137,100</td>
<td>(2.0)%</td>
<td>$36,800</td>
</tr>
<tr>
<td>(1.5)</td>
<td>$102,300</td>
<td>(1.5)</td>
<td>$27,700</td>
</tr>
<tr>
<td>(1.0)</td>
<td>$67,800</td>
<td>(1.0)</td>
<td>$18,500</td>
</tr>
<tr>
<td>(0.5)</td>
<td>$33,800</td>
<td>(0.5)</td>
<td>$9,200</td>
</tr>
<tr>
<td>0.5</td>
<td>($33,500)</td>
<td>0.5</td>
<td>$9,200</td>
</tr>
<tr>
<td>1.0</td>
<td>($66,500)</td>
<td>1.0</td>
<td>$18,700</td>
</tr>
<tr>
<td>1.5</td>
<td>($99,100)</td>
<td>1.5</td>
<td>$28,000</td>
</tr>
<tr>
<td>2.0</td>
<td>($131,600)</td>
<td>2.0</td>
<td>$37,300</td>
</tr>
</tbody>
</table>

(1) Reflects estimated potential changes in medical claims liability caused by changes in completion factors.
(2) Reflects estimated potential changes in medical claims liability caused by changes in cost trend factors for the most recent periods.

While we believe our estimates are appropriate, it is possible future events could require us to make significant adjustments for revisions to these estimates. For example, a 1% increase or decrease in our estimated medical claims liability would have affected net earnings by $7.0 million for the year ended December 31, 2013. The estimates are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our providers and information available from other outside sources.

The change in medical claims liability is summarized as follows (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>Balance, January 1, Incurred related to:</td>
</tr>
<tr>
<td>Current year</td>
</tr>
<tr>
<td>Prior years</td>
</tr>
<tr>
<td>Total incurred</td>
</tr>
<tr>
<td>Paid related to:</td>
</tr>
<tr>
<td>Current year</td>
</tr>
<tr>
<td>Prior years</td>
</tr>
<tr>
<td>Total paid</td>
</tr>
<tr>
<td>Balance, December 31,</td>
</tr>
<tr>
<td>$1,111,709</td>
</tr>
<tr>
<td>Claims inventory, December 31</td>
</tr>
<tr>
<td>Days in claims payable</td>
</tr>
</tbody>
</table>

Medical claims are usually paid within a few months of the member receiving service from the physician or other healthcare provider. As a result, the liability generally is described as having a “short-tail,” which causes less than 5% of our medical claims liability as of the end of any given year to be outstanding the following year. We believe that substantially all the development of the estimate of medical claims liability as of December 31, 2013 will be known by the end of 2014.

Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. In addition, claims processing initiatives yielded increased claim payment recoveries and coordination of benefits.
related to prior year dates of service. Changes in medical utilization and cost trends and the effect of medical management initiatives may also contribute to changes in medical claim liability estimates. While we have evidence that medical management initiatives are effective on a case by case basis, medical management initiatives primarily focus on events and behaviors prior to the incurrence of the medical event and generation of a claim. Accordingly, any change in behavior, leveling of care, or coordination of treatment occurs prior to claim generation and as a result, the costs prior to the medical management initiative are not known by us. Additionally, certain medical management initiatives are focused on member and provider education with the intent of influencing behavior to appropriately align the medical services provided with the member's acuity. In these cases, determining whether the medical management initiative changed the behavior cannot be determined. Because of the complexity of our business, the number of states in which we operate, and the volume of claims that we process, we are unable to practically quantify the impact of these initiatives on our changes in estimates of IBNR.

The following are examples of medical management initiatives that may have contributed to the favorable development through lower medical utilization and cost trends:

- Appropriate leveling of care for neonatal intensive care unit hospital admissions, other inpatient hospital admissions, and observation admissions, in accordance with Interqual or other criteria.
- Tightening of our pre-authorization list and more stringent review of durable medical equipment and injectibles.
- Emergency department, or ED, program designed to collaboratively work with hospitals to steer non-emergency care away from the costly ED setting (through patient education, on-site alternative urgent care settings, etc.)
- Increase emphasis on case management and clinical rounding where case managers are nurses or social workers who are employed by the health plan to assist selected patients with the coordination of healthcare services in order to meet a patient's specific healthcare needs.
- Incorporation of disease management which is a comprehensive, multidisciplinary, collaborative approach to chronic illnesses such as asthma.
- Prenatal and infant health programs utilized in our Start Smart For Your Baby outreach service.

**Goodwill and Intangible Assets**

We have made several acquisitions that have resulted in our recording of intangible assets. These intangible assets primarily consist of customer relationships, purchased contract rights, provider contracts, trade names and goodwill. At December 31, 2013, we had $348.4 million of goodwill and $48.8 million of other intangible assets.

Intangible assets are amortized using the straight-line method over the following periods:

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Amortization Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased contract rights</td>
<td>5 - 15 years</td>
</tr>
<tr>
<td>Provider contracts</td>
<td>4 - 15 years</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>5 - 15 years</td>
</tr>
<tr>
<td>Trade names</td>
<td>7 - 20 years</td>
</tr>
</tbody>
</table>

Our management evaluates whether events or circumstances have occurred that may affect the estimated useful life or the recoverability of the remaining balance of goodwill and other identifiable intangible assets. If the events or circumstances indicate that the remaining balance of the intangible asset or goodwill may be impaired, the potential impairment will be measured based upon the difference between the carrying amount of the intangible asset or goodwill and the fair value of such asset. Our management must make assumptions and estimates, such as the discount factor, future utility and other internal and external factors, in determining the estimated fair values. While we believe these assumptions and estimates are appropriate, other assumptions and estimates could be applied and might produce significantly different results.

Goodwill is reviewed annually during the fourth quarter for impairment. In addition, an impairment analysis of intangible assets would be performed based on other factors. These factors include significant changes in membership, state funding, medical contracts and provider networks and contracts. The fair value of all reporting units with material amounts of goodwill was substantially in excess of the carrying value as of our annual impairment testing date.
ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

INVESTMENTS AND DEBT

As of December 31, 2013, we had short term investments of $102.1 million and long term investments of $838.8 million, including restricted deposits of $46.9 million. The short term investments generally consist of highly liquid securities with maturities between three and 12 months. The long term investments consist of municipal, corporate and U.S. Treasury securities, government sponsored obligations, life insurance contracts, asset backed securities and equity securities and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states’ requirements, these investments are classified as long term regardless of the contractual maturity date. Substantially all of our investments are subject to interest rate risk and will decrease in value if market rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at December 31, 2013, the fair value of our fixed income investments would decrease by approximately $23.2 million. Declines in interest rates over time will reduce our investment income.

We entered into interest rate swap agreements with creditworthy financial institutions to manage the impact of market interest rates on interest expense. Our swap agreements convert a portion of our interest expense from fixed to variable rates to better match the impact of changes in market rates on our variable rate cash equivalent investments. As a result, the fair value of our $250 million Senior Note debt varies with market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at December 31, 2013, the fair value of our debt would decrease by approximately $8.3 million. An increase in interest rates decreases the fair value of the debt and conversely, a decrease in interest rates increases the value.

For a discussion of the interest rate risk that our investments are subject to, see "Risk Factors–Risks Related to Our Business–Our investment portfolio may suffer losses from reductions in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity."

INFLATION

The inflation rate for medical care costs has been higher than the inflation rate for all items. We use various strategies to mitigate the negative effects of healthcare cost inflation. Specifically, our health plans try to control medical and hospital costs through our state savings initiatives and contracts with independent providers of healthcare services. Through these contracted care providers, our health plans emphasize preventive healthcare and appropriate use of specialty and hospital services. Additionally, our contracts with states require actuarially sound premiums that include healthcare cost trend.

While we currently believe our strategies to mitigate healthcare cost inflation will continue to be successful, competitive pressures, new healthcare and pharmaceutical product introductions, demands from healthcare providers and customers, applicable regulations or other factors may affect our ability to control the impact of healthcare cost increases.
Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Centene Corporation:

We have audited the accompanying consolidated balance sheets of Centene Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive earnings, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centene Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Centene Corporation’s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 21, 2014 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP
St. Louis, Missouri
February 21, 2014
## CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents of continuing operations</td>
<td>$974,304</td>
<td>$745,933</td>
</tr>
<tr>
<td>Cash and cash equivalents of discontinued operations</td>
<td>63,769</td>
<td>98,019</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>1,038,073</td>
<td>843,952</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>428,570</td>
<td>251,473</td>
</tr>
<tr>
<td>Short term investments</td>
<td>102,126</td>
<td>138,101</td>
</tr>
<tr>
<td>Other current assets</td>
<td>217,661</td>
<td>93,322</td>
</tr>
<tr>
<td>Other current assets of discontinued operations</td>
<td>13,743</td>
<td>78,977</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,800,173</td>
<td>1,405,825</td>
</tr>
<tr>
<td>Long term investments</td>
<td>791,900</td>
<td>554,770</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>46,946</td>
<td>34,286</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>395,407</td>
<td>375,893</td>
</tr>
<tr>
<td>Goodwill</td>
<td>348,432</td>
<td>256,288</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>48,780</td>
<td>20,268</td>
</tr>
<tr>
<td>Other long term assets</td>
<td>59,357</td>
<td>64,278</td>
</tr>
<tr>
<td>Long term assets of discontinued operations</td>
<td>38,305</td>
<td>62,297</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$3,529,300</td>
<td>$2,773,905</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND STOCKHOLDERS’ EQUITY** |                   |                   |
| Current liabilities:          |                   |                   |
| Medical claims liability     | $1,111,709 | $815,161 |
| Accounts payable and accrued expenses | 375,862 | 219,066 |
| Unearned revenue            | 38,191 | 34,597 |
| Current portion of long term debt | 3,065 | 3,373 |
| Current liabilities of discontinued operations | 30,294 | 157,116 |
| **Total current liabilities** | 1,559,121 | 1,229,313 |
| Long term debt              | 665,697 | 535,481 |
| Other long term liabilities  | 60,015 | 54,987 |
| Long term liabilities of discontinued operations | 1,028 | 357 |
| **Total liabilities**        | 2,285,861 | 1,820,138 |
| Commitments and contingencies |                   |                   |
| **Stockholders’ equity:**   |                   |                   |
| Common stock, $.001 par value; authorized 100,000,000 shares; 58,673,215 issued and 55,319,239 outstanding at December 31, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012 | 59 | 55 |
| Additional paid-in capital | 594,326 | 450,856 |
| Accumulated other comprehensive income: |                   |                   |
| Unrealized (loss) gain on investments, net of tax | (2,620) | 5,189 |
| Retained earnings           | 731,919 | 566,820 |
| Treasury stock, at cost (3,353,976 and 3,009,912 shares, respectively) | (89,643) | (69,864) |
| **Total Centene stockholders’ equity** | 1,234,041 | 953,056 |
| Noncontrolling interest     | 9,398 | 711 |
| **Total stockholders’ equity** | 1,243,439 | 953,767 |
| **Total liabilities and stockholders’ equity** | $3,529,300 | $2,773,905 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.
### CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$10,153,460</td>
<td>$7,568,889</td>
<td>$4,948,137</td>
</tr>
<tr>
<td>Service</td>
<td>372,580</td>
<td>112,742</td>
<td>103,765</td>
</tr>
<tr>
<td><strong>Premium and service revenues</strong></td>
<td></td>
<td>$10,526,040</td>
<td>$7,681,631</td>
</tr>
<tr>
<td>Premium tax</td>
<td>337,289</td>
<td>428,665</td>
<td>159,575</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$10,863,329</td>
<td>$8,110,296</td>
<td>$5,211,477</td>
</tr>
</tbody>
</table>

| **Expenses:**        |                         |       |       |
| Medical costs        | 8,994,641               | 6,781,081 | 4,191,268 |
| Cost of services     | 326,924                 | 87,705  | 78,114 |
| General and administrative expenses | 931,137 | 677,157 | 577,898 |
| Premium tax expense  | 333,210                 | 428,354 | 160,394 |
| Impairment loss      | —                       | 28,033  | —      |
| **Total operating expenses** |                   | $10,585,912 | $8,002,330 | $5,007,674 |
| Earnings from operations | 277,417              | 107,966 | 203,803 |

| **Other income (expense):** |                         |       |       |
| Investment and other income | 18,457              | 35,285  | 13,355 |
| Debt extinguishment costs   | —                       | —      | (8,488) |
| Interest expense            | (26,957)               | (20,460) | (20,320) |
| **Earnings from continuing operations, before income tax expense** | 268,917 | 122,791 | 188,350 |
| Income tax expense          | 107,080                | 47,412  | 70,687 |
| **Earnings from continuing operations, net of income tax expense** | 161,837 | 75,379  | 117,663 |

| **Discontinued operations, net of income tax expense (benefit) of $2,284, $(47,741), and $(4,165), respectively** | 3,881 | (86,674) | (9,300) |
| Net earnings (loss)         | 165,718                | (11,295) | 108,363 |
| Noncontrolling interest     | 619                    | (13,154) | (2,855) |
| **Net earnings attributable to Centene Corporation** | $165,099 | $1,859 | $111,218 |

| **Amounts attributable to Centene Corporation common shareholders:** |                         |       |       |
| Earnings from continuing operations, net of income tax expense | $161,218 | $88,533 | $120,518 |
| Discontinued operations, net of income tax expense (benefit) | 3,881 | (86,674) | (9,300) |
| **Net earnings** | $165,099 | $1,859 | $111,218 |

| **Net earnings (loss) per common share attributable to Centene Corporation:** |                         |       |       |
| Basic: |                         |       |       |
| Continuing operations | $2.98 | $1.72 | $2.40 |
| Discontinued operations | 0.07 | (1.68) | (0.18) |
| **Basic earnings per common share** | $3.05 | $0.04 | $2.22 |

| Diluted: |                         |       |       |
| Continuing operations | $2.87 | $1.65 | $2.30 |
| Discontinued operations | 0.07 | (1.62) | (0.18) |
| **Diluted earnings per common share** | $2.94 | $0.03 | $2.12 |

| **Weighted average number of common shares outstanding:** |                         |       |       |
| Basic | 54,126,545 | 51,509,366 | 50,198,954 |
| Diluted | 56,247,173 | 53,714,375 | 52,474,238 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.
## CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
**In thousands**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings (loss)</td>
<td>$165,718</td>
<td>$(11,295)</td>
<td>$108,363</td>
</tr>
<tr>
<td>Reclassification adjustment, net of tax</td>
<td>(875)</td>
<td>(1,789)</td>
<td>(549)</td>
</tr>
<tr>
<td>Change in unrealized (loss) gain on investments, net of tax</td>
<td>(6,934)</td>
<td>1,217</td>
<td>(114)</td>
</tr>
<tr>
<td>Other comprehensive earnings (loss)</td>
<td>(7,809)</td>
<td>(572)</td>
<td>(663)</td>
</tr>
<tr>
<td>Comprehensive earnings (loss)</td>
<td>157,909</td>
<td>(11,867)</td>
<td>107,700</td>
</tr>
<tr>
<td>Comprehensive earnings (loss) attributable to the noncontrolling interest</td>
<td>619</td>
<td>(13,154)</td>
<td>(2,855)</td>
</tr>
<tr>
<td>Comprehensive earnings attributable to Centene Corporation</td>
<td>$157,290</td>
<td>$1,287</td>
<td>$110,555</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY**

(In thousands, except share data)

<table>
<thead>
<tr>
<th>Centene Stockholders’ Equity</th>
<th>Common Stock</th>
<th>Treasury Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$001 Par Value Shares</td>
<td>$001 Par Value Shares</td>
</tr>
<tr>
<td>Balance, December 31, 2010</td>
<td>52,172,035</td>
<td>2,555,213</td>
</tr>
<tr>
<td>Comprehensive Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in unrealized investment gain, net of $(334) tax</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total comprehensive earnings</td>
<td>107,700</td>
<td>107,700</td>
</tr>
<tr>
<td>Exercise of stock warrants</td>
<td>1,414,689</td>
<td>2</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>—</td>
<td>18,171</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>—</td>
<td>4,169</td>
</tr>
<tr>
<td>Contributions from Noncontrolling interest</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deconsolidation of Noncontrolling interest</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance, December 31, 2011</td>
<td>53,586,726</td>
<td>5,761</td>
</tr>
<tr>
<td>Comprehensive Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in unrealized investment gain, net of $(296) tax</td>
<td>—</td>
<td>(572)</td>
</tr>
<tr>
<td>Total comprehensive earnings (loss)</td>
<td>(11,867)</td>
<td></td>
</tr>
<tr>
<td>Common stock issued for employee benefit plans</td>
<td>1,752,434</td>
<td>—</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>—</td>
<td>10,999</td>
</tr>
<tr>
<td>Purchase of noncontrolling interest</td>
<td>—</td>
<td>(24,181)</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance, December 31, 2012</td>
<td>55,339,160</td>
<td>5,189</td>
</tr>
<tr>
<td>Comprehensive Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in unrealized investment loss, net of $(4,438) tax</td>
<td>—</td>
<td>(7,809)</td>
</tr>
<tr>
<td>Total comprehensive earnings</td>
<td>157,909</td>
<td></td>
</tr>
<tr>
<td>Common stock issued for acquisition</td>
<td>1,716,690</td>
<td>75,405</td>
</tr>
<tr>
<td>Common stock issued for stock offering</td>
<td>342,640</td>
<td>15,225</td>
</tr>
<tr>
<td>Common stock issued for employee benefit plans</td>
<td>1,274,725</td>
<td>9,796</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>—</td>
<td>344,064</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>—</td>
<td>36,656</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>—</td>
<td>6,388</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance, December 31, 2013</td>
<td>58,673,215</td>
<td>(2,620)</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Year Ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$165,718</td>
<td>$(11,295)</td>
<td>$108,363</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings to net cash provided by operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>67,420</td>
<td>65,866</td>
<td>58,327</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>36,656</td>
<td>25,332</td>
<td>18,171</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>28,033</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>—</td>
<td>(17,880)</td>
<td>—</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>—</td>
<td>8,488</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(2,293)</td>
<td>(14,438)</td>
<td>2,031</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(142,977)</td>
<td>(116,558)</td>
<td>(11,306)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(79,588)</td>
<td>(36,818)</td>
<td>(11,812)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(736)</td>
<td>2,825</td>
<td>(2)</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>171,569</td>
<td>359,792</td>
<td>149,756</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>2,724</td>
<td>24,707</td>
<td>(109,082)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>151,712</td>
<td>(21,474)</td>
<td>38,889</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>12,321</td>
<td>(9,401)</td>
<td>9,873</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>382,526</td>
<td>278,691</td>
<td>261,696</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(67,835)</td>
<td>(82,144)</td>
<td>(73,708)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(790,653)</td>
<td>(695,687)</td>
<td>(318,397)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>579,161</td>
<td>589,921</td>
<td>267,404</td>
</tr>
<tr>
<td>Investments in acquisitions, net of cash acquired</td>
<td>(62,773)</td>
<td>—</td>
<td>(4,375)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(342,100)</td>
<td>(187,910)</td>
<td>(129,076)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>8,983</td>
<td>15,912</td>
<td>15,815</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>180,000</td>
<td>400,500</td>
<td>419,183</td>
</tr>
<tr>
<td>Proceeds from stock offering</td>
<td>15,225</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Payment of long term debt</td>
<td>(41,593)</td>
<td>(218,234)</td>
<td>(416,283)</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>6,380</td>
<td>10,996</td>
<td>4,435</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>(19,779)</td>
<td>(12,741)</td>
<td>(7,809)</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>8,068</td>
<td>1,092</td>
<td>813</td>
</tr>
<tr>
<td>Purchase of noncontrolling interest</td>
<td>—</td>
<td>(14,429)</td>
<td>—</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>(3,589)</td>
<td>(3,623)</td>
<td>(9,242)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>153,695</td>
<td>179,473</td>
<td>6,912</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>194,121</td>
<td>278,264</td>
<td>139,532</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of period</strong></td>
<td>843,952</td>
<td>573,698</td>
<td>434,166</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of period</strong></td>
<td>$1,038,073</td>
<td>$843,952</td>
<td>$573,698</td>
</tr>
</tbody>
</table>

Supplemental disclosures of cash flow information:

- Interest paid $30,009 $21,605 $27,383
- Income taxes paid $84,681 $42,877 $50,444
- Equity issued in connection with acquisition $75,425 — —

The accompanying notes to the consolidated financial statements are an integral part of these statements.
1. Organization and Operations

Centene Corporation, or the Company, is a diversified, multi-line healthcare enterprise operating in two segments: Managed Care and Specialty Services. The Managed Care segment provides Medicaid and Medicaid-related health plan coverage to individuals through government subsidized programs, including Medicaid, the State Children's Health Insurance Program, or CHIP, Long Term Care (LTC), Foster Care, Medicare Special Needs Plans and the Supplemental Security Income Program, also known as the Aged, Blind or Disabled Program, or collectively ABD. The Specialty Services segment consists of our specialty companies offering auxiliary healthcare services and products to state programs, healthcare organizations, employer groups and other commercial organizations, as well as to our own subsidiaries. The health plan in Massachusetts, operated by our individual health insurance business, is included in the Specialty Services segment.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Centene Corporation and all majority owned subsidiaries and subsidiaries over which the Company exercises the power and control to direct activities significantly impacting financial performance. All material intercompany balances and transactions have been eliminated. The assets, liabilities and results of operations of Kentucky Spirit Health Plan are classified as discontinued operations for all periods presented.

Certain amounts in the consolidated financial statements have been reclassified to conform to the 2013 presentation. These reclassifications have no effect on net earnings or stockholders' equity as previously reported.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluation, as considered necessary. Actual results could differ from those estimates.

Cash and Cash Equivalents

Investments with original maturities of three months or less are considered to be cash equivalents. Cash equivalents consist of money market funds and bank certificates of deposit and savings accounts.

The Company maintains amounts on deposit with various financial institutions, which may exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and the Company has not experienced any losses on such deposits.

Investments

Short term investments include securities with maturities greater than three months to one year. Long term investments include securities with maturities greater than one year.
Short term and long term investments are generally classified as available for sale and are carried at fair value. Certain equity investments are recorded using the cost or equity method. Unrealized gains and losses on investments available for sale are excluded from earnings and reported in accumulated other comprehensive income, a separate component of stockholders' equity, net of income tax effects. Premiums and discounts are amortized or accreted over the life of the related security using the effective interest method. The Company monitors the difference between the cost and fair value of investments. Investments that experience a decline in value that is judged to be other than temporary are written down to fair value and a realized loss is recorded in investment and other income. To calculate realized gains and losses on the sale of investments, the Company uses the specific amortized cost of each investment sold. Realized gains and losses are recorded in investment and other income.

The Company uses the equity method to account for certain of its investment in entities that it does not control and for which it does not have the ability to exercise significant influence over operating and financial policies. These investments are recorded at the lower of their cost or fair value.

**Restricted Deposits**

Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. These investments are classified as long term, regardless of the contractual maturity date, due to the nature of the states' requirements. The Company is required to annually adjust the amount of the deposit pledged to certain states.

**Fair Value Measurements**

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. Fair values are disclosed for all financial instruments, whether or not such values are recognized in the Consolidated Balance Sheets. Management obtains quoted market prices and other observable inputs for these disclosures. The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, premium and related receivables, unearned revenue, accounts payable and accrued expenses, and certain other current liabilities are carried at cost, which approximates fair value because of their short term nature.

The following methods and assumptions were used to estimate the fair value of each financial instrument:

- Available for sale investments and restricted deposits: The carrying amount is stated at fair value, based on quoted market prices, where available. For securities not actively traded, fair values were estimated using values obtained from independent pricing services or quoted market prices of comparable instruments.
- Senior unsecured notes: Estimated based on third-party quoted market prices for the same or similar issues.
- Variable rate debt: The carrying amount of our floating rate debt approximates fair value since the interest rates adjust based on market rate adjustments.
- Interest rate swap: Estimated based on third-party market prices based on the forward 3-month LIBOR curve.

**Property, Software and Equipment**

Property, software and equipment are stated at cost less accumulated depreciation. Capitalized software includes certain costs incurred in the development of internal-use software, including external direct costs of materials and services and payroll costs of employees devoted to specific software development. Depreciation is calculated principally by the straight-line method over estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the shorter of the expected useful life or the remaining term of the lease. Property, software and equipment are depreciated over the following periods:

<table>
<thead>
<tr>
<th>Fixed Asset</th>
<th>Depreciation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and land improvements</td>
<td>5 - 40 years</td>
</tr>
<tr>
<td>Computer hardware and software</td>
<td>2 - 7 years</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>3 - 10 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1 - 20 years</td>
</tr>
</tbody>
</table>

The carrying amounts of all long-lived assets are evaluated to determine if adjustment to the depreciation and amortization period or to the unamortized balance is warranted. Such evaluation is based principally on the expected utilization of the long-lived assets.
The Company retains fully depreciated assets in property and accumulated depreciation accounts until it removes them from service. In the case of sale, retirement, or disposal, the asset cost and related accumulated depreciation balance is removed from the respective account, and the resulting net amount, less any proceeds, is included as a component of earnings from operations in the consolidated statements of operations.

**Goodwill and Intangible Assets**

Intangible assets represent assets acquired in purchase transactions and consist primarily of customer relationships, purchased contract rights, provider contracts, trade names and goodwill. Intangible assets are amortized using the straight-line method over the following periods:

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Amortization Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased contract rights</td>
<td>5 - 15 years</td>
</tr>
<tr>
<td>Provider contracts</td>
<td>4 - 15 years</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>5 - 15 years</td>
</tr>
<tr>
<td>Trade names</td>
<td>7 - 20 years</td>
</tr>
</tbody>
</table>

The Company tests for impairment of intangible assets as well as long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset or asset group (hereinafter referred to as “asset group”) may not be recoverable by comparing the sum of the estimated undiscounted future cash flows expected to result from use of the asset group and its eventual disposition to the carrying value. Such factors include, but are not limited to, significant changes in membership, state funding, state contracts and provider networks and contracts. If the sum of the estimated undiscounted future cash flows is less than the carrying value, an impairment determination is required. The amount of impairment is calculated by subtracting the fair value of the asset group from the carrying value of the asset group. An impairment charge, if any, is recognized within earnings from operations.

The Company tests goodwill for impairment using a fair value approach. The Company is required to test for impairment at least annually, absent a triggering event including a significant decline in operating performance that would require an impairment assessment. Absent any impairment indicators, the Company performs its goodwill impairment testing during the fourth quarter of each year. The Company recognizes an impairment charge for any amount by which the carrying amount of goodwill exceeds its implied fair value.

The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company does not calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount.

If the two-step quantitative test is deemed necessary, the Company uses discounted cash flows to establish the fair value as of the testing date. The discounted cash flow approach includes many assumptions related to future growth rates, discount factors, future tax rates, etc. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairment in future periods. When available and as appropriate, the Company uses comparative market multiples to corroborate discounted cash flow results.

**Medical Claims Liability**

Medical claims liability includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. The Company estimates its medical claims liability using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors such as historical data for payment patterns, cost trends, product mix, seasonality, utilization of healthcare services and other relevant factors.

Actuarial Standards of Practice generally require that the medical claims liability estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amounts ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. The Company includes in its IBNR an estimate for medical claims liability under moderately adverse conditions which represents the risk of adverse deviation of the estimates in its actuarial method of reserving.
The Company uses its judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions it considers when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to fee schedules, and the incidence of high dollar or catastrophic claims.

The Company's development of the medical claims liability estimate is a continuous process which it monitors and refines on a monthly basis as additional claims receipts and payment information becomes available. As more complete claims information becomes available, the Company adjusts the amount of the estimates, and includes the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, the operating results include the effects of more completely developed medical claims liability estimates associated with previously reported periods. The Company consistently applies its reserving methodology from period to period. As additional information becomes known, it adjusts the actuarial model accordingly to establish medical claims liability estimates.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish medical costs. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs.

**Revenue Recognition**

The Company's health plans generate revenues primarily from premiums received from the states in which it operates health plans. The Company receives a fixed premium per member per month pursuant to its state contracts. The Company generally receives premium payments during the month it provides services and recognizes premium revenue during the period in which it is obligated to provide services to its members. In some instances, the Company's base premiums are subject to an adjustment, or risk score, based on the acuity of its membership. Generally, the risk score is determined by the State analyzing submissions of processed claims data to determine the acuity of the Company's membership relative to the entire state's Medicaid membership. Some states enact premium taxes, similar assessments and provider pass-through payments, collectively premium taxes, and these taxes are recorded as a separate component of both revenues and operating expenses. Some contracts allow for additional premiums related to certain supplemental services provided such as maternity deliveries.

Revenues are recorded based on membership and eligibility data provided by the states, which is adjusted on a monthly basis by the states for retroactive additions or deletions to membership data. These eligibility adjustments are estimated monthly and subsequent adjustments are made in the period known. We continuously review and update those estimates as new information becomes available. It is possible that new information could require us to make additional adjustments, which could be significant, to these estimates.

The Company's specialty companies generate revenues under contracts with state programs, individuals, healthcare organizations and other commercial organizations, as well as from the Company's own subsidiaries. Revenues are recognized when the related services are provided or as ratably earned over the covered period of service.

**Premium and Related Receivables and Unearned Revenue**

Premium and service revenues collected in advance are recorded as unearned revenue. For performance-based contracts the Company does not recognize revenue subject to refund until data is sufficient to measure performance. Premiums and service revenues due to the Company are recorded as premium and related receivables and are recorded net of an allowance based on historical trends and management's judgment on the collectibility of these accounts. As the Company generally receives payments during the month in which services are provided, the allowance is typically not significant in comparison to total revenues and does not have a material impact on the presentation of the financial condition or results of operations. Activity in the allowance for uncollectible accounts for the years ended December 31, is summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowances, beginning of year</td>
<td>781</td>
<td>639</td>
<td>17</td>
</tr>
<tr>
<td>Amounts charged to expense</td>
<td>3,138</td>
<td>1,350</td>
<td>865</td>
</tr>
<tr>
<td>Write-offs of uncollectible receivables</td>
<td>(2,801)</td>
<td>(1,208)</td>
<td>(243)</td>
</tr>
<tr>
<td>Allowances, end of year</td>
<td>1,118</td>
<td>781</td>
<td>639</td>
</tr>
</tbody>
</table>
Significant Customers

Centene receives the majority of its revenues under contracts or subcontracts with state Medicaid managed care programs. The current contracts expire on various dates between March 31, 2014 and October 31, 2018. States whose aggregate annual contract value exceeded 10% of annual revenues and the respective percentage of the Company's total revenues for the years ended December 31, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>37%</td>
<td>40%</td>
<td>15%</td>
</tr>
<tr>
<td>Georgia</td>
<td></td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>Ohio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reinsurance

Centene's subsidiaries report reinsurance premiums as medical costs, while related reinsurance recoveries are reported as deductions from medical costs. The Company limits its risk of certain catastrophic losses by maintaining high deductible reinsurance coverage.

Other Income (Expense)

Other income (expense) consists principally of investment income, interest expense and equity method earnings from investments. Investment income is derived from the Company's cash, cash equivalents, restricted deposits and investments. Interest expense relates to borrowings under the senior notes, interest rate swap, credit facilities, interest on capital leases and credit facility fees.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that includes the enactment date.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In determining if a deductible temporary difference or net operating loss can be realized, the Company considers future reversals of existing taxable temporary differences, future taxable income, taxable income in prior carryback periods and tax planning strategies.

Contingencies

The Company accrues for loss contingencies associated with outstanding litigation, claims and assessments for which it has determined it is probable that a loss contingency exists and the amount of loss can be reasonably estimated. The Company expenses professional fees associated with litigation claims and assessments as incurred.

Stock Based Compensation

The fair value of the Company's employee share options and similar instruments are estimated using the Black-Scholes option-pricing model. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits related to stock compensation are presented as a cash inflow from financing activities.

Recent Accounting Pronouncements

In 2011, the Financial Accounting Standards Board issued accounting guidance for the health insurance industry's annual fees mandated by the Patient Protection and Affordable Care Act. The fees will be imposed beginning in 2014 based on the Company's share of the industry's net premiums written during the preceding calendar year. In addition, these fees will not be tax deductible. Under the guidance, the liability for the fee will be estimated and recorded in full each year beginning in 2014.
when health insurance is first provided. A corresponding deferred cost will be recorded and amortized to operating expense over the calendar year.

3. Noncontrolling Interest and Acquisition

**Noncontrolling Interest**

The Company has consolidated subsidiaries where it maintains less than 100% ownership. The Company’s ownership interest for each subsidiary as of December 31, are as follows:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casenet</td>
<td>100%</td>
<td>100%</td>
<td>81%</td>
</tr>
<tr>
<td>Centurion</td>
<td>51%</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>Louisiana Healthcare Connections</td>
<td>100%</td>
<td>100%</td>
<td>51%</td>
</tr>
<tr>
<td>Home State Health Plan</td>
<td>95%</td>
<td>95%</td>
<td>—%</td>
</tr>
</tbody>
</table>

*Casenet.* During 2011, the Company increased its ownership interest in Casenet to 81% and in December 2012, acquired the remaining ownership interest for $4,429. The excess purchase price over the noncontrolling interest was recorded to additional paid in capital, net of the related deferred tax asset. Casenet is recorded in the Specialty Services segment.

*Centurion.* During 2011, the Company began operations as a 51% joint venture partner with MHM Services Inc. as Centurion. In July 2013, Centurion began operating under a new contract with the Department of Corrections in Massachusetts to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities and in September 2013, began operating under a new contract to provide comprehensive healthcare services to individuals incarcerated in Tennessee state correctional facilities. Centurion is recorded in the Specialty Services segment.

*Home State Health Plan.* In July 2012, the Company began operations as a 95% joint venture partner, operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.

*Louisiana Healthcare Connections.* In February 2012, the Company began operations under a new contract in Louisiana through a joint venture subsidiary, Louisiana Healthcare Connections. The Company initially owned a 51% interest in the subsidiary and in October 2012, acquired the remaining noncontrolling interest for $10,000. The purchase price in excess of the noncontrolling interest was recorded to additional paid in capital. The operating results of Louisiana are included in the Company's Managed Care segment.

Net income attributable to Centene Corporation and transfers from (to) noncontrolling interest entities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Net earnings attributable to Centene Corporation</td>
<td>$ 161,218</td>
</tr>
<tr>
<td>Transfers from (to) the noncontrolling interest:</td>
<td></td>
</tr>
<tr>
<td>Decrease in equity for purchase of, distribution to and redemption of noncontrolling interest</td>
<td>(12,193)</td>
</tr>
<tr>
<td>Increase in equity for distributions from and consolidation of noncontrolling interest</td>
<td>8,068</td>
</tr>
<tr>
<td>Net transfers from (to) noncontrolling interest</td>
<td>8,068</td>
</tr>
<tr>
<td>Changes from net earnings attributable to Centene Corporation and net transfers from (to) the noncontrolling interest</td>
<td>$ 169,286</td>
</tr>
</tbody>
</table>

**Acquisition**

*AcariaHealth.* In April 2013, the Company acquired 100% of AcariaHealth, a specialty pharmacy company, for $142,495 in total consideration. The transaction consideration was financed through a combination of $75,425 of Centene common stock and $67,070 of cash on hand. The Company also sold 342,640 shares of common stock for $15,225 related to funding the escrow account for the acquisition. The Company's allocation of fair value resulted in goodwill of $92,144 and other.
identifiable intangible assets of $35,000. The goodwill is not deductible for income tax purposes. The acquisition is recorded in the Specialty Services segment.

Pro forma disclosures related to the acquisitions have been excluded as immaterial.

4. Discontinued Operations: Kentucky Spirit Health Plan

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. As of July 6, 2013, our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving Medicaid members in Kentucky. Accordingly, the results of operations of KSHP are presented as discontinued operations for all periods presented. The assets, liabilities and results of operations of KSHP are classified as discontinued operations for all periods presented beginning in 2011. KSHP was previously reported in the Managed Care segment.

During the years ended December 31, 2013 and 2012, the Company incurred exit costs consisting primarily of lease termination fees and employee severance. The change in exit cost liability for KSHP is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Employee Benefits</th>
<th>Lease Termination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, December 31, 2011</strong></td>
<td>$ —</td>
<td>$ 2,939</td>
<td>$ 2,939</td>
</tr>
<tr>
<td>Incurred</td>
<td>$ 2,939</td>
<td>—</td>
<td>$ 2,939</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2012</strong></td>
<td>$ 2,939</td>
<td>—</td>
<td>$ 2,939</td>
</tr>
<tr>
<td>Incurred</td>
<td>$ 434</td>
<td>$ 735</td>
<td>$ 1,169</td>
</tr>
<tr>
<td>Paid</td>
<td>$(2,837)</td>
<td>—</td>
<td>$(2,837)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2013</strong></td>
<td>$ —</td>
<td>$ 536</td>
<td>$ 735</td>
</tr>
<tr>
<td></td>
<td>$ 1,271</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

KSHP had remaining statutory capital of approximately $83,600 at December 31, 2013, which will be transferred to unregulated cash, subject to regulatory approval.

Operating results for the discontinued operations are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$248,327</td>
<td>$557,316</td>
<td>$129,105</td>
</tr>
<tr>
<td>Earnings (loss) before income taxes</td>
<td>$6,165</td>
<td>$(134,415)</td>
<td>$(13,465)</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$3,881</td>
<td>$(86,674)</td>
<td>$(9,300)</td>
</tr>
</tbody>
</table>

Assets and liabilities of the discontinued operations are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$77,512</td>
<td>$176,996</td>
</tr>
<tr>
<td>Long term investments and restricted deposits</td>
<td>38,305</td>
<td>60,461</td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>1,836</td>
</tr>
<tr>
<td>Assets of discontinued operations</td>
<td>$115,817</td>
<td>$239,293</td>
</tr>
<tr>
<td>Medical claims liability</td>
<td>$27,637</td>
<td>$111,141</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>2,657</td>
<td>45,975</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,028</td>
<td>357</td>
</tr>
<tr>
<td>Liabilities of discontinued operations</td>
<td>$31,322</td>
<td>$157,473</td>
</tr>
</tbody>
</table>
5. Short term and Long term Investments and Restricted Deposits

Short term and long term investments and restricted deposits by investment type consist of the following:

<table>
<thead>
<tr>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$246,085</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>293,912</td>
</tr>
<tr>
<td>Restricted certificates of deposit</td>
<td>5,891</td>
</tr>
<tr>
<td>Restricted cash equivalents</td>
<td>26,642</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>54,003</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>10,835</td>
</tr>
<tr>
<td>Revenue</td>
<td>68,801</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>28,575</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>138,803</td>
</tr>
<tr>
<td>Mortgage backed securities</td>
<td>33,974</td>
</tr>
<tr>
<td>Cost and equity method investments</td>
<td>22,239</td>
</tr>
<tr>
<td>Life insurance contracts</td>
<td>15,369</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$945,129</strong></td>
</tr>
</tbody>
</table>

The Company’s investments are classified as available-for-sale with the exception of life insurance contracts and certain cost and equity method investments. The Company’s investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets with the focus on high credit quality securities. The Company limits the size of investment in any single issuer other than U.S. treasury securities and obligations of U.S. government corporations and agencies. The Company’s mortgage backed securities are issued by the Federal National Mortgage Association and carry guarantees by the U.S. government. As of December 31, 2013, 52% of the Company’s investments in securities recorded at fair value that carry a rating by S&P or Moody’s were rated AAA/Aaa, 68% were rated AA-/Aa3 or higher, and 94% were rated A-/A3 or higher. At December 31, 2013, the Company held certificates of deposit, life insurance contracts and cost and equity method investments which did not carry a credit rating.

The fair value of available-for-sale investments with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows:
As of December 31, 2013, the gross unrealized losses were generated from 83 positions out of a total of 343 positions. The decline in fair value of fixed income securities is a result of movement in interest rates subsequent to the purchase of the security.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If the security meets this criterion, the decline in fair value is other-than-temporary and is recorded in earnings. The Company does not intend to sell these securities prior to maturity and it is not likely that the Company will be required to sell these securities prior to maturity; therefore, there is no indication of other than temporary impairment for these securities.

The contractual maturities of short term and long term investments and restricted deposits are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investments</td>
<td>Restricted Deposits</td>
</tr>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>One year or less</td>
<td>$101,537</td>
<td>$102,126</td>
</tr>
<tr>
<td>One year through five years</td>
<td>609,755</td>
<td>610,589</td>
</tr>
<tr>
<td>Five years through ten years</td>
<td>157,003</td>
<td>151,221</td>
</tr>
<tr>
<td>Greater than ten years</td>
<td>29,900</td>
<td>30,090</td>
</tr>
<tr>
<td>Total</td>
<td>$898,195</td>
<td>$894,026</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2012</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investments</td>
<td>Restricted Deposits</td>
</tr>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>One year or less</td>
<td>$136,997</td>
<td>$138,101</td>
</tr>
<tr>
<td>One year through five years</td>
<td>429,053</td>
<td>435,728</td>
</tr>
<tr>
<td>Five years through ten years</td>
<td>93,907</td>
<td>93,778</td>
</tr>
<tr>
<td>Greater than ten years</td>
<td>24,599</td>
<td>25,264</td>
</tr>
<tr>
<td>Total</td>
<td>$684,556</td>
<td>$692,871</td>
</tr>
</tbody>
</table>

Actual maturities may differ from contractual maturities due to call or prepayment options. Asset backed and mortgage backed securities are included in the one year through five years category, while cost and equity method investments and life insurance contracts are included in the five years through ten years category. The Company has an option to redeem at amortized cost substantially all of the securities included in the greater than ten years category listed above.

The Company continuously monitors investments for other-than-temporary impairment. Certain investments have experienced a decline in fair value due to changes in credit quality, market interest rates and/or general economic conditions. The Company recognizes an impairment loss for cost and equity method investments when evidence demonstrates that it is other-than-temporarily impaired. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.
6. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the extent to which the fair value estimates are based upon observable or unobservable inputs. Level inputs are as follows:

<table>
<thead>
<tr>
<th>Level Input</th>
<th>Input Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.</td>
</tr>
<tr>
<td>Level II</td>
<td>Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.</td>
</tr>
<tr>
<td>Level III</td>
<td>Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.</td>
</tr>
</tbody>
</table>

The following table summarizes fair value measurements by level at December 31, 2013, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 974,304</td>
<td>—</td>
<td>—</td>
<td>$ 974,304</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$ 212,185</td>
<td>$ 12,238</td>
<td>—</td>
<td>$ 224,423</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>—</td>
<td>296,086</td>
<td>—</td>
<td>296,086</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>54,422</td>
<td>—</td>
<td>54,422</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>—</td>
<td>10,917</td>
<td>—</td>
<td>10,917</td>
</tr>
<tr>
<td>Revenue</td>
<td>—</td>
<td>69,054</td>
<td>—</td>
<td>69,054</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>—</td>
<td>28,575</td>
<td>—</td>
<td>28,575</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>139,050</td>
<td>—</td>
<td>139,050</td>
</tr>
<tr>
<td>Mortgage backed securities</td>
<td>—</td>
<td>33,891</td>
<td>—</td>
<td>33,891</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 212,185</td>
<td>$ 644,233</td>
<td>—</td>
<td>$ 856,418</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 26,642</td>
<td>—</td>
<td>—</td>
<td>$ 26,642</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,891</td>
<td>—</td>
<td>—</td>
<td>5,891</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>14,413</td>
<td>—</td>
<td>—</td>
<td>14,413</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$ 46,946</td>
<td>—</td>
<td>—</td>
<td>$ 46,946</td>
</tr>
<tr>
<td>Other long term assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contract</td>
<td>$ —</td>
<td>$ 9,576</td>
<td>—</td>
<td>$ 9,576</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 1,233,435</td>
<td>$ 653,809</td>
<td>—</td>
<td>$ 1,887,244</td>
</tr>
</tbody>
</table>
The following table summarizes fair value measurements by level at December 31, 2012, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th></th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$745,933</td>
<td>$</td>
<td>$</td>
<td>$745,933</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$57,114</td>
<td>$40,246</td>
<td>$</td>
<td>$97,360</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>$</td>
<td>$295,111</td>
<td>$</td>
<td>$295,111</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>$</td>
<td>$86,571</td>
<td>$</td>
<td>$86,571</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>$</td>
<td>$5,422</td>
<td>$</td>
<td>$5,422</td>
</tr>
<tr>
<td>Revenue</td>
<td>$</td>
<td>$84,064</td>
<td>$</td>
<td>$84,064</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>$</td>
<td>$23,385</td>
<td>$</td>
<td>$23,385</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>$</td>
<td>$74,637</td>
<td>$</td>
<td>$74,637</td>
</tr>
<tr>
<td>Mortgage backed securities</td>
<td>$</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total investments</td>
<td>$57,114</td>
<td>$609,436</td>
<td>$</td>
<td>$666,550</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$14,455</td>
<td>$</td>
<td>$</td>
<td>$14,455</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>$5,890</td>
<td>$</td>
<td>$</td>
<td>$5,890</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$13,941</td>
<td>$</td>
<td>$</td>
<td>$13,941</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$34,286</td>
<td>$</td>
<td>$</td>
<td>$34,286</td>
</tr>
<tr>
<td>Other long term assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contract</td>
<td>$</td>
<td>$16,304</td>
<td>$</td>
<td>$16,304</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$837,333</td>
<td>$625,740</td>
<td>$</td>
<td>$1,463,073</td>
</tr>
</tbody>
</table>

The Company periodically transfers U.S. Treasury securities and obligations of U.S. government corporations and agencies between Level I and Level II fair value measurements dependent upon the level of trading activity for the specific securities at the measurement date. The Company’s policy regarding the timing of transfers between Level I and Level II is to measure and record the transfers at the end of the reporting period. At December 31, 2013, there were $1,143 of transfers from Level I to Level II and $26,301 of transfers from Level II to Level I. The Company utilizes matrix pricing services to estimate fair value for securities which are not actively traded on the measurement date. The Company designates these securities as Level II fair value measurements. The aggregate carrying amount of the Company’s life insurance contracts and other non-majority owned investments, which approximates fair value, was $37,608 and $26,321 as of December 31, 2013 and December 31, 2012, respectively.

7. Notes Receivable

Between July 2008 and October 2011, the Company made an investment of $30,000 in secured notes receivable to a third party as part of an investment in certain Medicaid and Medicare related businesses. The notes included a feature to convert the note balance into an equity ownership in the underlying businesses.

In September 2012, the Company executed an agreement with the borrower whereby the borrower agreed to pay the Company total consideration of $50,000 for retirement of the outstanding notes and equity ownership conversion feature. Under the terms of the agreement, the borrower paid the Company $10,000 in December 2012, and agreed to pay the Company $10,000 by September 30, 2013 and $10,000 by September 30, 2014. All outstanding balances are secured by liens on certain underlying businesses as well as guaranteed personally by the principal owner of the businesses. The $10,000 notes to be paid on or before September 30, 2013 and September 30, 2014 are non-interest bearing and, as a result, total consideration was discounted by $2,120 to reflect imputation of interest. As a result, during the third quarter of 2012, the Company recorded a pre-tax gain of $17,880 in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the Company's balance sheet. As of December 31, 2013, the Company has a remaining receivable of $9,483 associated with this transaction.

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8. Property, Software and Equipment

Property, software and equipment consist of the following as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>$184,983</td>
<td>$164,755</td>
</tr>
<tr>
<td>Building</td>
<td>206,058</td>
<td>193,186</td>
</tr>
<tr>
<td>Land</td>
<td>69,705</td>
<td>70,276</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>69,087</td>
<td>57,389</td>
</tr>
<tr>
<td>Furniture and office equipment</td>
<td>53,180</td>
<td>43,136</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>56,816</td>
<td>49,808</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(244,829)</td>
<td>(578,550)</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>$395,407</td>
<td>$375,893</td>
</tr>
</tbody>
</table>

As of December 31, 2013 and 2012, the Company had assets acquired under capital leases included above of $5,815 and $6,133, net of accumulated amortization of $1,782 and $1,595, respectively. Amortization on assets under capital leases charged to expense is included in depreciation expense. Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was $52,234, $48,942 and $42,098, respectively.

9. Goodwill and Intangible Assets

During the second quarter of 2012, the Company's subsidiary, Celtic Insurance Company, experienced a high level of medical costs for individual health policies, especially for recently issued policies related to members converted from another insurer during the first quarter of 2012. Additionally, in June 2012, the U.S. Supreme Court upheld the constitutionality of the Patient Protection and Affordable Care Act which limits the profitability of the individual health insurance business because of minimum medical loss ratios, guaranteed issue policies, and increased competition in the exchange market. As a result of these factors, the Company conducted an impairment analysis of the identifiable intangible assets and goodwill of the Celtic reporting unit. The impairment analysis resulted in goodwill and intangible asset impairments of $28,033, recorded as an impairment loss in the consolidated statement of operations.

The impaired identifiable intangible assets of $2,340 and goodwill of $25,693 were reported under the Specialty Services segment; $26,589 of the impairment loss is not deductible for income tax purposes.

The following table summarizes the changes in goodwill by operating segment:

<table>
<thead>
<tr>
<th></th>
<th>Managed Care</th>
<th>Specialty Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of December 31, 2011</td>
<td>$151,402</td>
<td>$130,579</td>
<td>$281,981</td>
</tr>
<tr>
<td>Impairment</td>
<td>—</td>
<td>(25,693)</td>
<td>(25,693)</td>
</tr>
<tr>
<td>Balance as of December 31, 2012</td>
<td>151,402</td>
<td>104,886</td>
<td>256,288</td>
</tr>
<tr>
<td>Acquisition</td>
<td>—</td>
<td>92,144</td>
<td>92,144</td>
</tr>
<tr>
<td>Balance as of December 31, 2013</td>
<td>$151,402</td>
<td>$197,030</td>
<td>$348,432</td>
</tr>
</tbody>
</table>

Goodwill acquisitions and other adjustments were related to the acquisitions and finalization of fair value allocations discussed in Note 3, Noncontrolling Interest and Acquisitions.
Intangible assets at December 31, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weighted Average Life in Years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased contract rights</td>
<td>$21,988</td>
<td>$21,988</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Provider contracts</td>
<td>35,537</td>
<td>2,737</td>
<td>13.2</td>
<td>9.8</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>13,396</td>
<td>13,396</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Trade names</td>
<td>8,695</td>
<td>6,495</td>
<td>18.9</td>
<td>16.3</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>79,616</td>
<td>44,616</td>
<td>11.1</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Less accumulated amortization:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased contract rights</td>
<td>(13,459)</td>
<td>(11,010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider contracts</td>
<td>(3,767)</td>
<td>(1,241)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer relationships</td>
<td>(11,425)</td>
<td>(10,214)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade names</td>
<td>(2,185)</td>
<td>(1,883)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total accumulated amortization</td>
<td>(30,836)</td>
<td>(24,348)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Intangible assets, net

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$48,780</td>
<td>$20,268</td>
</tr>
</tbody>
</table>

Amortization expense was $6,489, $4,822 and $5,561 for the years ended December 31, 2013, 2012 and 2011 respectively. Estimated total amortization expense related to intangible assets for each of the five succeeding fiscal years is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$6,800</td>
</tr>
<tr>
<td>2015</td>
<td>5,900</td>
</tr>
<tr>
<td>2016</td>
<td>5,900</td>
</tr>
<tr>
<td>2017</td>
<td>4,400</td>
</tr>
<tr>
<td>2018</td>
<td>2,600</td>
</tr>
</tbody>
</table>

10. Medical Claims Liability

The change in medical claims liability is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year Ended December 31,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1,</td>
<td>$815,161</td>
<td>$518,840</td>
<td>$456,765</td>
</tr>
<tr>
<td>Incurred related to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>9,072,867</td>
<td>6,836,177</td>
<td>4,256,645</td>
</tr>
<tr>
<td>Prior years</td>
<td>(78,226)</td>
<td>(55,096)</td>
<td>(65,377)</td>
</tr>
<tr>
<td>Total incurred</td>
<td>8,994,641</td>
<td>6,781,081</td>
<td>4,191,268</td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>7,975,367</td>
<td>6,024,720</td>
<td>3,744,475</td>
</tr>
<tr>
<td>Prior years</td>
<td>722,726</td>
<td>460,040</td>
<td>384,718</td>
</tr>
<tr>
<td>Total paid</td>
<td>8,698,093</td>
<td>6,484,760</td>
<td>4,129,193</td>
</tr>
<tr>
<td>Balance, December 31,</td>
<td>$1,111,709</td>
<td>$815,161</td>
<td>$518,840</td>
</tr>
</tbody>
</table>

Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. In addition, claims processing initiatives yielded increased claim payment recoveries and coordination of benefits related to prior year dates of service. Changes in medical utilization and cost trends and the effect of medical management initiatives may also contribute to changes in medical claim liability estimates. While the Company has evidence that medical management initiatives are effective on a case by case basis, medical management initiatives primarily focus on events and behaviors prior to the occurrence of the medical event and generation of a claim. Accordingly, any change in behavior, leveling of care, or coordination of treatment occurs prior to claim generation and as a result, the costs prior to the medical management
initiative are not known by the Company. Additionally, certain medical management initiatives are focused on member and provider education with the intent of influencing behavior to appropriately align the medical services provided with the member's acuity. In these cases, determining whether the medical management initiative changed the behavior cannot be determined. Because of the complexity of its business, the number of states in which it operates, and the volume of claims that it processes, the Company is unable to practically quantify the impact of these initiatives on its changes in estimates of IBNR.

The Company had reinsurance recoverables related to medical claims liability of $10,427 and $9,094 at December 31, 2013 and 2012, respectively, included in premium and related receivables.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish medical costs. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs.

11. Debt

Debt consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes, at par</td>
<td>$425,000</td>
<td>$425,000</td>
</tr>
<tr>
<td>Unamortized premium on senior notes</td>
<td>6,052</td>
<td>7,823</td>
</tr>
<tr>
<td>Interest rate swap fair value</td>
<td>9,576</td>
<td>16,304</td>
</tr>
<tr>
<td>Senior notes</td>
<td>440,628</td>
<td>449,127</td>
</tr>
<tr>
<td>Revolving credit agreement</td>
<td>150,000</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage notes payable</td>
<td>72,785</td>
<td>84,081</td>
</tr>
<tr>
<td>Capital leases and other</td>
<td>5,349</td>
<td>5,646</td>
</tr>
<tr>
<td>Total debt</td>
<td>668,762</td>
<td>538,854</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(3,065)</td>
<td>(3,373)</td>
</tr>
<tr>
<td>Long term debt</td>
<td>$665,697</td>
<td>$535,481</td>
</tr>
</tbody>
</table>

**Senior Notes**

In May 2011, the Company issued $250,000 non-callable 5.75% Senior Notes due June 1, 2017 (the $250,000 Notes) at a discount to yield 6%. In connection with the May 2011 issuance, the Company entered into an interest rate swap for a notional amount of $250,000. Gains and losses due to changes in the fair value of the interest rate swap completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $250,000 Notes. At December 31, 2013, the fair value of the interest rate swap increased the fair value of the notes by $9,576 and the variable interest rate of the swap was 3.74%.

In November 2012, the Company issued an additional $175,000 non-callable 5.75% Senior Notes due June 1, 2017 ($175,000 Add-on Notes) at a premium to yield 4.29%. The indenture governing the $250,000 Notes and the $175,000 Add-on Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio. Interest is paid semi-annually in June and December. At December 31, 2013, the total net unamortized debt premium on the $250,000 Notes and $175,000 Add-on Notes was $6,052.

**Revolving Credit Agreement**

In May 2013, the Company entered into a new unsecured $500,000 revolving credit facility and terminated its previous $350,000 revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the Company's 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended) or certain financial conditions are not met, including carrying $100,000 of unrestricted cash on deposit. As of December 31, 2013, the Company had $150,000 of borrowings outstanding under the agreement with a weighted average interest rate of 3.31%.

The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt-to-EBITDA ratios and minimum tangible net worth. The Company is required not to exceed a maximum debt-to-EBITDA ratio of 3.0 to 1.0. As of December 31, 2013, there were no limitations on the availability under the revolving credit agreement as a result of the debt-to-EBITDA ratio.
Mortgage Notes Payable

The Company has a non-recourse mortgage note of $72,785 at December 31, 2013 collateralized by its corporate headquarters building. The mortgage note is due January 1, 2021 and bears a 5.14% interest rate. The collateralized property had a net book value of $160,246 at December 31, 2013.

The Company also had a mortgage note of $8,700 at December 31, 2012 collateralized by another building and parking garage. In June 2013, the Company repaid this mortgage note.

Letters of Credit & Surety Bonds

The Company had outstanding letters of credit of $28,757 as of December 31, 2013, which were not part of the revolving credit facility. The letters of credit bore interest at 0.51% as of December 31, 2013. The Company had outstanding surety bonds of $102,568 as of December 31, 2013.

Aggregate maturities for the Company's debt are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$3,065</td>
</tr>
<tr>
<td>2015</td>
<td>3,188</td>
</tr>
<tr>
<td>2016</td>
<td>3,353</td>
</tr>
<tr>
<td>2017</td>
<td>428,525</td>
</tr>
<tr>
<td>2018</td>
<td>153,702</td>
</tr>
<tr>
<td>Thereafter</td>
<td>61,301</td>
</tr>
<tr>
<td>Total</td>
<td>$653,134</td>
</tr>
</tbody>
</table>

The fair value of outstanding debt was approximately $672,529 and $543,611 at December 31, 2013 and 2012, respectively.

12. Interest Rate Swap

In May 2011, the Company entered into $250,000 notional amount of interest rate swap agreements (Swap Agreements) that are scheduled to expire June 1, 2017. Under the Swap Agreements, the Company receives a fixed rate of 5.75% and pays a variable rate of the three month LIBOR plus 3.5% adjusted quarterly, which allows the Company to adjust $250,000 of its senior notes to a floating rate. The Company does not hold or issue any derivative instrument for trading or speculative purposes. At December 31, 2013, the variable rate was 3.74%.

The Swap Agreements are formally designated and qualify as fair value hedges. The Swap Agreements are recorded at fair value in the Consolidated Balance Sheet in other assets or other liabilities. Gains and losses due to changes in fair value of the interest rate swaps completely offset changes in the fair value of the hedged portion of the underlying debt. Therefore, no gain or loss has been recognized due to hedge ineffectiveness. Offsetting changes in fair value of both the interest rate swaps and the hedged portion of the underlying debt both were recognized in interest expense in the Consolidated Statement of Operations.

The fair value of the Swap Agreements as of December 31, 2013 was an asset of approximately $9,576, and is included in other long term assets in the Consolidated Balance Sheet. The fair value of the Swap Agreements excludes accrued interest and takes into consideration current interest rates and current likelihood of the swap counterparties' compliance with its contractual obligations.

13. Stockholders' Equity

The Company has 10,000,000 authorized shares of preferred stock at $.001 par value. At December 31, 2013, there were no preferred shares outstanding.

The Company's Board of Directors has authorized a stock repurchase program for up to 4,000,000 shares of the Company's common stock from time to time on the open market or through privately negotiated transactions. No duration has been placed on the repurchase program. The Company has 1,667,724 available shares remaining under the program for repurchases as of
December 31, 2013. The Company reserves the right to discontinue the repurchase program at any time. During the year ended December 31, 2013, the Company did not repurchase any shares through this publicly announced program.

As a component of the employee stock compensation plan, employees can use shares of stock which have vested to satisfy minimum statutory tax withholding obligations. As part of this plan, the Company repurchased 344,064 shares at an aggregate cost of $19,779 in 2013 and 287,804 shares at an aggregate cost of $12,741 in 2012. These shares are included in the Company's treasury stock.

In April 2013, the Company completed the acquisition of AcariaHealth and as a result, issued 1,716,690 shares of Centene common stock to the selling stockholders. Additionally, the Company filed an equity shelf registration statement related to funding the escrow account for the acquisition and sold 342,640 shares of Centene common stock for $15,225.

14. Statutory Capital Requirements and Dividend Restrictions

Various state laws require Centene's regulated subsidiaries to maintain minimum capital levels specified by each state and restrict the amount of dividends that may be paid without prior regulatory approval. At December 31, 2013 and 2012, Centene's subsidiaries, including Kentucky Spirit Health Plan, had aggregate statutory capital and surplus of $1,279,700 and $990,300, respectively, compared with the required minimum aggregate statutory capital and surplus of $686,400 and $617,000, respectively.

15. Income Taxes

The consolidated income tax expense consists of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current provision:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$120,858</td>
<td>$47,528</td>
<td>$63,388</td>
</tr>
<tr>
<td>State and local</td>
<td>5,857</td>
<td>(4,368)</td>
<td>5,157</td>
</tr>
<tr>
<td>Total current provision</td>
<td>126,715</td>
<td>43,160</td>
<td>68,545</td>
</tr>
<tr>
<td>Deferred provision</td>
<td>(19,635)</td>
<td>4,252</td>
<td>2,142</td>
</tr>
<tr>
<td>Total provision for income taxes</td>
<td>$107,080</td>
<td>$47,412</td>
<td>$70,687</td>
</tr>
</tbody>
</table>

The reconciliation of the tax provision at the U.S. Federal Statutory Rate to the provision for income taxes is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings from continuing operations, before income tax expense</td>
<td>$268,917</td>
<td>$122,791</td>
<td>$188,350</td>
</tr>
<tr>
<td>Less flow through noncontrolling interest</td>
<td>960</td>
<td>(2,539)</td>
<td>(2,855)</td>
</tr>
<tr>
<td>Earnings from continuing operations, less noncontrolling interest, before income tax expense</td>
<td>267,957</td>
<td>125,330</td>
<td>191,205</td>
</tr>
<tr>
<td>Tax provision at the U.S. federal statutory rate</td>
<td>93,785</td>
<td>43,866</td>
<td>66,922</td>
</tr>
<tr>
<td>State income taxes, net of federal income tax benefit</td>
<td>2,871</td>
<td>(2,288)</td>
<td>3,381</td>
</tr>
<tr>
<td>Nondeductible goodwill impairment</td>
<td>—</td>
<td>8,487</td>
<td>—</td>
</tr>
<tr>
<td>Nondeductible compensation</td>
<td>12,519</td>
<td>1,108</td>
<td>2,705</td>
</tr>
<tr>
<td>Other, net</td>
<td>(2,095)</td>
<td>(3,761)</td>
<td>(2,321)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$107,080</td>
<td>$47,412</td>
<td>$70,687</td>
</tr>
</tbody>
</table>

The tax effects of temporary differences which give rise to deferred tax assets and liabilities are presented below for the years ended December 31:
Deferred tax assets:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical claims liability and other accruals</td>
<td>$53,943</td>
<td>$37,413</td>
</tr>
<tr>
<td>State net operating loss carry forward</td>
<td>9,530</td>
<td>9,055</td>
</tr>
<tr>
<td>Stock compensation</td>
<td>14,223</td>
<td>12,615</td>
</tr>
<tr>
<td>Other</td>
<td>30,199</td>
<td>20,573</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>107,895</td>
<td>79,656</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(8,119)</td>
<td>(8,180)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>$99,776</td>
<td>$71,476</td>
</tr>
</tbody>
</table>

Deferred tax liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>$18,278</td>
<td>$12,441</td>
</tr>
<tr>
<td>Prepaid assets</td>
<td>5,621</td>
<td>4,767</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>30,411</td>
<td>31,741</td>
</tr>
<tr>
<td>Other</td>
<td>1,615</td>
<td>5,624</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>$55,925</td>
<td>$54,573</td>
</tr>
</tbody>
</table>

Net deferred tax assets         | $43,851  | $16,902  |

The Company's deferred tax assets include federal and state net operating losses, or NOLs, of which $6,547 were acquired in business combinations. Accordingly, the total and annual deduction for those NOLs is limited by tax law. The Company's federal NOLs expire between the years 2020 and 2032 and the state NOLs expire between the years 2014 and 2034. Valuation allowances are recorded for those NOLs the Company believes are more likely than not to expire unused. During 2013 and 2012, the Company recorded valuation allowance additions in the tax provision of $1,301 and $2,093, respectively. In 2013 and 2012, the Company recorded valuation allowance reductions of $1,362 and $2,289, respectively.

The Company maintains a reserve for uncertain tax positions that may be challenged by a tax authority. A roll-forward of the reserve is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross unrecognized tax benefits, beginning of period</td>
<td>$7,870</td>
<td>$13,552</td>
</tr>
<tr>
<td>Gross increases:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year tax positions</td>
<td>338</td>
<td>4,107</td>
</tr>
<tr>
<td>Prior year tax positions</td>
<td>164</td>
<td>451</td>
</tr>
<tr>
<td>Gross decreases:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior year tax positions</td>
<td>(9,925)</td>
<td></td>
</tr>
<tr>
<td>Settlements</td>
<td>(4,390)</td>
<td>(53)</td>
</tr>
<tr>
<td>Statute of limitation lapses</td>
<td>(708)</td>
<td>(262)</td>
</tr>
<tr>
<td>Gross unrecognized tax benefits, end of period</td>
<td>$3,274</td>
<td>$7,870</td>
</tr>
</tbody>
</table>

Included in the balance of unrecognized tax benefits at December 31, 2013 and 2012 were reserve balances of $3,274 and $4,095, respectively, that, if recognized, would decrease the effective tax rate on income from continuing operations. Also included in the December 31, 2012 reserve balance were liabilities of $3,775 that, if recognized, would have been recorded as an adjustment to deferred taxes.

The Company recognizes interest accrued related to unrecognized tax benefits in the provision for income taxes. During the year ended December 31, 2013 and 2012, the Company recognized tax benefits generated from the net reduction in interest accrued of $310 and $170, respectively. Interest accrued, net of federal benefit, was $623, $933 and $1,157 as of December 31, 2013, 2012 and 2011, respectively. No penalties have been accrued.

During 2013, the IRS concluded its examination of the Company's 2010 and 2011 federal tax returns. The Company files in numerous state jurisdictions with varying statutes of limitation. The unrecognized state tax benefits are related to returns open from 2009 to 2013.
16. Stock Incentive Plans

The Company's stock incentive plans allow for the granting of restricted stock or restricted stock unit awards and options to purchase common stock. Both incentive stock options and nonqualified stock options can be awarded under the plans. No option will be exercisable for longer than ten years after the date of grant. The plans have 1,414,240 shares available for future awards. Compensation expense for stock options and restricted stock unit awards is recognized on a straight-line basis over the vesting period, generally three to five years for stock options and 1 to 10 years for restricted stock or restricted stock unit awards. Certain restricted stock unit awards contain performance-based as well as service-based provisions. Certain awards provide for accelerated vesting if there is a change in control as defined in the plans. The total compensation cost that has been charged against income for the stock incentive plans was $36,153, $25,001 and $18,141 for the years ended December 31, 2013, 2012 and 2011, respectively. The total income tax benefit recognized in the income statement for stock-based compensation arrangements was $7,575, $8,952 and $5,804 for the years ended December 31, 2013, 2012 and 2011, respectively.

Option activity for the year ended December 31, 2013 is summarized below:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Weighted Average Exercise Price</th>
<th>Aggregate Intrinsic Value</th>
<th>Weighted Average Contractual Term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding as of December 31, 2012</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,299,396</td>
<td>$22.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Granted</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,000</td>
<td>44.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exercised</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(361,538)</td>
<td>20.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Forfeited</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(663)</td>
<td>17.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outstanding as of December 31, 2013</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>947,195</td>
<td>$23.41</td>
<td>$33,659</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Exercisable as of December 31, 2013</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>921,462</td>
<td>$23.21</td>
<td>$32,937</td>
<td>2.7</td>
</tr>
</tbody>
</table>

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | Year Ended December 31, |
| --- | --- | --- |
| | 2013 | 2012 (1) | 2011 |
| Expected life (in years) | 5.1 | — | 5.2 |
| Risk-free interest rate | 0.8% | — | 0.9% |
| Expected volatility | 48.1% | — | 49.9% |
| Expected dividend yield | — | — | — |

(1) No options were awarded in the year ended December 31, 2012.

For the years ended December 31, 2013, 2012 and 2011, the Company used a projected expected life for each award granted based on historical experience of employees' exercise behavior. The expected volatility is primarily based on historical volatility levels. The risk-free interest rates are based on the implied yield currently available on U.S. Treasury instruments with a remaining term equal to the expected life.

Other information pertaining to option activity is as follows:

| | Year Ended December 31, |
| --- | --- | --- |
| | 2013 | 2012 (1) | 2011 |
| Weighted-average fair value of options granted | $19.04 | — | $13.94 |
| Total intrinsic value of stock options exercised | $12,845 | $24,120 | $11,744 |

(1) No options were awarded in the year ended December 31, 2012.

A summary of the Company's non-vested restricted stock and restricted stock unit shares as of December 31, 2013, and changes during the year ended December 31, 2013, is presented below:
## Shares

<table>
<thead>
<tr>
<th>Shares</th>
<th>Weighted Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested balance as of December 31, 2012</td>
<td>2,058,908</td>
</tr>
<tr>
<td>Granted</td>
<td>1,037,542</td>
</tr>
<tr>
<td>Vested</td>
<td>(961,741)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(45,116)</td>
</tr>
<tr>
<td>Non-vested balance as of December 31, 2013</td>
<td>2,089,593</td>
</tr>
</tbody>
</table>

The total fair value of restricted stock and restricted stock units vested during the years ended December 31, 2013, 2012 and 2011, was $49,032, $38,576 and $22,280, respectively.

As of December 31, 2013, there was $87,901 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans; that cost is expected to be recognized over a weighted-average period of 1.7 years. The actual tax benefit realized for the tax deductions from disqualified dispositions of stock option exercises totaled $508, $1,078 and $955 for the years ended December 31, 2013, 2012 and 2011, respectively.

The Company maintains an employee stock purchase plan and has issued 42,084 shares, 47,613 shares, and 34,966 shares in 2013, 2012 and 2011, respectively.

### 17. Retirement Plan

Centene has a defined contribution plan which covers substantially all employees who are at least twenty-one years of age. Under the plan, eligible employees may contribute a percentage of their base salary, subject to certain limitations. Centene may elect to match a portion of the employee's contribution. Company expense related to matching contributions to the plan was $9,422, $6,771 and $5,119 during the years ended December 31, 2013, 2012 and 2011, respectively.

### 18. Commitments

Centene and its subsidiaries lease office facilities and various equipment under non-cancelable operating leases which may contain escalation provisions. The rental expense related to these leases is recorded on a straight-line basis over the lease term, including rent holidays. Tenant improvement allowances are recorded as a liability and amortized against rent expense over the term of the lease. Rent expense was $30,562, $27,564 and $22,537 for the years ended December 31, 2013, 2012 and 2011, respectively. Annual non-cancelable minimum lease payments over the next five years and thereafter are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$25,350</td>
</tr>
<tr>
<td>2015</td>
<td>25,871</td>
</tr>
<tr>
<td>2016</td>
<td>24,202</td>
</tr>
<tr>
<td>2017</td>
<td>19,336</td>
</tr>
<tr>
<td>2018</td>
<td>12,628</td>
</tr>
<tr>
<td>Thereafter</td>
<td>18,800</td>
</tr>
<tr>
<td>Total</td>
<td>$126,187</td>
</tr>
</tbody>
</table>

### 19. Contingencies

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking a declaration of the Company's right to terminate the contract on July 5, 2013. In April 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. In May 2013, the Franklin Circuit Court ruled that Kentucky Spirit does not have a contractual right to terminate the contract early. Kentucky Spirit has appealed that ruling to the Kentucky Court of Appeals.

The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet. In response, the Company filed a lawsuit in April 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches. This lawsuit was subsequently consolidated with the original lawsuit for declaratory relief and continues to proceed.
Kentucky Spirit's efforts to resolve issues with the Commonwealth were unsuccessful and on July 5, 2013, Kentucky Spirit proceeded with its previously announced exit. The Commonwealth has alleged that Kentucky Spirit's exit constitutes a material breach of contract. The Commonwealth seeks to recover substantial damages and to enforce its rights under Kentucky Spirit's $25,000 performance bond. Any claim for damages by the Commonwealth may include the costs of transition and the additional costs to the Commonwealth to cover Kentucky Spirit's former members through July 5, 2014. Kentucky Spirit is pursuing its litigation claims for damages against the Commonwealth and will vigorously defend against any allegations that it has breached the contract.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If the Company prevails on its claims, Kentucky Spirit would be entitled to damages under its lawsuit. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of December 31, 2013. While uncertain, the ultimate resolution of the pending litigation could have a material effect on the financial position, cash flow or results of operations of the Company in the period it is resolved or becomes known.

Excluding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position, results of operations or cash flows.

### 20. Earnings Per Share

The following table sets forth the calculation of basic and diluted net earnings per common share for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings attributable to Centene Corporation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings from continuing operations, net of tax</td>
<td>$161,218</td>
<td>$88,533</td>
<td>$120,518</td>
</tr>
<tr>
<td>Discontinued operations, net of tax</td>
<td>3,881</td>
<td>(86,674)</td>
<td>(9,300)</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$165,099</td>
<td>$1,859</td>
<td>$111,218</td>
</tr>
</tbody>
</table>

| Shares used in computing per share amounts: |         |         |         |
| Weighted average number of common shares outstanding | 54,126,545 | 51,509,366 | 50,198,954 |
| Common stock equivalents (as determined by applying the treasury stock method) | 2,120,628 | 2,205,009 | 2,275,284 |
| Weighted average number of common shares and potential dilutive common shares outstanding | 56,247,173 | 53,714,375 | 52,474,238 |

| Net earnings per common share attributable to Centene Corporation: |         |         |         |
| Basic: |         |         |         |
| Continuing operations | $2.98   | $1.72   | $2.40   |
| Discontinued operations | 0.07   | (1.68)   | (0.18)   |
| Basic earnings per common share | $3.05   | $0.04   | $2.22   |

| Diluted: |         |         |         |
| Continuing operations | $2.87   | $1.65   | $2.30   |
| Discontinued operations | 0.07   | (1.62)   | (0.18)   |
| Diluted earnings per common share | $2.94   | $0.03   | $2.12   |

The calculation of diluted earnings per common share for 2013, 2012 and 2011 excludes the impact of 93,539 shares, 142,425 shares and 106,219 shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units.
21. Segment Information

Centene operates in two segments: Managed Care and Specialty Services. The Managed Care segment consists of Centene’s health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene’s specialty companies offering auxiliary healthcare services and products. The health plan in Massachusetts, operated by our individual health insurance business, is included in the Specialty Services segment.

Factors used in determining the reportable business segments include the nature of operating activities, existence of separate senior management teams, and the type of information presented to the Company’s chief operating decision maker to evaluate all results of operations.

In January 2013, the Company reclassified the health plan in Arizona, which is primarily a LTC operation, to the Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Managed Care segment for all periods presented.

Segment information as of and for the year ended December 31, 2013, follows:

<table>
<thead>
<tr>
<th></th>
<th>Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$9,740,720</td>
<td>$785,320</td>
<td>—</td>
<td>$10,526,040</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>41,094</td>
<td>2,147,200</td>
<td>(2,188,294)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>9,781,814</td>
<td>2,932,520</td>
<td>(2,188,294)</td>
<td>10,526,040</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>197,844</td>
<td>79,573</td>
<td>—</td>
<td>277,417</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,817,519</td>
<td>595,964</td>
<td>—</td>
<td>3,413,483</td>
</tr>
</tbody>
</table>

Segment information as of and for the year ended December 31, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$7,124,720</td>
<td>$556,911</td>
<td>—</td>
<td>$7,681,631</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>87,319</td>
<td>1,550,096</td>
<td>(1,637,415)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>7,212,039</td>
<td>2,107,007</td>
<td>(1,637,415)</td>
<td>7,681,631</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>62,867</td>
<td>45,099</td>
<td>—</td>
<td>107,966</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,163,347</td>
<td>371,265</td>
<td>—</td>
<td>2,534,612</td>
</tr>
</tbody>
</table>

Segment information as of and for the year ended December 31, 2011, follows:

<table>
<thead>
<tr>
<th></th>
<th>Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$4,571,430</td>
<td>$480,472</td>
<td>—</td>
<td>$5,051,902</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>64,809</td>
<td>710,002</td>
<td>(774,811)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>4,636,239</td>
<td>1,190,474</td>
<td>(774,811)</td>
<td>5,051,902</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>161,890</td>
<td>41,913</td>
<td>—</td>
<td>203,803</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,709,271</td>
<td>383,259</td>
<td>—</td>
<td>2,092,530</td>
</tr>
</tbody>
</table>
22. Quarterly Selected Financial Information

(In thousands, except share data and membership data)
(Unaudited)

### For the Quarter Ended

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$2,525,482</td>
<td>$2,610,538</td>
<td>$2,795,569</td>
<td>$2,931,740</td>
</tr>
<tr>
<td>Amounts attributable to Centene Corporation common shareholders:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings from continuing operations, net of income tax expense</td>
<td>$22,639</td>
<td>$40,289</td>
<td>$50,325</td>
<td>$47,965</td>
</tr>
<tr>
<td>Discontinued operations, net of income tax expense (benefit)</td>
<td>363</td>
<td>(805)</td>
<td>(952)</td>
<td>5,275</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$23,002</td>
<td>$39,484</td>
<td>$49,373</td>
<td>$53,240</td>
</tr>
<tr>
<td>Net earnings (loss) per common share attributable to Centene Corporation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$0.43</td>
<td>$0.74</td>
<td>$0.92</td>
<td>$0.87</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.01</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>0.10</td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$0.44</td>
<td>$0.72</td>
<td>$0.90</td>
<td>$0.97</td>
</tr>
<tr>
<td>Diluted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$0.41</td>
<td>$0.71</td>
<td>$0.88</td>
<td>$0.84</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.01</td>
<td>0.01</td>
<td>(0.01)</td>
<td>0.09</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$0.42</td>
<td>$0.72</td>
<td>$0.87</td>
<td>$0.93</td>
</tr>
<tr>
<td>Health Benefits Ratio</td>
<td>90.2%</td>
<td>88.4%</td>
<td>87.8%</td>
<td>88.1%</td>
</tr>
<tr>
<td>General &amp; Administrative Expense Ratio</td>
<td>8.4%</td>
<td>8.9%</td>
<td>9.1%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Period end at-risk membership</td>
<td>2,553,400</td>
<td>2,563,400</td>
<td>2,612,500</td>
<td>2,723,200</td>
</tr>
</tbody>
</table>

### For the Quarter Ended

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$1,562,809</td>
<td>$1,967,362</td>
<td>$2,308,075</td>
<td>$2,272,050</td>
</tr>
<tr>
<td>Amounts attributable to Centene Corporation common shareholders:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings (loss) from continuing operations, net of income tax expense (benefit)</td>
<td>$27,072</td>
<td>$(16,656)</td>
<td>$59,438</td>
<td>$18,679</td>
</tr>
<tr>
<td>Discontinued operations, net of income tax benefit</td>
<td>(3,094)</td>
<td>(18,343)</td>
<td>(55,619)</td>
<td>(9,618)</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$23,978</td>
<td>$(34,999)</td>
<td>$3,819</td>
<td>$9,061</td>
</tr>
<tr>
<td>Net earnings (loss) per common share attributable to Centene Corporation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$0.53</td>
<td>$(0.32)</td>
<td>$1.15</td>
<td>$0.36</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>(0.06)</td>
<td>(0.36)</td>
<td>(1.08)</td>
<td>(0.19)</td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$0.47</td>
<td>$(0.68)</td>
<td>$0.07</td>
<td>$0.17</td>
</tr>
<tr>
<td>Diluted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$0.51</td>
<td>$(0.32)</td>
<td>$1.10</td>
<td>$0.35</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>(0.06)</td>
<td>(0.36)</td>
<td>(1.03)</td>
<td>(0.18)</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$0.45</td>
<td>$(0.68)</td>
<td>$0.07</td>
<td>$0.17</td>
</tr>
<tr>
<td>Health Benefits Ratio</td>
<td>87.1%</td>
<td>91.2%</td>
<td>88.7%</td>
<td>90.7%</td>
</tr>
<tr>
<td>General &amp; Administrative Expense Ratio</td>
<td>10.4%</td>
<td>8.5%</td>
<td>8.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Period end at-risk membership</td>
<td>2,003,800</td>
<td>2,254,000</td>
<td>2,357,600</td>
<td>2,424,500</td>
</tr>
</tbody>
</table>
## 23. Condensed Financial Information of Registrant

**Centene Corporation (Parent Company Only)**  
**Condensed Balance Sheets**  
(In thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,740</td>
<td>$22,279</td>
</tr>
<tr>
<td>Short term investments, at fair value (amortized cost $6,000 and $6,500, respectively)</td>
<td>6,000</td>
<td>6,500</td>
</tr>
<tr>
<td>Other current assets</td>
<td>124,903</td>
<td>42,230</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>133,643</td>
<td>71,009</td>
</tr>
<tr>
<td>Long term investments, at fair value (amortized cost $8,070 and $1,356, respectively)</td>
<td>8,070</td>
<td>1,356</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>1,667,258</td>
<td>1,298,648</td>
</tr>
<tr>
<td>Other long term assets</td>
<td>31,876</td>
<td>42,523</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,840,847</td>
<td>$1,413,536</td>
</tr>
</tbody>
</table>

|                      |                   |                   |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** |                   |                   |
| Current liabilities  | $4,460            | $4,333            |
| Long term debt       | 590,628           | 449,127           |
| Other long term liabilities | 2,320          | 6,309             |
| **Total liabilities** | 597,408           | 459,769           |
| Stockholders' equity: |                   |                   |
| Common stock, $.001 par value; authorized 100,000,000 shares; 58,673,215 issued and 55,319,239 outstanding at December 31, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012 | 59              | 55              |
| Additional paid-in capital | 594,326         | 450,856           |
| Accumulated other comprehensive income: |                   |                   |
| Unrealized gain (loss) on investments, net of tax | (2,620)          | 5,189             |
| Retained earnings    | 731,919           | 566,820           |
| Treasury stock, at cost (3,353,976 and 3,009,912 shares, respectively) | (89,643)         | (69,864)          |
| **Total Centene stockholders' equity** | 1,234,041         | 953,056           |
| Noncontrolling interest | 9,398            | 711               |
| **Total stockholders' equity** | 1,243,439         | 953,767           |
| **Total liabilities and stockholders' equity** | $1,840,847        | $1,413,536        |

See notes to condensed financial information of registrant.

79
## Centene Corporation (Parent Company Only)
### Condensed Statements of Operations
(In thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>$4,196</td>
</tr>
<tr>
<td>Other income (expense):</td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>983</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(22,623)</td>
</tr>
<tr>
<td>Earnings (loss) before income taxes</td>
<td>(25,836)</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>(15,191)</td>
</tr>
<tr>
<td>Net earnings (loss) before equity in subsidiaries</td>
<td>(10,645)</td>
</tr>
<tr>
<td>Equity in earnings from subsidiaries</td>
<td>171,863</td>
</tr>
<tr>
<td>Total net earnings from continuing operations</td>
<td>$161,218</td>
</tr>
</tbody>
</table>

### Net earnings per share from continuing operations:

|                      |      |      |      |
| Basic earnings per common share | $2.98 | $1.72 | $2.40 |
| Diluted earnings per common share | $2.87 | $1.65 | $2.30 |

### Weighted average number of shares outstanding:

|                      |      |      |      |
| Basic                | 54,126,545 | 51,509,366 | 50,198,954 |
| Diluted              | 56,247,173 | 53,714,375 | 52,474,238 |

*See notes to condensed financial information of registrant.*
Centene Corporation (Parent Company Only)
Condensed Statements of Cash Flows
(In thousands)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>$302,242</td>
<td>$327,940</td>
<td>$72,754</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net dividends from and capital contributions to subsidiaries</td>
<td>(417,734)</td>
<td>(539,575)</td>
<td>(50,581)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(12,518)</td>
<td>(7,320)</td>
<td>(21,915)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>10,252</td>
<td>30,000</td>
<td>11,111</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(67,070)</td>
<td>—</td>
<td>(1,773)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(487,070)</td>
<td>(516,895)</td>
<td>(63,158)</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>180,000</td>
<td>400,500</td>
<td>419,183</td>
</tr>
<tr>
<td>Payment of long term debt</td>
<td>(30,000)</td>
<td>(215,000)</td>
<td>(413,644)</td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>8,983</td>
<td>15,912</td>
<td>15,815</td>
</tr>
<tr>
<td>Proceeds from stock offering</td>
<td>15,225</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>(19,779)</td>
<td>(12,741)</td>
<td>(7,809)</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>(3,589)</td>
<td>(3,623)</td>
<td>(9,242)</td>
</tr>
<tr>
<td>Contributions from noncontrolling interest</td>
<td>8,069</td>
<td>1,092</td>
<td>813</td>
</tr>
<tr>
<td>Purchase of noncontrolling interest</td>
<td>—</td>
<td>(14,429)</td>
<td>—</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>6,380</td>
<td>10,996</td>
<td>4,435</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>165,289</td>
<td>182,707</td>
<td>9,551</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(19,539)</td>
<td>(6,248)</td>
<td>19,147</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of period</td>
<td>22,279</td>
<td>28,527</td>
<td>9,380</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of period</td>
<td>$2,740</td>
<td>$22,279</td>
<td>$28,527</td>
</tr>
</tbody>
</table>

See notes to condensed financial information of registrant.

Notes to Condensed Financial Information of Registrant

Note A - Basis of Presentation and Significant Accounting Policies

The parent company only financial statements should be read in conjunction with Centene Corporation's audited consolidated financial statements and the notes to consolidated financial statements included in this Form 10-K.

The parent company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of the subsidiaries. The parent company's share of net income of its unconsolidated subsidiaries is included in income using the equity method of accounting. Certain unrestricted subsidiaries receive monthly management fees from our restricted subsidiaries. The management and service fees received by our unrestricted subsidiaries are associated with all of the functions required to manage the restricted subsidiaries including but not limited to salaries and wages for all personnel, rent, utilities, medical management, provider contracting, compliance, member services, claims processing, information technology, cash management, finance and accounting, and other services. The management fees are based on a percentage of the restricted subsidiaries revenue.

Due to our centralized cash management function, all cash flows generated by our unrestricted subsidiaries, including management fees, are transferred to the parent company, primarily to repay borrowings on the parent company's revolving credit facility. The parent company may also utilize the cash flow to make acquisitions, fund capital contributions to subsidiaries and fund its operations. During the years ended December 31, 2013, 2012 and 2011, cash flows received by the
parent from unrestricted subsidiaries was $312,887, $318,198, and $88,701 and was included in cash flows from operating activities.

Certain amounts presented in the parent company only financial statements are eliminated in the consolidated financial statements of Centene Corporation.

Note B - Dividends

During 2013, 2012 and 2011, the Registrant received dividends from its subsidiaries totaling $20,500, $29,000 and $69,100, respectively.

24. Subsequent Events

In January 2014, the Company acquired a majority interest in U.S. Medical Management, LLC, a management services organization and provider of in-home health services for high acuity populations, for approximately $200,000. The transaction consideration was financed through a combination of cash on hand and 2,243,217 shares of Centene common stock.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2013. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2013, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting - Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control - Integrated Framework (1992), our management concluded that our internal control over financial reporting was effective at the reasonable assurance level as of December 31, 2013. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting - No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the year ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
The Board of Directors and Stockholders
Centene Corporation:

We have audited Centene Corporation’s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Centene Corporation’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Centene Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Centene Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive earnings, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 21, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

St. Louis, Missouri
February 21, 2014
PART III

Item 10. Directors, Executive Officers and Corporate Governance

(a) Directors of the Registrant

Information concerning our directors will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Proposal One: Election of Directors”. This portion of the Proxy Statement is incorporated herein by reference.

(b) Executive Officers of the Registrant

Pursuant to General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, information regarding our executive officers is provided in Item 1 of Part I of this Annual Report on Form 10-K under the caption “Executive Officers of the Registrant.”

Information concerning our executive officers' compliance with Section 16(a) of the Exchange Act will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Section 16(a) Beneficial Ownership Reporting Compliance.” Information concerning our audit committee financial expert and identification of our audit committee will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Board of Directors Committees.” Information concerning our code of ethics will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Corporate Governance and Risk Management.” These portions of our Proxy Statement are incorporated herein by reference.

(c) Corporate Governance

Information concerning certain corporate governance matters will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Corporate Governance and Risk Management.” These portions of our Proxy Statement are incorporated herein by reference.

Item 11. Executive Compensation

Information concerning executive compensation will appear in our Proxy Statement for our 2014 Annual Meeting of Stockholders under “Information About Executive Compensation.” Information concerning Compensation Committee interlocks and insider participation will appear in the Proxy Statement for our 2014 Annual Meeting of Stockholders under “Compensation Committee Interlocks and Insider Participation.” These portions of the Proxy Statement are incorporated herein by reference.


Information concerning the security ownership of certain beneficial owners and management and our equity compensation plans will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Information About Stock Ownership” and “Equity Compensation Plan Information.” These portions of the Proxy Statement are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information concerning director independence, certain relationships and related transactions will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Corporate Governance and Risk Management” and “Related Party Transactions.” These portions of our Proxy Statement are incorporated herein by reference.
Item 14. **Principal Accountant Fees and Services**

Information concerning principal accountant fees and services will appear in our Proxy Statement for our 2014 annual meeting of stockholders under “Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm.” This portion of our Proxy Statement is incorporated herein by reference.

PART IV

Item 15. **Exhibits and Financial Statement Schedules**

(a) **Financial Statements and Schedules**

The following documents are filed under Item 8 of this report:

1. Financial Statements:

   - Report of Independent Registered Public Accounting Firm
   - Consolidated Balance Sheets as of December 31, 2013 and 2012
   - Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011
   - Consolidated Statements of Comprehensive Earnings for the years ended December 31, 2013, 2012 and 2011
   - Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011
   - Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011
   - Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

   None.

3. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this filing.

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## EXHIBIT INDEX

<table>
<thead>
<tr>
<th>EXHIBIT NUMBER</th>
<th>DESCRIPTION</th>
<th>FORM</th>
<th>FILING DATE</th>
<th>EXHIBIT NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Certificate of Incorporation of Centene Corporation</td>
<td>S-1</td>
<td>October 9, 2001</td>
<td>3.2</td>
</tr>
<tr>
<td>3.1a</td>
<td>Certificate of Amendment to Certificate of Incorporation of Centene Corporation, dated November 8, 2001</td>
<td>S-1/A</td>
<td>November 13, 2001</td>
<td>3.2a</td>
</tr>
<tr>
<td>3.1b</td>
<td>Certificate of Amendment to Certificate of Incorporation of Centene Corporation as filed with the Secretary of State of the State of Delaware</td>
<td>10-Q</td>
<td>July 26, 2004</td>
<td>3.1b</td>
</tr>
<tr>
<td>3.2</td>
<td>By-laws of Centene Corporation, as amended effective as of February 3, 2014</td>
<td>8-K</td>
<td>February 6, 2014</td>
<td>3.1</td>
</tr>
<tr>
<td>4.1</td>
<td>Indenture, dated May 27, 2011, among the Company and The Bank of New York Mellon Trust Company, N.A., relating to the Company’s 5.75% Senior Notes due 2017 (including Form of Global Note as Exhibit A thereto)</td>
<td>8-K</td>
<td>May 27, 2011</td>
<td>4.1</td>
</tr>
<tr>
<td>10.1 *</td>
<td>1996 Stock Plan of Centene Corporation, shares which are registered on Form S-8 - File Number 333-83190</td>
<td>S-1</td>
<td>October 9, 2001</td>
<td>10.9</td>
</tr>
<tr>
<td>10.2 *</td>
<td>1998 Stock Plan of Centene Corporation, shares which are registered on Form S-8 - File number 333-83190</td>
<td>S-1</td>
<td>October 9, 2001</td>
<td>10.10</td>
</tr>
<tr>
<td>10.3 *</td>
<td>1999 Stock Plan of Centene Corporation, shares which are registered on Form S-8 - File Number 333-83190</td>
<td>S-1</td>
<td>October 9, 2001</td>
<td>10.11</td>
</tr>
<tr>
<td>10.4 *</td>
<td>2000 Stock Plan of Centene Corporation, shares which are registered on Form S-8 - File Number 333-83190</td>
<td>S-1</td>
<td>October 9, 2001</td>
<td>10.12</td>
</tr>
<tr>
<td>10.5 *</td>
<td>2002 Employee Stock Purchase Plan of Centene Corporation, shares which are registered on Form S-8 - File Number 333-90976</td>
<td>10-Q</td>
<td>April 29, 2002</td>
<td>10.5</td>
</tr>
<tr>
<td>10.5a *</td>
<td>First Amendment to the 2002 Employee Stock Purchase Plan</td>
<td>10-K</td>
<td>February 24, 2005</td>
<td>10.9a</td>
</tr>
<tr>
<td>10.5b *</td>
<td>Second Amendment to the 2002 Employee Stock Purchase Plan</td>
<td>10-K</td>
<td>February 24, 2006</td>
<td>10.10b</td>
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<tr>
<td>10.6 *</td>
<td>Centene Corporation Amended and Restated 2003 Stock Incentive Plan, shares which are registered on Form S-8 - File Number 333-108467</td>
<td>8-K</td>
<td>April 30, 2010</td>
<td>10.1</td>
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<tr>
<td>10.7 *</td>
<td>2012 Stock Plan of Centene Corporation, shares which are registered on Form S-8 - File Number 333-180976</td>
<td>DEF 14A</td>
<td>March 9, 2012</td>
<td>4</td>
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<tr>
<td>10.8 *</td>
<td>Centene Corporation Non-Employee Directors Deferred Stock Compensation Plan</td>
<td>10-Q</td>
<td>October 25, 2004</td>
<td>10.1</td>
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<tr>
<td>10.8a *</td>
<td>First Amendment to the Non-Employee Directors Deferred Stock Compensation Plan</td>
<td>10-K</td>
<td>February 24, 2006</td>
<td>10.12a</td>
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<tr>
<td>10.9 *</td>
<td>Centene Corporation Employee Deferred Compensation Plan</td>
<td>10-K</td>
<td>February 22, 2010</td>
<td>10.10</td>
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<tr>
<td>10.10 *</td>
<td>Centene Corporation 2007 Long Term Incentive Plan</td>
<td>8-K</td>
<td>April 26, 2007</td>
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<td>Section</td>
<td>Description</td>
<td>Filing</td>
<td>Date</td>
<td>Section</td>
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<tr>
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<td>----------------------------------------------------------------------------</td>
<td>--------</td>
<td>-------------</td>
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<tr>
<td>10.12</td>
<td>Executive Employment Agreement between Centene Corporation and Michael F. Neidorff</td>
<td>8-K</td>
<td>November 9, 2004</td>
<td>10.1</td>
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<tr>
<td>10.12a</td>
<td>Amendment No. 1 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff</td>
<td>10-Q</td>
<td>October 28, 2008</td>
<td>10.2</td>
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<tr>
<td>10.12b</td>
<td>Amendment No. 2 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff</td>
<td>10-Q</td>
<td>April 28, 2009</td>
<td>10.2</td>
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<tr>
<td>10.12c</td>
<td>Amendment No. 3 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff</td>
<td>10-Q</td>
<td>October 23, 2012</td>
<td>10.2</td>
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<tr>
<td>10.12d</td>
<td>Amendment No. 4 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff</td>
<td>8-K</td>
<td>May 16, 2013</td>
<td>10.1</td>
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<td>10.13</td>
<td>Form of Executive Severance and Change in Control Agreement</td>
<td>10-Q</td>
<td>October 28, 2008</td>
<td>10.3</td>
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<td>10.13a</td>
<td>Amendment No. 1 to Form of Executive Severance and Change in Control Agreement</td>
<td>10-Q</td>
<td>October 23, 2012</td>
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<td>10.14</td>
<td>Form of Restricted Stock Unit Agreement</td>
<td>10-Q</td>
<td>October 28, 2008</td>
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<td>10.15</td>
<td>Form of Non-statutory Stock Option Agreement (Non-Employees)</td>
<td>8-K</td>
<td>July 28, 2005</td>
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<td>10.16</td>
<td>Form of Non-statutory Stock Option Agreement (Employees)</td>
<td>10-Q</td>
<td>October 28, 2008</td>
<td>10.5</td>
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<tr>
<td>10.17</td>
<td>Form of Non-statutory Stock Option Agreement (Directors)</td>
<td>10-K</td>
<td>February 23, 2009</td>
<td>10.18</td>
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<td>10.18</td>
<td>Form of Incentive Stock Option Agreement</td>
<td>10-Q</td>
<td>October 28, 2008</td>
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<td>10.19</td>
<td>Form of Stock Appreciation Right Agreement</td>
<td>8-K</td>
<td>July 28, 2005</td>
<td>10.6</td>
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<td>10.20</td>
<td>Form of Restricted Stock Agreement</td>
<td>10-Q</td>
<td>October 25, 2005</td>
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<td>10.21</td>
<td>Form of Performance Based Restricted Stock Unit Agreement #1</td>
<td>10-Q</td>
<td>October 28, 2008</td>
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<td>10.22</td>
<td>Form of Performance Based Restricted Stock Unit Agreement #2</td>
<td>10-K</td>
<td>February 23, 2009</td>
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<td>10.23</td>
<td>Form of Long Term Incentive Plan Agreement</td>
<td>8-K</td>
<td>February 7, 2008</td>
<td>10.1</td>
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<tr>
<td>10.24</td>
<td>Credit Agreement dated as of May 21, 2013 among Centene Corporation, the various financial institutions party hereto and Barclays Bank PLC</td>
<td>8-K</td>
<td>May 22, 2013</td>
<td>10.1</td>
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<td>10.25</td>
<td>Contract between the Texas Health and Human Services Commission and Superior HealthPlan, Inc.</td>
<td>10-Q</td>
<td>October 25, 2011</td>
<td>10.2</td>
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<tr>
<td>10.25a</td>
<td>Amendment A (Version 2.1) to Contract between the Texas Health and Human Services Commission and Superior HealthPlan, Inc.</td>
<td>10-Q</td>
<td>April 24, 2012</td>
<td>10.1</td>
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<td>10.25b</td>
<td>Amendment B (Version 2.2) to Contract between the Texas Health and Human Services Commission and Superior HealthPlan, Inc.</td>
<td>10-Q</td>
<td>July 24, 2012</td>
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<td>Section</td>
<td>Description</td>
<td>Filing Date</td>
<td>Exhibit</td>
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<td>10.25c</td>
<td>Amendment C (Version 2.3) to Contract between the Texas Health and Human Services Commission and Superior HealthPlan, Inc.</td>
<td>October 23, 2012</td>
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<td>Amendment D (Version 2.4) to Contract between the Texas Health and Human Services Commission and Bankers Life Insurance Company of Wisconsin, Inc. d.b.a Superior HealthPlan Network</td>
<td>April 23, 2013</td>
<td>10.1</td>
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<td>10.25e</td>
<td>Amendment E (Version 2.5) to Contract between the Texas Health and Human Services Commission and Bankers Life Insurance Company of Wisconsin, Inc. d.b.a Superior HealthPlan Network</td>
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<td>10.25f</td>
<td>Amendment F (Version 2.6) to Contract between the Texas Health and Human Services Commission and Bankers Life Insurance Company of Wisconsin, Inc. d.b.a Superior HealthPlan Network</td>
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<td>10.25g</td>
<td>Amendment G (Version 2.7) to Contract between the Texas Health and Human Services Commission and Bankers Life Insurance Company of Wisconsin, Inc. d.b.a Superior HealthPlan Network</td>
<td>October 22, 2013</td>
<td>10.2</td>
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<td>10.25h</td>
<td>Amendment H (Version 2.8) to Contract between the Texas Health and Human Services Commission and Bankers Life Insurance Company of Wisconsin, Inc. d.b.a Superior HealthPlan Network</td>
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<tr>
<td>10.25i</td>
<td>Amendment I (Version 2.9) to Contract between the Texas Health and Human Services Commission and Bankers Life Insurance Company of Wisconsin, Inc. d.b.a Superior HealthPlan Network</td>
<td>X</td>
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<tr>
<td>12.1</td>
<td>Computation of ratio of earnings to fixed charges</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>21</td>
<td>List of subsidiaries</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>23</td>
<td>Consent of Independent Registered Public Accounting Firm</td>
<td>X</td>
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<tr>
<td>31.1</td>
<td>Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)</td>
<td>X</td>
<td></td>
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<tr>
<td>31.2</td>
<td>Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)</td>
<td>X</td>
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<tr>
<td>32.1</td>
<td>Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer)</td>
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<tr>
<td>32.2</td>
<td>Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer)</td>
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<tr>
<td>101.1</td>
<td>XBRL Taxonomy Instance Document.</td>
<td>X</td>
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<td></td>
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<tr>
<td>101.2</td>
<td>XBRL Taxonomy Extension Schema Document.</td>
<td>X</td>
<td></td>
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<tr>
<td>101.3</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document.</td>
<td>X</td>
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<td>101.4</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document.</td>
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<td>101.5</td>
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<td>101.6</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document.</td>
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<td></td>
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</table>

1 SEC File No. 001-31826 (for filings prior to October 14, 2003, the Registrant's SEC File No. was 000-33395).
* Indicates a management contract or compensatory plan or arrangement.
** The Company has requested confidential treatment of the redacted portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended, and has separately filed a complete copy of this exhibit with the Securities and Exchange Commission.
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, as of February 21, 2014.

CENTENE CORPORATION

By:  /s/ Michael F. Neidorff

Michael F. Neidorff
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities as indicated, as of February 21, 2014.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ Michael F. Neidorff</td>
<td>Chairman and Chief Executive Officer (principal executive officer)</td>
</tr>
<tr>
<td>William N. Scheffel</td>
<td>Executive Vice President and Chief Financial Officer (principal financial officer)</td>
</tr>
<tr>
<td>Jeffrey A. Schwanke</td>
<td>Senior Vice President, Corporate Controller and Chief Accounting Officer (principal accounting officer)</td>
</tr>
<tr>
<td>Orlando Ayala</td>
<td>Director</td>
</tr>
<tr>
<td>Robert K. Ditmore</td>
<td>Director</td>
</tr>
<tr>
<td>Fred H. Eppinger</td>
<td>Director</td>
</tr>
<tr>
<td>Richard A. Gephardt</td>
<td>Director</td>
</tr>
<tr>
<td>Pamela A. Joseph</td>
<td>Director</td>
</tr>
<tr>
<td>John R. Roberts</td>
<td>Director</td>
</tr>
<tr>
<td>David L. Steward</td>
<td>Director</td>
</tr>
<tr>
<td>Tommy G. Thompson</td>
<td>Director</td>
</tr>
</tbody>
</table>

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EXPLANATORY NOTE: “***” INDICATES THE PORTION OF THIS EXHIBIT THAT HAS BEEN OMITTED AND SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

HHSC Contract No. 529-12-0002-00006-H

Parties to the Contract:
This Amendment is between the Texas Health and Human Services Commission (HHSC), an administrative agency within the executive department of the State of Texas, having its principal office at 4900 North Lamar Boulevard, Austin, Texas 78751, and Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network (MCO) an entity organized under the laws of the State of Wisconsin, having its principal place of business at 2100 South IH-35, Suite 202, Austin, Texas 78704. HHSC and MCO may be referred to in this Amendment individually as a “Party” and collectively as the “Parties.”

<table>
<thead>
<tr>
<th>Amendment Effective Date</th>
<th>Contract Expiration Date</th>
<th>Operational Start Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2014</td>
<td>August 31, 2015</td>
<td>March 1, 2012</td>
</tr>
</tbody>
</table>

**MCO Brand Names**

The MCO will use following brand name(s). The MCO acknowledges that if it requests a change to the brand name(s), it will be responsible for all costs associated with the change(s), including HHSC's costs for modifying its business rules, system identifiers, communications materials, web page, etc.

STAR: Superior Health Plan  
STAR+PLUS: Superior Health Plan  
CHIP: _________________  
MRSA: Superior Health Plan

**Project Managers**

**HHSC:**  
Emily Zalkovsky  
Director, Program Management  
11209 Metric Boulevard, Building H  
Austin, Texas 78758  
Phone: 512-491-2078  
Fax: 512-491-1972

**MCO:**  
Susan Erickson  
Vice President  
2100 South IH-35, Suite 202  
Austin, Texas 78704  
Phone: 512-692-1465 Ext 22032  
Fax: 866-702-4830  
E-mail: serickson@centene.com

**Legal Notice Delivery Addresses**

**HHSC:**  
General Counsel  
4900 North Lamar Boulevard, 4th Floor  
Austin, Texas 78751  
Fax: 512-424-6586

**MCO:**  
Superior HealthPlan  
2100 South IH-35, Suite 202  
Austin, Texas 78704  
Fax: 866-702-4830
MCO Programs and Service Areas

This Amendment applies to the following checked HHSC MCO Programs and Service Areas. All references in the Amendment or the Contract to MCO Programs or Service Areas that are not checked do not apply to the MCO.

☑ Medicaid STAR MCO Program   ☑ Medicaid STAR + PLUS MCO Program   ☐ CHIP MCO Program

☑ Medicaid STAR MCO Program

<table>
<thead>
<tr>
<th>Service Areas:</th>
<th>☐ Bexar</th>
<th>☐ Dallas</th>
<th>☐ El Paso</th>
<th>☐ Harris</th>
<th>☐ Hidalgo</th>
<th>☐ Jefferson</th>
<th>☐ Lubbock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>☑ Medicaid RSA - Central</td>
<td>☑ Medicaid RSA - Northeast</td>
<td>☑ Medicaid RSA - West</td>
<td>☑ Nueces</td>
</tr>
</tbody>
</table>

See Contract Attachment B-4, “Map of Counties with MCO Program Service Areas,” for listing of counties included within the STAR Service Areas.

☑ Medicaid STAR+PLUS MCO Program

<table>
<thead>
<tr>
<th>Service Areas:</th>
<th>☐ Bexar</th>
<th>☐ Dallas</th>
<th>☐ El Paso</th>
<th>☐ Harris</th>
<th>☐ Hidalgo</th>
<th>☐ Jefferson</th>
<th>☐ Lubbock</th>
<th>☐ Nueces</th>
<th>☐ Tarrant</th>
<th>☐ Travis</th>
</tr>
</thead>
</table>

See Contract Attachment B-4.2, “Map of Counties with STAR+PLUS MCO Program Service Areas,” for a list of counties included within the STAR+PLUS Service Areas.

Payment

☑ Medicaid STAR MCO Program

**Capitation:** See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR Program.
### Rate Period 2 Capitation Rates

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Rate Cell</th>
<th>Hidalgo</th>
<th>Medicaid Rural Service Area-Central Texas</th>
<th>Medicaid Rural Service Area-Northeast Texas</th>
<th>Medicaid Rural Service Area-West Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Under Age 1 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2 Age 1-5 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>3 Age 6-14 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>4 Age 15-18 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>5 Age 19-20 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>6 TANF Adult</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>7 Pregnant Woman</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>8 SSI- Aged, Blind &amp; Disabled</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
</tbody>
</table>

**Delivery Supplemental Payment:** See Contract Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 10, for a description of the Delivery Supplemental Payment for the STAR Program. The STAR Delivery Supplemental Payments for the Service Areas covered by this contract are listed below.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Delivery Supplemental Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hidalgo</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - Central Texas</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - Northeast Texas</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - West Texas</td>
<td>***</td>
</tr>
</tbody>
</table>

☑️ **Medicaid STAR+PLUS MCO Program**

**Capitation:** See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR+PLUS Program.

### Rate Period 2 Capitation Rates

<table>
<thead>
<tr>
<th>STAR + PLUS Service Area:</th>
<th>Hidalgo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Cell</td>
<td></td>
</tr>
<tr>
<td>1 Medicaid Only Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>2 Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>3 Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>4 Dual Eligible Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>5 Dual Eligible HCBS STAR+PLUS Waiver Rate- Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>6 Dual Eligible HCBS STAR+PLUS Waiver Rate- Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>7 Nursing Facility- Medicaid Only</td>
<td>***</td>
</tr>
<tr>
<td>8 Nursing Facility- Dual Eligible</td>
<td>***</td>
</tr>
</tbody>
</table>

**Terms and Attachments:**
The parties agree to amend their original contract, HHSC contract number 529-12-0002-00006 (Contract). The Parties agree that the terms of the Contract will remain in effect and continue to govern except to the extent modified in this Amendment.

The Parties execute this Amendment in accordance with the authority granted in HHSC Uniform Managed Care Contract Attachment A, "Uniform Managed Care Contract Terms & Conditions," under Article 8, "Amendments & Modifications."

HHSC Uniform Managed Care Contract Version 2.8 is attached.

**Signatures**

The Parties execute this Amendment in their stated capacities with authority to bind their organizations on the dates in this section.

**Texas Health and Human Services Commission**
/s/ Chris Traylor  
Chris Traylor  
Chief Deputy Commissioner  
Office of the Chief Deputy Commissioner  
Date: 11/13/2013

**Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network**
/s/ Holly Munin  
By: Holly Munin  
Title: CEO  
Date: 10/18/2013
**Texas Health & Human Services Commission**

**Uniform Managed Care Contract Terms & Conditions**

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of the Attachment A, “Medicaid and CHIP Uniform Managed Care Contract Terms &amp; Conditions.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Definition “1915(c) Nursing Facility Waiver” is modified to correct a cross-reference. Definition for Medically Necessary is modified for clarification. The State has determined that all acute care behavioral health and non-behavioral health services for Medicaid children fall within the scope of Texas Health Steps. Note that for LTSS, such as PCS (PAS) services for children in STAR+PLUS, the functional necessity standard for LTSS also applies (see Attachment B-1, Section 8.3.3). Definition for Rate Period 1 is modified. Section 4.04 is modified to clarify the requirements for Medical Director designees, and to clarify that the provision does not apply to prior authorization determinations made by Texas licensed pharmacists. New Section 4.11 “Prohibition Against Performance Outside of the United States” added. Section 5.02(b) is modified to clarify that MCOs may not sell or transfer their Member base. Section 5.06(a)(2) is modified to clarify the exceptions to enrollment in an MCO during an Inpatient Stay. Section 5.06(a)(3) and (4) are modified to clarify that Members cannot move from FFS to an MCO or from one MCO to another during residential treatment or residential detoxification. References to the PCCM program are removed. In addition, Section 5.06(a)(8) is modified to clarify movement requirements for SSI Members in the MRSA. Section 10.06(b) is modified to remove the Perinate Newborn 0% - 185% rate cell. Section 10.10 is modified to consolidate STAR+PLUS with STAR and CHIP for the Experience Rebate calculation. Section 10.10.1 is deleted in its entirety. Section 10.10.2 is modified to consolidate STAR+PLUS into STAR and CHIP for the Experience Rebate calculation.</td>
</tr>
</tbody>
</table>

Responsible Office: HHSC Office of General Counsel (OGC)

Subject: Attachment A -- HHSC Uniform Managed Care Contract Terms & Conditions  Version 2.8
Revision 2.2 June 1, 2012
Definition for Consolidated FSR Report or Consolidated Basis is added.

Definition for Financial Statistical Report is added.
Definitions for FSR Reporting Period, FSR Reporting Period 12/13, and FSR Reporting Period 14 are added.

Definition for Material Subcontract is modified.
Definition for Net Income Before Taxes is modified.
Definition for Pre-tax Income is modified.

Definition for Program is added.
Definition for Rate Period 1 and Rate Period 2 are modified.

Section 10.10 is modified to consolidate the Experience Rebate across all contracts and all programs.
Section 10.10.2 is modified to consolidate the Administrative Expense Cap across all contracts and all programs.

Revision 2.3 September 1, 2012
Definition for Case Management for Children and Pregnant Women is modified to remove the acronym “CPW”.

Definition for Community-based Long Term Services and Supports is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.
Definition for “1915(c) Nursing Facility Waiver” is modified to change the name to “HCBS STAR+PLUS.
Waiver” and to update references to “Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver” and “HCBS STAR+PLUS Waiver”.

Definition for “HHSC MCO Programs or MCO Programs” is modified.
Definition for “Medically Necessary” is modified.
Definition for “Provider Materials” is added.

Section 5.06(a)(4) is modified to clarify responsibility for payment.
Section 5.11 is deleted in its entirety.

Section 7.02 is modified to clarify that only applicable provisions of the listed laws apply to the contract.
Section 10.05 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.

Revision 2.4 March 1, 2013
All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.

Definition for “Electronic Visit Verification” is added.
Section 5.02(e), Subsections (4) and (5) are modified.

Section 10.16 is added to address supplemental payments to MCOs for wrap-around services for outpatient drugs and biological products for STAR-PLUS Members.
<table>
<thead>
<tr>
<th>Revision</th>
<th>2.5</th>
<th>June 1, 2013</th>
<th>Contract amendment did not revise Attachment A, Uniform Managed Care Contract Terms and Conditions.</th>
</tr>
</thead>
</table>
| Revision | 2.6       | September 1, 2013 | Definition for CAHPS is modified to correct the name to which the acronym refers.  
Definition for “Community Health Worker” is added.  
Definition for “Court-Ordered Commitment” is modified.  
Definition for Default Enrollment is modified to add T.A.C. reference.  
Definition for “DSM” is modified.  
Definition for “ECI” is modified.  
Definition for HEDIS is modified to correct the name to which the acronym refers.  
Definition for Primary Care Physician is modified to remove the list of provider types as being redundant.  
Definition for Rate Period is modified to include a third sub-period.  
Section 5.02(e) is modified to remove the language regarding disenrollment for ESRD and ventilator dependency.  
Section 5.08 is renamed “Modified Default Enrollment Process” and revised to include a process for all Programs.  
Section 5.09 is deleted and replaced with Section 5.08.  
Section 5.10 is deleted and replaced with Section 5.08.  
Section 7.04 is deleted in its entirety and updated within Section 7.02  
Section 9.02 is modified for clarification that records must be provided “at no cost.”  
Section 9.04 is modified for clarification that records must be provided “at no cost.”  
Section 10.05(a) is modified to comply with the new STAR Risk Groups.  
Section 10.10.3 is modified to clarify that the Reinsurance Cap impacts only the Experience Rebate calculation.  
Section 11.01(c) is modified to add the missing word “may.”  
Section 13.01 is modified to clarify the required certifications.  
Section 14.08 is modified to delete outdated language |
<p>| Revision | 2.7       | September 1, 2013 | Section 10.17 “Pass-through Payments for Provider Rate Increases” is added. |</p>
<table>
<thead>
<tr>
<th>Revision</th>
<th>2.8</th>
<th>January 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Definition for Expansion Children is removed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Federal Poverty Level is updated.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Former Foster Care Child (FFCC) Member is added.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 5.02 is modified to add requirement for default assignment methodologies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 5.04 is modified to clarify that HHSC or the ASC will enroll or disenroll Members.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 5.05 is modified to clarify that HHSC or the ASC will transmit new Member information, to remove the FPL limits, to remove the default assignment language, and to clarify the enrollment process when CHIP Perinate coverage expires.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 5.06 is modified to add requirements regarding movement from a STAR Health MCO to a STAR MCO.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 10.06(b) is modified to clarify the eligibility thresholds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 10.09 is modified to clarify the eligibility thresholds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 11.01(a) is modified to correct an administrative error.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 12.03 is modified to delete subsection (b)(8) Termination for Insolvency and all following subsections are renumbered.</td>
</tr>
</tbody>
</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
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<td>Section 1.04 Construction of the Contract</td>
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<tr>
<td>Section 1.05 No implied authority</td>
<td>2</td>
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<td>2</td>
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<tr>
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<td>Section 3.14 Time of the essence</td>
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<td>Article 4. Contract Administration &amp; Management</td>
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Section 1.04 Construction of the Contract.

(a) Scope of Introductory Article.

The purpose of this Contract is to set forth the terms and conditions for the MCO’s participation as a managed care organization in one (1) or more of the MCO Programs administered by HHSC. Under the terms of this Contract, MCO will provide comprehensive health care services to qualified Program recipients through a managed care delivery system.

Section 1.02 Risk-based contract.

This is a Risk-based contract.

Section 1.03 Inducements.

In making the award of this Contract, HHSC relied on MCO’s assurances of the following:

(1) MCO is a health maintenance organization, Approved Non-Profit Health Corporation (ANHC), or Exclusive Provider Organization that arranges for the delivery of Health Care Services, and is either (1) has received Texas Department of Insurance (TDI) licensure or approval as such an entity and is fully authorized to conduct business in the Service Areas, or (2) will receive TDI licensure or approval as such an entity and be fully authorized to conduct business in all Service Areas no later than 60 calendar days after HHSC executes this Contract;

(2) MCO and the MCO Administrative Service Subcontractors have the skills, qualifications, expertise, financial resources and experience necessary to provide the Services and Deliverables described in the RFP, MCO’s Proposal, and this Contract in an efficient, cost-effective manner, with a high degree of quality and responsiveness, and has performed similar services for other public or private entities;

(3) MCO has thoroughly reviewed, analyzed, and understood the RFP, has timely raised all questions or objections to the RFP, and has had the opportunity to review and fully understand HHSC’s current program and operating environment for the activities that are the subject of the Contract and the needs and requirements of the State during the Contract term;

(4) MCO has had the opportunity to review and understand the State’s stated objectives in entering into this Contract and, based on such review and understanding, MCO currently has the capability to perform in accordance with the terms and conditions of this Contract;

(5) MCO also has reviewed and understands the risks associated with the MCO Programs as described in the RFP, including the risk of non-appropriation of funds.

Accordingly, on the basis of the terms and conditions of this Contract, HHSC desires to engage MCO to perform the Services and provide the Deliverables described in this Contract under the terms and conditions set forth in this Contract.
The provisions of any introductory article to the Contract are intended to be a general introduction and are not intended to expand the scope of the Parties’ obligations under the Contract or to alter the plain meaning of the terms and conditions of the Contract.

(b) References to the “State.”

References in the Contract to the “State” must mean the State of Texas unless otherwise specifically indicated and must be interpreted, as appropriate, to mean or include HHSC and other agencies of the State of Texas that may participate in the administration of the MCO Programs, provided, however, that no provision will be interpreted to include any entity other than HHSC as the contracting agency.

(c) Severability.

If any provision of this Contract is construed to be illegal or invalid, such interpretation will not affect the legality or validity of any of its other provisions. The illegal or invalid provision will be deemed stricken and deleted to the same extent and effect as if never incorporated in this Contract, but all other provisions will remain in full force and effect.

(d) Survival of terms.

Termination or expiration of this Contract for any reason will not release either Party from any liabilities or obligations set forth in this Contract that:

(1) The Parties have expressly agreed must survive any such termination or expiration; or

(2) Arose prior to the effective date of termination and remain to be performed or by their nature would be intended to be applicable following any such termination or expiration.

(e) Headings.

The article, section and paragraph headings in this Contract are for reference and convenience only and may not be considered in the interpretation of this Contract.

(f) Global drafting conventions.

(1) The terms “include,” “includes,” and “including” are terms of inclusion, and where used in this Contract, are deemed to be followed by the words “without limitation.”

(2) Any references to “sections,” “appendices,” “exhibits” or “attachments” are deemed to be references to sections, appendices, exhibits or attachments to this Contract.

(3) Any references to laws, rules, regulations, and manuals in this Contract are deemed references to these documents as amended, modified, or supplemented from time to time during the term of this Contract.

Section 1.05 No implied authority.

The authority delegated to MCO by HHSC is limited to the terms of this Contract. HHSC is the state agency designated by the Texas Legislature to administer the MCO Programs, and no other agency of the State grants MCO any authority related to this program unless directed through HHSC. MCO may not rely upon implied authority, and specifically is not delegated authority under this Contract to:

(1) make public policy;

(2) promulgate, amend or disregard administrative regulations or program policy decisions made by State and federal agencies responsible for administration of HHSC Programs; or

(3) unilaterally communicate or negotiate with any federal or state agency or the Texas Legislature on behalf of HHSC regarding the HHSC Programs.

MCO is required to cooperate to the fullest extent possible to assist HHSC in communications and negotiations with state and federal governments and agencies concerning matters relating to the scope of the Contract and the MCO Program(s), as directed by HHSC.

Section 1.06 Legal Authority.

(a) HHSC is authorized to enter into this Contract under Chapters 531 and 533, Texas Government Code; Section 2155.144, Texas Government Code; and/or Chapter 62, Texas Health & Safety Code. MCO is authorized to enter into this Contract pursuant to the authorization of its governing board or controlling owner or officer.

(b) The person or persons signing and executing this Contract on behalf of the Parties, or representing themselves as signing and executing this Contract on behalf of the Parties, warrant and guarantee that he, she, or they have been duly authorized to execute this Contract and to validly and legally bind the Parties to all of its terms, performances, and provisions.

Article 2. Definitions

As used in this Contract, the following terms and conditions must have the meanings assigned below:

1915(c) Nursing Facility Waiver or 1915(c) STAR+PLUS Waiver (SPW) means the HHSC waiver program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Should HHSC begin operating this waiver program under a 1115 Waiver structure, then references to the 1915(c)
Nursing Facility Waiver or SPW will mean the home and community based services component of the 1115 Waiver for Members who qualify for the additional services described in Attachment B-2, "STAR+PLUS Covered Services," under the heading “1915(c) STAR+PLUS Waiver Services for those Members who qualify for such services.”

AAP means the American Academy of Pediatrics.

Abuse means provider practices that are inconsistent with sound fiscal, business, or medical practices and result in an unnecessary cost to the Medicaid or CHIP Program, or in reimbursement for services that are not Medically Necessary or that fail to meet professionally recognized standards for health care. It also includes Member practices that result in unnecessary cost to the Medicaid or CHIP Program.

Account Name means the name of the individual who lives with the child(ren) and who applies for the Children’s Health Insurance Program coverage on behalf of the child(ren).

Action (Medicaid only) means:
(1) the denial or limited authorization of a requested Medicaid service, including the type or level of service;
(2) the reduction, suspension, or termination of a previously authorized service;
(3) the denial in whole or in part of payment for service;
(4) the failure to provide services in a timely manner;
(5) the failure of an MCO to act within the timeframes set forth in the Contract and 42 C.F.R. §438.408(b); or
(6) for a resident of a rural area with only one (1) MCO, the denial of a Medicaid Members’ request to obtain services outside of the Network.

An Adverse Determination is one (1) type of Action.

Acute Care means preventive care, primary care, and other medical care provided under the direction of a physician for a condition having a relatively short duration.

Acute Care Hospital means a Hospital that provides Acute Care Services.

Adjudicate means to deny or pay a Clean Claim.

Administrative Services see MCO Administrative Services.

Administrative Services Contractor see HHSC Administrative Services Contractor.

Adverse Determination means a determination by an MCO or Utilization Review agent that the Health Care Services furnished, or proposed to be furnished to a patient, are not Medically Necessary or not appropriate.

Affiliate means any individual or entity that meets any of the following criteria:
(1) owns or holds more than a five percent (5%) interest in the MCO (either directly, or through one (1) or more intermediaries);
(2) in which the MCO owns or holds more than a five percent (5%) interest (either directly, or through one (1) or more intermediaries);
(3) any parent entity or subsidiary entity of the MCO, regardless of the organizational structure of the entity;
(4) any entity that has a common parent with the MCO (either directly, or through one (1) or more intermediaries);
(5) any entity that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the MCO; or
(6) any entity that would be considered to be an affiliate by any Securities and Exchange Commission (SEC) or Internal Revenue Service (IRS) regulation, Federal Acquisition Regulations (FAR), or by another applicable regulatory body.

Agreement or Contract means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

Allowable Expenses means all expenses related to the Contract between HHSC and the MCO that are incurred during the Contract Period, are not reimbursable or recovered from another source, and that conform with the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

Appeal (CHIP and CHIP Perinatal Program only) means the formal process by which a Utilization Review agent addresses Adverse Determinations.

Appeal (Medicaid only) means the formal process by which a Member or his or her representative request a review of the MCO’s Action, as defined above.

Approved Non-Profit Health Corporation (ANHC) means an organization formed in compliance with Chapter 844 of the Texas Insurance Code and licensed by TDI. See also MCO.

Auxiliary Aids and Services includes:
(1) qualified interpreters or other effective methods of making aurally delivered materials understood by persons with hearing impairments;
(2) large print, Braille, or other effective methods that ensure visually delivered materials are available to individuals with visual impairments; and
(3) other effective methods that ensure that materials (delivered both aurally and visually) are available to those with cognitive or other Disabilities affecting communication.

Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. In managed care, batch billing is a technique that allows providers to send billing information all at once in a “batch” rather than in separate individual transactions.
Behavioral Health Services means Covered Services for the treatment of mental, emotional, or chemical dependency disorders.

Benchmark means a target or standard based on historical data or an objective/goal.

Business Continuity Plan or BCP means a plan that provides for a quick and smooth restoration of MIS operations after a disruptive event. BCP includes business impact analysis, BCP development, testing, awareness, training, and maintenance. This is a day-to-day plan.

Business Day means any day other than a Saturday, Sunday, or a state or federal holiday on which HHSC’s offices are closed, unless the context clearly indicates otherwise.

CAHPS means the Consumer Assessment of Healthcare Providers and Systems. This survey is conducted annually by the EQRO.

Call Coverage means arrangements made by a facility or an attending physician with an appropriate level of health care provider who agrees to be available on an as-needed basis to provide medically appropriate services for routine, high risk, or Emergency Medical Conditions or Emergency Behavioral Health Conditions that present without being scheduled at the facility or when the attending physician is unavailable.

Capitation Payment means the aggregate amount paid by HHSC to the MCO on a monthly basis for the provision of Covered Services to enrolled Members in accordance with the Capitation Rates in the Contract.

Capitation Rate means a fixed predetermined fee paid by HHSC to the MCO each month in accordance with the Contract, for each enrolled Member in a defined Rate Cell, in exchange for the MCO arranging for or providing a defined set of Covered Services to such a Member, regardless of the amount of Covered Services used by the enrolled Member.

Case Head means the head of the household that is applying for Medicaid.

Case Management for Children and Pregnant Women is a Medicaid program for children with a health condition/health risk, birth through 20 years of age and for women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.


Chemical Dependency Treatment means treatment provided for a chemical dependency condition by a Chemical Dependency Treatment facility, chemical dependency counselor or Hospital.

Child (or Children) with Special Health Care Needs (CSHCN) means a child (or children) who:

(1) ranges in age from birth up to age 19 years;

(2) has a serious ongoing illness, a complex chronic condition, or a disability that has lasted or is anticipated to last at least 12 continuous months or more;

(3) has an illness, condition or disability that results (or without treatment would be expected to result) in limitation of function, activities, or social roles in comparison with accepted pediatric age-related milestones in the general areas of physical, cognitive, emotional, and/or social growth and/or development;

(4) requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel; and

(5) has a need for health and/or health-related services at a level significantly above the usual for the child's age.

Children’s Health Insurance Program or CHIP means the health insurance program authorized and funded pursuant to Title XXI, Social Security Act (42 U.S.C. §§ 1397aa-1397jj) and administered by HHSC. The CHIP Perinatal Program is a subprogram of CHIP.

CHIP MCO Program, or CHIP Program, means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Members.

CHIP MCOs means MCOs participating in the CHIP MCO Program.

CHIP Perinatal MCOs means MCOs participating in the CHIP Perinatal Program, a subprogram of CHIP.

CHIP Perinatal Program means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Perinate and CHIP Perinate Newborn Members. Although the CHIP Perinatal Program is part of the CHIP Program, for Contract administration purposes it is sometimes identified independently in this Contract.

CHIP Perinate means a CHIP Perinatal Program Member identified prior to birth (an unborn child).

CHIP Perinate Newborn means a CHIP Perinate who has been born alive and whose family income meets the criteria for continued participation in the CHIP Perinatal Program (refer to Section 5.04.1 for information concerning eligibility).

Chronic or Complex Condition means a physical, behavioral, or developmental condition which may have no known cure and/or is progressive and/or can be debilitating or fatal if left untreated or under-treated.

Clean Claim means a claim submitted by a physician or provider for medical care or health care services rendered to a Member, with the data necessary for the MCO or subcontracted claims processor to adjudicate and accurately report the claim. A Clean Claim must meet all requirements for accurate and complete data as defined in the appropriate 837-(claim type) encounter guides as follows:

(1) 837 Professional Combined Implementation Guide;

(2) 837 Institutional Combined Implementation Guide;

(3) 837 Professional Companion Guide; and

(4) 837 Institutional Companion Guide.
Clinical Edit means a process for verifying that a Member’s medical condition matches the clinical criteria for dispensing a requested drug. Clinical Edits must be based on evidence-based clinical criteria and nationally recognized peer-reviewed information. If the information about a Member’s medical condition meets the Clinical Edit criteria, the claim can be approved. If a Member’s medical condition does not meet the Clinical Edit criteria, then prior authorization is required.

CMS means the Centers for Medicare and Medicaid Services, which is the federal agency responsible for administering Medicare and overseeing state administration of Medicaid and CHIP.

COLA means the Cost of Living Adjustment.

Community-based Long Term Services and Supports means services provided to STAR+PLUS Members in their home or other community based settings necessary to provide assistance with activities of daily living to allow the Member to remain in the most integrated setting possible. Community-based Long-term Services and Supports includes services available to all STAR+PLUS Members as well as those services available only to STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services.

Community Health Worker: Also called a promotor(a), a community health worker is a trusted member of the community, and has a close understanding of the ethnicity, language, socio-economic status, and life experiences of the community served. A community health worker helps people gain access to needed services, increase health knowledge, and become self-sufficient through outreach, patient navigation and follow-up, community health education and information, informal counseling, social support, advocacy, and more.

Community Resource Coordination Groups (CRCGs)
means a statewide system of local interagency groups, including both public and private providers, which coordinate services for “multi-need” children and youth. CRCGs develop individual service plans for children and adolescents whose needs can be met only through interagency cooperation. CRCGs address Complex Needs in a model that promotes local decision-making and ensures that children receive the integrated combination of social, medical and other services needed to address their individual problems.

Complainant means a Member or a treating provider or other individual designated to act on behalf of the Member who filed the Complaint.

Complaint (CHIP Program only) means any dissatisfaction, expressed by a Complainant, orally or in writing to the MCO, with any aspect of the MCO’s operation, including, but not limited to, dissatisfaction with plan administration, procedures related to review or Appeal of an Adverse Determination, as defined in Texas Insurance Code, Chapter 843, Subchapter G; the denial, reduction, or termination of a service for reasons not related to Medical Necessity; the way a service is provided; or disenrollment decisions. The term does not include misinformation that is resolved promptly by supplying the appropriate information or clearing up the misunderstanding to the satisfaction of the CHIP Member.

Complaint (Medicaid only) means an expression of dissatisfaction expressed by a Complainant, orally or in writing to the MCO, about any matter related to the MCO other than an Action. As provided by 42 C.F.R. §438.400, possible subjects for Complaints include, but are not limited to, the quality of care of services provided, and aspects of interpersonal relationships such as rudeness of a provider or employee, or failure to respect the Medicaid Member’s rights.

Complex Need means a condition or situation resulting in a need for coordination or access to services beyond what a PCP would normally provide, triggering the MCO’s determination that Care Coordination is required.

Comprehensive Care Program: see definition for Texas Health Steps.

Confidential Information means any communication or record (whether oral, written, electronically stored or transmitted, or in any other form) consisting of:
(1) Confidential Client information, including HIPAA-defined protected health information;
(2) All non-public budget, expense, payment and other financial information;
(3) All Privileged Work Product;
(4) All information designated by HHSC or any other State agency as confidential, and all information designated as confidential under the Texas Public Information Act;
(5) Information utilized, developed, received, or maintained by HHSC, the MCO, or participating State agencies for the purpose of fulfilling a duty or obligation under this Contract and that has not been disclosed publicly.

Consolidated FSR Report or Consolidated Basis, means FSR reporting results for all Programs and all SDAs operated by the MCO or its Affiliates, including those under separate contracts between the MCO or its Affiliates and HHSC. Consolidated FSR Reporting does not include any of the MCO's or its Affiliates' business outside of the HHSC Programs.

Consumer-Directed Services means the Member or his legal guardian is the employer of and retains control over the hiring, management, and termination of an individual providing personal assistance or respite.

Continuity of Care means care provided to a Member by the same PCP or specialty provider to ensure that the delivery of care to the Member remains stable, and services are consistent and unduplicated.
Contract or Agreement means this formal, written, and legally enforceable contract and amendments thereto between the Parties.
Contract Period or Contract Term means the Initial Contract Period plus any and all Contract extensions.
Contractor or MCO means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.
Copayment (CHIP only) means the amount that a Member is required to pay when utilizing certain CHIP Covered Services. Once the copayment is made, further payment is not required by the Member.
Corrective Action Plan means the detailed written plan that may be required by HHSC to correct or resolve a deficiency or event causing the assessment of a remedy or damage against MCO.
Court-Ordered Commitment means a commitment of a Member to an inpatient mental health facility for treatment ordered by a court of law pursuant to Texas Health and Safety Code, Chapters 573 or 574.
Covered Services means Health Care Services the MCO must arrange to provide to Members, including all services required by the Contract and state and federal law, and all Value-added Services negotiated by the Parties (see Attachments B-2, B-2.1, B-2.2 and B-3 of the HHSC Managed Care Contract relating to “Covered Services” and “Value-added Services”).
CPW means Case Management for Children and Pregnant Women; a Medicaid program for children with a health condition/health risk, birth through 20 years of age and to women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.
Credentialing means the process of collecting, assessing, and validating qualifications and other relevant information pertaining to a health care provider to determine eligibility and to deliver Covered Services.
Cultural Competency means the ability of individuals and systems to provide services effectively to people of various cultures, races, ethnic backgrounds, and religions in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves their dignity.
DADS means the Texas Department of Aging and Disability Services or its successor agency (formerly Department of Human Services).
Date of Disenrollment means the last day of the last month for which MCO receives payment for a Member.
Day means a calendar day unless specified otherwise.
Default Enrollment means the processes established by HHSC to assign an enrollee who has not selected an MCO to an MCO. See 1 Tex. Admin. Code § 353.403 for Medicaid default enrollment processes, and 1 Tex. Admin. Code § 370.303 for CHIP default enrollment processes.
Deliverable means a written or recorded work product or data prepared, developed, or procured by MCO as part of the Services under the Contract for the use or benefit of HHSC or the State of Texas.
Delivery Supplemental Payment means a one-time per pregnancy supplemental payment for STAR, CHIP and CHIP Perinatal MCOs.
Designated Provider means a physician, clinical practice or clinical group practice, rural clinic, community health center, community mental health center, home health agency, or any other entity or provider (including pediatricians, gynecologists, and obstetricians) that are determined by the State and approved by the U.S. Secretary of Health and Human Services to be qualified to be a Health Home for Members with chronic conditions on the basis of documentation that the physician practice or clinic (A) has the systems and infrastructure in place to provide Health Home services and (B) satisfies the qualification standards established by the U.S. Secretary of Health and Human Services.
Diagnostic means assessment that may include gathering of information through interview, observation, examination, and use of specific tests that allows a provider to diagnose existing conditions.
Disabled Person or Person with Disability means a person under 65 years of age, including a child, who qualifies for Medicaid services because of a disability.
Disability means a physical or mental impairment that substantially limits one (1) or more of an individual’s major life activities, such as caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and/or working.
Disability-related Access means that facilities are readily accessible to and usable by individuals with disabilities, and that auxiliary aids and services are provided to ensure effective communication, in compliance with Title III of the Americans with Disabilities Act.
Disaster Recovery Plan means the document developed by the MCO that outlines details for the restoration of the MIS in the event of an emergency or disaster.
Discharge means a formal release of a Member from an Inpatient Hospital stay when the need for continued care at an inpatient level has concluded. Movement or Transfer from one (1) Acute Care Hospital or Long Term Care Hospital /facility and readmission to another within 24 hours for continued treatment is not a discharge under this Contract.
Disease Management means a system of coordinated healthcare interventions and communications for populations with conditions in which patient self-care efforts are significant.
Disproportionate Share Hospital (DSH) means a Hospital that serves a higher than average number of Medicaid and other low-income patients and receives additional reimbursement from the State.
DSHS means the Texas Department of State Health Services or its successor agency (formerly Texas Department of Health and Texas Department of Mental Health and Mental Retardation).

DSM means the most current edition of the Diagnostic and Statistical Manual of Mental Disorders, which is the American Psychiatric Association's official classification of behavioral health disorders, or its replacement.

Dual Eligibles means Medicaid recipients who are also eligible for Medicare.

ECI means Early Childhood Intervention, a federally mandated program for infants and toddlers under the age of three with developmental delays or disabilities. See 34 C.F.R. § 303.1 et seq. and 40 Tex. Admin. Code § 108.101 et seq. for further clarification.

EDI means electronic data interchange.

Effective Date means the effective date of this Contract, as specified in the HHSC Managed Care Contract document.

Effective Date of Coverage means the first day of the month for which the MCO has received payment for a Member.

Electronic Visit Verification or EVV (STAR+PLUS only) means verification and documentation through a telephone or computer-based system of personal assistance services.

Eligibles means individuals residing in one (1) of the Service Areas and eligible to enroll in a STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO, as applicable.

Emergency Behavioral Health Condition means any condition, without regard to the nature or cause of the condition, which in the opinion of a prudent layperson possessing an average knowledge of health and medicine:

1. requires immediate intervention and/or medical attention without which Members would present an immediate danger to themselves or others, or
2. renders Members incapable of controlling, knowing or understanding the consequences of their actions.

Emergency Medical Condition means a medical condition manifesting itself by acute symptoms of recent onset and sufficient severity (including severe pain), such that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical care could result in:

1. placing the patient’s health in serious jeopardy;
2. serious impairment to bodily functions;
3. serious dysfunction of any bodily organ or part;
4. serious disfigurement; or
5. in the case of a pregnant women, serious jeopardy to the health of a woman or her unborn child.

Emergency Services means covered inpatient and outpatient services furnished by a provider that is qualified to furnish such services under the Contract and that are needed to evaluate or stabilize an Emergency Medical Condition and/or an Emergency Behavioral Health Condition, including Post-stabilization Care Services.

Encounter means a Covered Service or group of Covered Services delivered by a Provider to a Member during a visit between the Member and Provider. This also includes Value-added Services.

Encounter Data means data elements from Fee-for-Service claims or capitated services proxy claims that are submitted to HHSC by the MCO in accordance with HHSC’s required format for Medicaid and CHIP MCOs.

Enrollment Report/Enrollment File means the daily or monthly list of Eligibles that are enrolled with an MCO as Members on the day or for the month the report is issued.

EPSDT means the federally mandated Early and Periodic Screening, Diagnosis and Treatment program contained at 42 U.S.C. 1396d(r). The name has been changed to Texas Health Steps in the State of Texas.

Exclusive Provider Organization (EPO) means an insurer with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212

Expansion Area means a county or Service Area that has not previously provided healthcare to HHSC’s MCO Program Members utilizing a managed care model.

Expansion Service Areas are the Hidalgo and Medicaid Rural Service Areas for the STAR Program; and the El Paso, Hidalgo, and Lubbock Service Areas for the STAR+PLUS Program.

Expedited Appeal means an appeal to the MCO in which the decision is required quickly based on the Member's health status, and the amount of time necessary to participate in a standard appeal could jeopardize the Member's life or health or ability to attain, maintain, or regain maximum function.

Experience Rebate means the portion of the MCO’s Net Income Before Taxes that is returned to the State in accordance with Section 10.10 for the STAR, CHIP and CHIP Perinatal Programs and 10.10.1 for the STAR+PLUS Program (“Experience Rebate”).

Expiration Date means the expiration date of this Contract, as specified in HHSC’s Managed Care Contract document.

External Quality Review Organization (EQRO) means the entity that contracts with HHSC to provide external review of access to and quality of healthcare provided to Members of HHSC’s MCO Programs.

Fair Hearing means the process adopted and implemented by HHSC in 1 T.A.C. Chapter 357, in compliance with federal regulations and state rules relating to Medicaid Fair Hearings.

Farm Worker Child (FWC) means a child birth through age 20 of a Migrant Farm Worker.
Federal Poverty Level (FPL) means the Federal poverty level updated periodically in the Federal Register by the Secretary of Health and Human Services under the authority of 42 U.S.C. § 9902(2) and as in effect for the applicable budget period used to determine an individual’s eligibility in accordance with 42 C.F.R. § 435.603(h).

Fee-for-Service means the traditional Medicaid Health Care Services payment system under which providers receive a payment for each unit of service according to rules adopted pursuant to Chapter 32, Texas Human Resources Code.

Financial Statistical Report (see FSR below).

Force Majeure Event means any failure or delay in performance of a duty by a Party under this Contract that is caused by fire, flood, hurricane, tornadoes, earthquake, an act of God, an act of war, riot, civil disorder, or any similar event beyond the reasonable control of such Party and without the fault or negligence of such Party.

Former Foster Care Child (FFCC) Member means a young adult who has aged out of the foster care system and has previously received Medicaid while in foster care. FFCC Members may be enrolled in the STAR or STAR Health Program. The FFCC Member may be enrolled until the last day of the month of his or her 26th birthday.

FPL means the Federal Poverty Level.

FQHC means a Federally Qualified Health Center, certified by CMS to meet the requirements of §1861(aa)(3) of the Social Security Act as a federally qualified health center, that is enrolled as a provider in the Texas Medicaid program.

Fraud means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under applicable federal or state law.

FSR means Financial Statistical Report. The FSR is a report designed by HHSC, and submitted to HHSC by the MCO in accordance with Contract requirements. The FSR is a form of modified income statement, subject to audit, and contains revenue, cost, and other data, as defined by the Contract. Not all incurred expenses may be included in the FSR.

FSR Reporting Period is the period of months that are measured on a given FSR. Generally, the FSR Reporting Period is a twelve-calendar-month period corresponding to the State Fiscal Year, but it can vary by Contract and by year. If an FSR Reporting Period is not defined in the Contract, then it will be deemed to be the twelve months following the end of the prior FSR Reporting Period.

FSR Reporting Period 12/13 means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. This is the first FSR Reporting Period under this Contract.

FSR Reporting Period 14 means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

Functionally Necessary Covered Services means Community-based Long Term Services and Supports services provided to assist STAR+PLUS Members with activities of daily living based on a functional assessment of the Member’s activities of daily living and a determination of the amount of supplemental supports necessary for the STAR+PLUS Member to remain independent or in the most integrated setting possible.

Habilitative and Rehabilitative Services means Health Care Services described in Attachment B-2 that may be required by children who fail to reach (habilitative) or have lost (rehabilitative) age appropriate developmental milestones.

HCBS STAR+PLUS Waiver means the HHSC program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Members who qualify for HCBS STAR+PLUS Waiver are eligible to receive the home and community based services component of the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver as described in Attachment B-2 STAR+PLUS Covered Services, under the heading HCBS STAR+PLUS Waiver services for those Members who qualify for such services.

Health and Human Services Commission or HHSC means the administrative agency within the executive department of Texas state government established under Chapter 531, Texas Government Code, or its designee, including, but not limited to, the HHS Agencies.

Health Care Services means the Acute Care, Behavioral Health Care, and health-related services that an enrolled population might reasonably require in order to be maintained in good health.

Health Home means a Designated Provider (including a provider that operates in coordination with a team of health care professionals) or a Heath Team selected by a Member with chronic conditions to provide Health Home Services.

Health Home Services means comprehensive and timely high-quality services that are provided by a Designated Provider, a Team of Health Care Professionals operating with such a provider, or a Health Team. Health Home Services include:

1. Comprehensive care management;
2. Care coordination and health promotion;
3. Comprehensive transitional care, including appropriate follow-up, from inpatient to other settings;
4. Patient and family support (including authorized representatives);
5. Referral to community and social support services, if relevant; and
6. Use of health information technology to link services, as feasible and appropriate.

Health-related Materials are materials developed by the MCO or obtained from a third party relating to the prevention, diagnosis or treatment of a medical condition.

Health Team means such term as described in Section 3502 of the Patient Protection and Affordable Care Act, P.L. 111-148 (March 23, 2010), as amended or modified.
HEDIS, the Healthcare Effectiveness Data and Information Set, is a registered trademark of NCQA. HEDIS is a set of standardized performance measures designed to reliably compare the performance of managed health care plans. HEDIS is sponsored, supported and maintained by NCQA.

HHS Agency means the Texas health and human service agencies subject to HHSC’s oversight under Chapter 531, Texas Government Code, and their successor agencies.

HHSC Administrative Services Contractor (ASC) means an entity performing MCO administrative services functions, including member enrollment functions, for the STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO Programs under contract with HHSC.

HHSC MCO Programs or MCO Programs mean the STAR, STAR+PLUS, and CHIP MCO Programs.


Home and Community Support Services Agency or HCSSA means an entity licensed to provide home health, hospice, or personal assistance services provided to individuals in their own home or independent living environment as prescribed by a physician or individualized service plan. Each HCSS must provide clients with a plan of care that includes specific services the agency agrees to perform. The agencies are licensed and monitored by DADS or its successor.

Hospital means a licensed public or private institution as defined by Chapter 241, Texas Health and Safety Code, or in Subtitle C, Title 7, Texas Health and Safety Code.

ICF-MR means an intermediate care facility for the mentally retarded.

Individual Family Service Plan (IFSP) means the plan for services required by the Early Childhood Intervention (ECI) Program and developed by an interdisciplinary team.

Initial Contract Period means the Effective Date of the Contract through August 31, 2015.

Inpatient Stay means at least a 24-hour stay in a facility licensed to provide Hospital care.

JCAHO means Joint Commission on Accreditation of Health Care Organizations.

Joint Interface Plan (JIP) means a document used to communicate basic system interface information. This information includes: file structure, data elements, frequency, media, type of file, receiver and sender of the file, and file I.D. The JIP must include each of the MCO’s interfaces required to conduct business under this Contract. The JIP must address the coordination with each of the MCO’s interface partners to ensure the development and maintenance of the interface; and the timely transfer of required data elements between contractors and partners.

Key MCO Personnel means the critical management and technical positions identified by the MCO in accordance with Article 4.

Linguistic Access means translation and interpreter services, for written and spoken language to ensure effective communication. Linguistic access includes sign language interpretation, and the provision of other auxiliary aids and services to persons with disabilities.

Local Health Department means a local health department established pursuant to Health and Safety Code, Title 2, Local Public Health Reorganization Act §121.031.

Local Mental Health Authority (LMHA) means an entity within a specified region responsible for planning, policy development, coordination, and resource development and allocation and for supervising and ensuring the provision of mental health care services to persons with mental illness in one (1) or more local service areas.

Major Population Group means any population that represents at least 10% of the Medicaid, CHIP, and/or CHIP Perinatal Program population in the Service Area served by the MCO.

Mandated or Required Services means services that a state is required to offer to categorically needy clients under a state Medicaid plan.

Marketing means any communication from the MCO to a Medicaid or CHIP Eligible who is not enrolled with the MCO that can reasonably be interpreted as intended to influence the Eligible to:

1. enroll with the MCO; or
2. not enroll in, or to disenroll from, another MCO.

Marketing Materials means materials that are produced in any medium by or on behalf of the MCO and can reasonably be interpreted as intending to market to potential Members. Health-related Materials are not Marketing Materials.

Material Subcontract means any contract, Subcontract, or agreement between the MCO and another entity that meets any of the following criteria:

- the other entity is an Affiliate of the MCO;
- the Subcontract is considered by HHSC to be for a key type of service or function, including
  - Administrative Services (including but not limited to third party administrator, Network administration, and claims processing);
  - delegated Networks (including but not limited to behavioral health, dental, pharmacy, and vision);
  - management services (including management agreements with parent)
  - reinsurance;
  - Disease Management;
  - pharmacy benefit management (PBM) or pharmacy administrative services; or
Material Subcontract or Major Subcontract means any entity with a Material Subcontract with the MCO. For the purposes of this Agreement, Material Subcontractors do not include providers in the MCO’s Provider Network. Material Subcontractors may include, without limitation, Affiliates, subsidiaries, and affiliated and unaffiliated third parties.

MCO means managed care organization.

MCO or Contractor means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

MCO Administrative Services means the performance of services or functions, other than the direct delivery of Covered Services, necessary for the management of the delivery of and payment for Covered Services, including but not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, management information systems operation, and reporting.

MCO’s Service Area means all the counties included in any HHSC-defined Service Area, as applicable to each MCO Program and within which the MCO has been selected to provide MCO services.

Medicaid means the medical assistance entitlement program authorized and funded pursuant to Title XIX, Social Security Act (42 U.S.C. §1396 et seq.) and administered by HHSC.

Medicaid MCOs means contracted MCOs participating in STAR, STAR+PLUS, and/or STAR Health.

Medical Assistance Only (MAO) means a person that does not receive SSI benefits but qualifies financially and functionally for limited Medicaid assistance.

Medical Home means a PCP or specialty care Provider who has accepted the responsibility for providing accessible, continuous, comprehensive and coordinated care to Members participating in a HHSC MCO Program.

Medically Necessary has the meaning defined in 1 T.A.C. §353.2 for Medicaid and 1 T.A.C. §370.4 for CHIP.

Member means a person who:

1. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, in a Medicaid eligibility category included in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
2. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included as a voluntary participant in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
3. has met CHIP eligibility criteria and is enrolled in the MCO’s CHIP MCO; or
4. has met CHIP Perinatal Program eligibility criteria and is enrolled in the MCO’s CHIP Perinatal Program.

Member Materials means all written materials produced or authorized by the MCO and distributed to Members or potential members containing information concerning the MCO Program(s). Member Materials include, but are not limited to, Member ID cards, Member handbooks, Provider directories, and Marketing Materials.

Member Month means one (1) Member enrolled with the MCO during any given month. The total Member Months for each month of a year comprise the annual Member Months.

Member(s) with Special Health Care Needs (MSHCN) includes a Child or Children with a Special Health Care Need (CSHCN) and any adult Member who:

1. has a serious ongoing illness, a Chronic or Complex Condition, or a Disability that has lasted or is anticipated to last for a significant period of time, and
2. requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel.

Migrant Farm Worker means a migratory agricultural worker, generally defined as an individual:

1. whose principal employment is in agriculture on a seasonal basis;
2. who has been so employed within the last twenty-four months;
3. who performs any activity directly related to the production or processing of crops, dairy products, poultry, or livestock for initial commercial sale or as a principal means of personal subsistence; and
4. who establishes for the purposes of such employment a temporary abode.

MIS means Management Information System.

National Committee for Quality Assurance (NCQA) means the independent organization that accredits MCOs, managed behavioral health organizations, and accredits and certifies disease management programs. HEDIS and the Quality Compass are registered trademarks of NCQA.

Net Income Before Taxes or Pre-tax Income means an aggregate excess of Revenues over Allowable Expenses.
Network or Provider Network means all Providers that have entered into Network Provider agreements with the MCO or its Subcontractor for the delivery of Medicaid or CHIP Covered Services to the MCO’s Members.

Network Provider or Provider means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Network Provider Agreement or Provider Agreement means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

Non-capitated Services means those Medicaid services identified in Attachment B-1, Section 8.2.2.8.

Non-provider Subcontracts means contracts between the MCO and a third party that performs a function, excluding delivery of Health Care Services, that the MCO is required to perform under its Contract with HHSC.

Non-Urban County or Rural County means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

Nursing Facility Cost Ceiling means the annualized cost of serving a client in a nursing facility. A per diem cost is established for each Medicaid nursing facility resident based on the level of care needed. This level of care is referred to as the Texas Index for Level of Effort or the TILE level. The per diem cost is annualized to achieve the nursing facility ceiling.

Nursing Facility Level of Care means the determination that the level of care required to adequately serve a STAR+PLUS Member is at or above the level of care provided by a nursing facility.

OB/GYN means obstetrician-gynecologist.

Open Panel means PCPs who are accepting new patients for the MCO Program(s) served.

Operational Start Date means the first day on which an MCO is responsible for providing Covered Services to MCO Program Members and all related Contract functions in a Service Area. The Operational Start Date may vary per MCO Program and Service Area. The Operational Start Date(s) applicable to this Contract are set forth in the HHSC Managed Care Contract document.

Operations Phase means the period of time when MCO is responsible for providing the Covered Services and all related Contract functions for a Service Area. The Operations Phase begins on the Operational Start Date, and may vary by MCO Program and Service Area.

Out-of-Network (OON) means an appropriately licensed individual, facility, agency, institution, organization or other entity that has not entered into a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Outpatient Hospital Services means diagnostic, therapeutic, and rehabilitative services that are provided to Members in an organized medical facility, for less than a 24-hour period, by or under the direction of a physician.

Parties means HHSC and MCO, collectively.

Party means either HHSC or MCO, individually.

Pended Claim means a claim for payment that requires additional information before the claim can be Adjudicated as a Clean Claim.

Pharmacy Benefit Manager (PBM) is a third party administrator of prescription drug programs.

Population Risk Group means a distinct group of members identified by age, age range, gender, type of program, or eligibility category.

Post-stabilization Care Services means Covered Services, related to an Emergency Medical Condition that are provided after a Member is stabilized in order to maintain the stabilized condition, or, for a Medicaid Member, under the circumstances described in 42 C.F.R. 438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii) to improve or resolve the Medicaid Member’s condition.

PPACA – means the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), together known as the Affordable Care Act (ACA).

Pre-tax Income or Net Income Before Taxes means an aggregate excess of Revenues over Allowable Expenses.

Primary Care Physician or Primary Care Provider (PCP) means a physician or provider who has agreed with the MCO to provide a Medical Home to Members and who is responsible for providing initial and primary care to patients, maintaining the continuity of patient care, and initiating referral for care.

Program means a managed care program operated by HHSC. Depending on the context, the term may include one or more of the following: STAR, STAR+PLUS, STAR Health, CHIP, Children’s Medicaid Dental Services or CHIP Dental Services.

Proposal means the proposal submitted by the MCO in response to the RFP.

Provider or Network Provider means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Provider Agreement or Network Provider Agreement means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

Provider Materials means all written materials produced or authorized by the MCO or its Administrative Services Subcontractors concerning the MCO Program(s) that are distributed to Network Providers. Provider Materials include the
MCO’s Provider Manual, training materials regarding MCO Program requirements, and mass communications directed to all or a large group of Network Providers (e-mail or fax blasts). Provider Materials do not include written correspondence between the MCO or its Administrative Services Subcontractors and a provider regarding individual business matters.

**Provider Network or Network** means all Providers that have contracted with the MCO for the applicable MCO Program.

**Proxy Claim Form** means a form submitted by Providers to document services delivered to Members under a capitated arrangement. It is not a claim for payment.

**Public Health Entity** means a HHSC Public Health Region, a Local Health Department, or a Hospital District.

**Public Information** means information that:

1. Is collected, assembled, or maintained under a law or ordinance or in connection with the transaction of official business by a governmental body or for a governmental body; and
2. The governmental body owns or has a right of access to.

**Qualified and Disabled Working Individual (QDWI)** means an individual whose only Medicaid benefit is payment of the Medicare Part A premium.

**Qualified Medicare Beneficiary (QMB)** means a Medicare beneficiary whose only Medicaid benefits are payment of Medicare premiums, deductibles, and coinsurance for individuals who are entitled to Medicare Part A, whose income does not exceed 100% of the federal poverty level, and whose resources do not exceed twice the resource limit of the SSI program.

**Quality Improvement** means a system to continuously examine, monitor and revise processes and systems that support and improve administrative and clinical functions.

**Rate Cell** means a Population Risk Group for which a Capitation Rate has been determined.

**Rate Period 1** means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. For purposes of rate setting only, Rate Period 1 will be divided into three sub-periods: March 1, 2012 through August 31, 2012; September 1, 2012 to May 31, 2013, and June 1, 2013 to August 31, 2013.

**Rate Period 2** means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

**Readiness Review** means the assurances made by a selected MCO and the examination conducted by HHSC, or its agents, of MCO’s ability, preparedness, and availability to fulfill its obligations under the Contract.

**Real-Time Captioning** (also known as CART, Communication Access Real-Time Translation) means a process by which a trained individual uses a shorthand machine, a computer, and real-time translation software to type and simultaneously translate spoken language into text on a computer screen. Real-Time Captioning is provided for individuals who are deaf, have hearing impairments, or have unintelligible speech. It is usually used to interpret spoken English into text English but may be used to translate other spoken languages into text.

**Request for Proposals** or **RFP** means the procurement solicitation instrument issued by HHSC under which this Contract was awarded and all RFP addenda, corrections or modifications, if any.

**Revenue** means all revenue received by the MCO pursuant to this Contract, including retroactive adjustments made by HHSC. Revenue includes any funds earned on Medicaid or CHIP managed care funds such as investment income and earned interest. Revenue excludes any reinsurance recoveries, which shall be shown as a contra-cost, or reported offset to reinsurance expense. Revenues are reported at gross, and are not netted for any reinsurance premiums paid. See also the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

**Risk** means the potential for loss as a result of expenses and costs of the MCO exceeding payments made by HHSC under the Contract.

**Routine Care** means health care for covered preventive and medically necessary Health Care Services that are non-emergent or non-urgent.

**Rural County** or **Non-Urban County** means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

**Rural Health Clinic (RHC)** means an entity that meets all of the requirements for designation as a rural health clinic under 1861(aa)(1) of the Social Security Act and approved for participation in the Texas Medicaid Program.

**Scope of Work** means the description of Services and Deliverables specified in this Contract, the RFP, the MCO’s Proposal, and any attachments and modifications to these documents.

**SDX** means State Data Exchange.

**Security Plan** means a document that contains detailed management, operational, and technical information about a system, its security requirements, and the controls implemented to provide protection against risks and vulnerabilities.

**SED** means severe emotional disturbance as determined by a Local Mental Health Authority.

**Service Area** means the counties included in any HHSC-defined areas as applicable to each MCO Program.

**Service Coordination** means a specialized care management service that is performed by a Service Coordinator and that includes but is not limited to:

1. Identification of needs, including physical health, mental health services and for STAR+PLUS Members, long term support services,
2. Development of a Service Plan to address those identified needs,
3. Assistance to ensure timely and a coordinated access to an array of providers and Covered Services;
4. Attention to addressing unique needs of Members; and
(5) coordination of Covered Services with Non-capitated Services, as necessary and appropriate.

Service Coordinator means the person with primary responsibility for providing service coordination and care management to STAR+PLUS Members.

Service Management is an administrative service in the STAR, and CHIP Programs performed by the MCO to facilitate development of a Service Plan and coordination of services among a Member’s PCP, specialty providers and non-medical providers to ensure Members with Special Health Care Needs and/or Members needing high-cost treatment have access to, and appropriately utilize, Medically Necessary Covered Services, Non-capitated Services, and other services and supports.

Service Plan (SP) means an individualized plan developed with and for Members with Special Health Care Needs, including persons with disabilities or chronic or complex conditions.

Services means the tasks, functions, and responsibilities assigned and delegated to the MCO under this Contract.

Significant Traditional Provider or STP means primary care providers, long term services and supports providers, and pharmacy providers identified by HHSC as having provided a significant level of care to Medicaid or CHIP clients. Disproportionate Share Hospitals (DSH) are also Medicaid STPs.

Skilled Nursing Facility Services (CHIP only) Services provided in a facility that provides nursing or rehabilitation services and Medical supplies and use of appliances and equipment furnished by the facility.

Software means all operating system and applications software used by the MCO to provide the Services under this Contract.

Specialty Hospital means any inpatient Hospital that is not a general Acute Care Hospital.

Specified Low-Income Medicare Beneficiary (SLMB) means a Medicare beneficiary whose only Medicaid benefit is payment of the Medicare Part B premium.

SPMI means severe and persistent mental illness as determined by the Local Mental Health Authority.

SSA means the Social Security Administration.

Stabilize means to provide such medical care as to assure within reasonable medical probability that no deterioration of the condition is likely to result from, or occur from, or occur during discharge, transfer, or admission of the Member.

STAR+PLUS or STAR+PLUS Program means the State of Texas Medicaid managed care program in which HHSC contracts with MCOs to provide, arrange, and coordinate preventive, primary, acute and Long-term Services and Supports Covered Services to adult persons with disabilities and elderly persons age 65 and over who qualify for Medicaid through the SSI program and/or the MAO program. Children birth through age 20 who qualify for Medicaid through the SSI program, may voluntarily participate in the STAR+PLUS program.

STAR+PLUS MCOs means contracted MCOs participating in the STAR+PLUS Program.

State Fiscal Year (SFY) means a 12-month period beginning on September 1 and ending on August 31 the following year.

Subcontract means any agreement between the MCO and another party to fulfill the requirements of the Contract.

Subcontractor means any individual or entity, including an Affiliate, that has entered into a Subcontract with MCO.

Subsidiary means an Affiliate controlled by such person or entity directly or indirectly through one (1) or more intermediaries.

Supplemental Security Income (SSI) means a Federal income supplement program funded by general tax revenues (not Social Security taxes) designed to help aged, blind and disabled people with little or no income by providing cash to meet basic needs for food, clothing and shelter.

T.A.C. means Texas Administrative Code.

TDD means telecommunication device for the deaf. It is interchangeable with the term Teletype machine or TTY.

TDI means the Texas Department of Insurance.

Team of Health Care Professionals means physicians and other professionals, such as a nurse care coordinator, nutritionist, social worker, behavioral health professional, or any professionals deemed appropriate by HHSC and approved by CMS. The team may be free-standing, virtual, or based at a Hospital, community health center, community mental health center, rural clinic, clinical practice or clinical group practice, academic health center, or any entity deemed appropriate by HHSC and approved by CMS.

Temporary Assistance to Needy Families (TANF) means the federally funded program that provides assistance to single parent families with children who meet the categorical requirements for aid. This program was formerly known as the Aid to Families with Dependent Children (AFDC) program.

Texas Health Steps is the name adopted by the State of Texas for the federally mandated Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program. It includes the State’s Comprehensive Care Program extension to EPSDT, which adds benefits to the federal EPSDT requirements contained in 42 U.S.C. §1396d(r), and defined and codified at 42 C.F.R. §§440.40 and 441.56-62. HHSC’s rules are contained in 25 T.A.C., Chapter 33 (relating to Early and Periodic Screening, Diagnosis and Treatment).

Texas Medicaid Bulletin means the bi-monthly update to the Texas Medicaid Provider Procedures Manual.

Texas Medicaid Provider Procedures Manual means the policy and procedures manual published by or on behalf of HHSC that contains policies and procedures required of all health care providers who participate in the Texas Medicaid program. The manual is published annually and is updated bi-monthly by the Texas Medicaid Bulletin.

Texas Public Information Act refers to the provisions of Chapter 552 of the Texas Government Code.

Third Party Liability (TPL) means the legal responsibility of another individual or entity to pay for all or part of the services provided to Members under the Contract (see 1 TAC §354.2301 et seq., relating to Third Party Resources).
Third Party Recovery (TPR) means the recovery of payments on behalf of a Member by HHSC or the MCO from an individual or entity with the legal responsibility to pay for the Covered Services.

Transfer means the movement of the Member from one (1) Acute Care Hospital or Long Term Care Hospital/facility and readmission to another Acute Care Hospital or Long Term Care Hospital/facility within 24 hours for continued treatment.

Transition Phase includes all activities the MCO is required to perform between the Contract Effective Date and the Operational Start Date for an MCO Program and all or part of a Service Area.

Turnover Phase includes all activities the MCO is required to perform in order to close out the Contract and/or transition Contract activities and operations to HHSC or a subsequent contractor.

Turnover Plan means the written plan developed by MCO, approved by HHSC, to be employed during the Turnover Phase.

Uniform Managed Care Manual (UMCM) means the manual published by or on behalf of HHSC that contains policies and procedures required of all MCOs participating in the HHSC Programs. The UMCM, as amended or modified, is incorporated by reference into the Contract.

URAC /American Accreditation Health Care Commission means the independent organization that accredits Utilization Review functions and offers a variety of other accreditation and certification programs for health care organizations.

Urban County means any county with 50,000 or more residents as reported by the Texas Association of Counties at: http://www.county.org/.

Urgent Behavioral Health Situation means a behavioral health condition that requires attention and assessment within 24 hours but which does not place the Member in immediate danger to himself or herself or others and the Member is able to cooperate with treatment.

Urgent Condition means a health condition including an Urgent Behavioral Health Situation that is not an emergency but is severe or painful enough to cause a prudent layperson, possessing the average knowledge of medicine, to believe that his or her condition requires medical treatment evaluation or treatment within 24 hours by the Member’s PCP or PCP designee to prevent serious deterioration of the Member’s condition or health.

Utilization Review means the system for retrospective, concurrent, or prospective review of the Medical Necessity and appropriateness of Health Care Services provided, being provided, or proposed to be provided to a Member. The term does not include elective requests for clarification of coverage.

Value-added Services means additional services for coverage beyond those specified in Attachments B-2, B-2.1, and B-2.2. Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improve health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

Waste means practices that are not cost-efficient.

Wrap-Around Services means services for Dual Eligible Members that are covered by Medicaid:
(1) when the Dual Eligible Member has exceeded the Medicare coverage limit; or
(2) that are not covered by Medicare.

### Article 3. General Terms & Conditions

#### Section 3.01 Contract elements.

(a) Contract documentation.

The Contract between the Parties will consist of the HHSC Managed Care Contract document and all attachments and amendments.

(b) Order of documents.

In the event of any conflict or contradiction between or among the contract documents, the documents must control in the following order of precedence:

1. The final executed HHSC Managed Care Contract document, and all amendments thereto;
2. HHSC Managed Care Contract Attachment A – “Uniform Managed Care Contract Terms and Conditions,” and all amendments thereto;
3. HHSC Managed Care Contract Attachment B – “Scope of Work/Performance Measures,” and all attachments and amendments thereto;
4. The Uniform Managed Care Manual, and all attachments and amendments thereto; and
5. HHSC Managed Care Contract Attachment C-1 – “MCO’s Proposal.”

#### Section 3.02 Term of the Contract.

The term of the Contract will begin on the Effective Date and will conclude on the Expiration Date. The Parties may renew the Contract for an additional period or periods, but the Contract Term may not exceed a total of eight (8) operational years. All
reserved contract extensions beyond the Expiration Date will be subject to good faith negotiations between the Parties and mutual agreement to the extension(s).

Section 3.03 Funding.

This Contract is expressly conditioned on the availability of state and federal appropriated funds. MCO will have no right of action against HHSC in the event that HHSC is unable to perform its obligations under this Contract as a result of the suspension, termination, withdrawal, or failure of funding to HHSC or lack of sufficient funding of HHSC for any activities or functions contained within the scope of this Contract. If funds become unavailable, the provisions of Article 12, “Remedies and Disputes” will apply. HHSC will use all reasonable efforts to ensure that such funds are available, and will negotiate in good faith with MCO to resolve any MCO claims for payment that represent accepted Services or Deliverables that are pending at the time funds become unavailable. HHSC must make best efforts to provide reasonable written advance notice to MCO upon learning that funding for this Contract may be unavailable.

Section 3.04 Delegation of authority.

Whenever, by any provision of this Contract, any right, power, or duty is imposed or conferred on HHSC, the right, power, or duty so imposed or conferred is possessed and exercised by the Executive Commissioner unless any such right, power, or duty is specifically delegated to the duly appointed agents or employees of HHSC. The Commissioner will reduce any such delegation of authority to writing and provide a copy to MCO on request.

Section 3.05 No waiver of sovereign immunity.

The Parties expressly agree that no provision of this Contract is in any way intended to constitute a waiver by HHSC or the State of Texas of any immunities from suit or from liability that HHSC or the State of Texas may have by operation of law.

Section 3.06 Force Majeure.

Neither Party will be liable for any failure or delay in performing its obligations under the Contract if such failure or delay is due to a Force Majeure Event. The existence of such causes of delay or failure will extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. Each Party must inform the other in writing with proof of receipt within five (5) Business Days of the existence of a Force Majeure Event.

Section 3.07 Publicity.

(a) MCO may use the name of HHSC, the State of Texas, any HHS Agency, and the name of the HHSC MCO Program in any media release, public announcement, or public disclosure relating to the Contract or its subject matter only if, at least seven (7) calendar days prior to distributing the material, the MCO submits the information to HHSC for review and comment. If HHSC has not responded within seven (7) calendar days, the MCO may use the submitted information. HHSC reserves the right to object to and require changes to the publication if, at HHSC’s sole discretion, it determines that the publication does not accurately reflect the terms of the Contract or the MCO’s performance under the Contract.

(b) MCO will provide HHSC with one (1) electronic copy of any information described in Subsection 3.07(a) prior to public release. MCO will provide additional copies, including hard copies, at the request of HHSC.

(c) The requirements of Subsection 3.07(a) do not apply to:

(1) proposals or reports submitted to HHSC, an administrative agency of the State of Texas, or a governmental agency or unit of another state or the federal government;

(2) information concerning the Contract’s terms, subject matter, and estimated value:

(a) in any report to a governmental body to which the MCO is required by law to report such information, or

(b) that the MCO is otherwise required by law to disclose; and

(3) Member Materials (the MCO must comply with the Uniform Managed Care Manual’s provisions regarding the review and approval of Member Materials).

Section 3.08 Assignment.

(a) Assignment by MCO.

MCO must not assign all or any portion of its rights under or interests in the Contract or delegate any of its duties without prior written consent of HHSC. Any written request for assignment or delegation must be accompanied by written acceptance of the assignment or delegation by the assignee or delegation by the delegate. Except where otherwise agreed in writing by HHSC,
assignment or delegation will not release MCO from its obligations pursuant to the Contract. An HHSC-approved Material Subcontract will not be considered to be an assignment or delegation for purposes of this section.

(b) Assignment by HHSC.
MCO understands and agrees HHSC may in one (1) or more transactions assign, pledge, transfer, or hypothecate the Contract. This assignment will only be made to another State agency or a non-State agency that is contracted to perform agency support.

(c) Assumption.
Each party to whom a transfer is made (an "Assignee") must assume all or any part of MCO’S or HHSC's interests in the Contract, the product, and any documents executed with respect to the Contract.

Section 3.09 Cooperation with other vendors and prospective vendors.

HHSC may award supplemental contracts for work related to the Contract, or any portion thereof. MCO will reasonably cooperate with such other vendors, and will not commit or permit any act that may interfere with the performance of work by any other vendor.

Section 3.10 Renegotiation and reprocurement rights.

(a) Renegotiation of Contract terms.
Notwithstanding anything in the Contract to the contrary, HHSC may at any time during the term of the Contract exercise the option to notify MCO that HHSC has elected to renegotiate certain terms of the Contract. Upon MCO’s receipt of any notice pursuant to this Section, MCO and HHSC will undertake good faith negotiations of the subject terms of the Contract, and may execute an amendment to the Contract in accordance with Article 8.

(b) Reprocurement of the services or procurement of additional services.
Notwithstanding anything in the Contract to the contrary, whether or not HHSC has accepted or rejected MCO’s Services and/or Deliverables provided during any period of the Contract, HHSC may at any time issue requests for proposals or offers to other potential contractors for performance of any portion of the Scope of Work covered by the Contract or Scope of Work similar or comparable to the Scope of Work performed by MCO under the Contract.

(c) Termination rights upon reprocurement.
If HHSC elects to procure the Services or Deliverables or any portion of the Services or Deliverables from another vendor in accordance with this Section, HHSC will have the termination rights set forth in Article 12, “Remedies and Disputes.”

Section 3.11 RFP errors and omissions.

MCO will not take advantage of any errors and/or omissions in the RFP or the resulting Contract. MCO must promptly notify HHSC of any such errors and/or omissions that are discovered.

Section 3.12 Enforcement Costs.

In the event of any litigation, appeal, or other legal action to enforce any provision of the Contract, MCO agrees to pay all reasonable expenses of such action, if HHSC is the prevailing Party.

Section 3.13 Preferences under service contracts.

MCO is required in performing the Contract to purchase products and materials produced in the State of Texas when they are available at a price and time comparable to products and materials produced outside the State.

Section 3.14 Time of the essence.

In consideration of the need to ensure uninterrupted and continuous MCO Program performance, time is of the essence in the performance of the Scope of Work under the Contract.

Section 3.15 Notice

(a) Any notice or other legal communication required or permitted to be made or given by either Party pursuant to the Contract will be in writing and in English, and will be deemed to have been given:

(1) Three (3) Business Days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or

(3) When delivered if delivered personally or sent by express courier service.

(b) The notices described in this Section may not be sent by electronic mail.

(c) All notices must be sent to the Project Manager identified in the HHSC Managed Care Contract document. In addition, legal notices must be sent to the Legal Contact identified in the HHSC Managed Care Contract document.

(d) Routine communications that are administrative in nature will be provided in a manner agreed to by the Parties.

Article 4. Contract Administration & Management

Section 4.01 Qualifications, retention and replacement of MCO employees.

MCO agrees to maintain the organizational and administrative capacity and capabilities to carry out all duties and responsibilities under this Contract. The personnel MCO assigns to perform the duties and responsibilities under this Contract will be properly trained and qualified for the functions they are to perform. Notwithstanding transfer or turnover of personnel, MCO remains obligated to perform all duties and responsibilities under this Contract without degradation and in accordance with the terms of this Contract.

Section 4.02 MCO’s Key Personnel.

(a) Designation of Key Personnel.
MCO must designate key management and technical personnel who will be assigned to the Contract. For the purposes of this requirement, Key Personnel are those with management responsibility or principal technical responsibility for the following functional areas for each MCO Program included within the scope of the Contract:

1. Member Services;
2. Management Information Systems;
3. Claims Processing,
4. Provider Network Development and Management;
5. Benefit Administration and Utilization and Care Management;
6. Quality Improvement;
7. Behavioral Health Services;
8. Financial Functions;
9. Reporting;
10. Executive Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.03, “Executive Director”;
11. Medical Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.04, “Medical Director”; and
12. Management positions for STAR+PLUS Service Coordinators for STAR+PLUS MCOs as defined in Section 4.04.1, “STAR+PLUS Service Coordinator.”

(b) Support and Replacement of Key Personnel.
The MCO must maintain, throughout the Contract Term, the ability to supply its Key Personnel with the required resources necessary to meet Contract requirements and comply with applicable law. The MCO must ensure project continuity by timely replacement of Key Personnel, if necessary, with a sufficient number of persons having the requisite skills, experience and other qualifications. Regardless of specific personnel changes, the MCO must maintain the overall level of expertise, experience, and skill reflected in the Key MCO Personnel job descriptions and qualifications included in the MCO’s proposal.

(c) Notification of replacement of Key Personnel.
MCO must notify HHSC within 15 Business Days of any change in Key Personnel. Hiring or replacement of Key Personnel must conform to all Contract requirements. If HHSC determines that a satisfactory working relationship cannot be established between certain Key Personnel and HHSC, it will notify the MCO in writing. Upon receipt of HHSC’s notice, HHSC and MCO will attempt to resolve HHSC’s concerns on a mutually agreeable basis.

Section 4.03 Executive Director.

(a) The MCO must employ a qualified individual to serve as the Executive Director for its HHSC MCO Program(s). Such Executive Director must be employed full-time by the MCO, be primarily dedicated to HHSC MCO Program(s), and must hold a Senior Executive or Management position in the MCO’s organization, except that the MCO may propose an alternate structure for the Executive Director position, subject to HHSC’s prior written approval.

(b) The Executive Director must be authorized and empowered to represent the MCO regarding all matters pertaining to the Contract prior to such representation. The Executive Director must act as liaison between the MCO and the HHSC and must have responsibilities that include, but are not limited to, the following:

1. ensuring the MCO’s compliance with the terms of the Contract, including securing and coordinating resources necessary for such compliance;
(2) receiving and responding to all inquiries and requests made by HHSC related to the Contract, in the timeframes and formats specified by HHSC. Where practicable, HHSC must consult with the MCO to establish timeframes and formats reasonably acceptable to the Parties;
(3) attending and participating in regular HHSC MCO Executive Director meetings or conference calls;
(4) attending and participating in regular HHSC Regional Advisory Committees (RACs) for managed care (the Executive Director may designate key personnel to attend a RAC if the Executive Director is unable to attend);
(5) making best efforts to promptly resolve any issues identified either by the MCO or HHSC that may arise and are related to the Contract;
(6) meeting with HHSC representative(s) on a periodic or as needed basis to review the MCO’s performance and resolve issues, and
(7) meeting with HHSC at the time and place requested by HHSC, if HHSC determines that the MCO is not in compliance with the requirements of the Contract.

Section 4.04 Medical Director.

(a) The MCO must have a qualified individual to serve as the Medical Director for its HHSC MCO Program(s). The Medical Director must be currently licensed in Texas under the Texas Medical Board as an M.D. or D.O. with no restrictions or other licensure limitations. The Medical Director must comply with the requirements of 28 T.A.C. §11.1606 and all applicable federal and state statutes and regulations.
(b) The Medical Director, or his or her designee, must be available by telephone 24 hours a day, seven (7) days a week, for Utilization Review decisions. The Medical Director, and his/her designee, must either possess expertise with Behavioral Health Services, or ready access to such expertise to ensure timely and appropriate medical decisions for Members, including after regular business hours.
(c) The Medical Director, or his or her designee, must be authorized and empowered to represent the MCO regarding clinical issues, Utilization Review and quality of care inquiries. The Medical Director, or his or her designee, must exercise independent medical judgment in all decisions relating to Medical Necessity. The MCO must ensure that its decisions relating to Medical Necessity are not adversely influenced by fiscal management decisions. HHSC may conduct reviews of decisions relating to Medical Necessity upon reasonable notice.
(d) For purposes of this section, the Medical Director’s designee must be:
   (1) a physician that meets the qualifications for a Medical Director, as described in subparts (a) through (c), above; or
   (2) for prior authorization determinations for outpatient pharmacy benefits, a Texas-licensed pharmacist working under the direction of the Medical Director, provided such delegation is included in the MCO’s TDI-approved utilization review plan.
(e) The Medical Director, or his or her physician designee, must make determinations regarding Utilization Review appeals, including appeals of prior authorization denials for outpatient pharmacy benefits.

Section 4.04.1 STAR+PLUS Service Coordinator

(a) STAR+PLUS MCOs must employ as Service Coordinators persons experienced in meeting the needs of people with disabilities, old and young, and vulnerable populations who have Chronic or Complex Conditions. A Service Coordinator must have an undergraduate and/or graduate degree in social work or a related field, or be a Registered Nurse, Licensed Vocational Nurse, Advanced Nurse Practitioner, or a Physician Assistant.
(b) The STAR+PLUS MCO must monitor the Service Coordinator’s workload and performance to ensure that he or she is able to perform all necessary Service Coordination functions for the STAR+PLUS Members in a timely manner.
(c) The Service Coordinator must be responsible for working with the Member or his or her representative, the PCP and other Providers to develop a seamless package of care in which primary, Acute Care, and Long-term Services and Supports service needs are met through a single, understandable, rational plan. Each Member’s Service Plan must also be well coordinated with the Member’s family and community support systems, including Independent Living Centers, Area Agencies on Aging and Mental Retardation Authorities. The Service Plan should be agreed to and signed by the Member or the Member’s representative to indicate agreement with the plan. The plan should promote consumer direction and self-determination and may include information for services outside the scope of Covered Services such as how to access affordable, integrated housing. For Dual Eligible Members, the STAR+PLUS MCO is responsible for meeting the Member’s Community Long-term Services and Supports needs.
(d) The STAR+PLUS MCO must empower its Service Coordinators to authorize the provision and delivery of Covered Services, including Community Long-term Services and Supports Covered Services.

Section 4.05 Responsibility for MCO personnel and Subcontractors.

(a) MCO’s employees and Subcontractors will not in any sense be considered employees of HHSC or the State of Texas, but will be considered for all purposes as the MCO’s employees or its Subcontractor’s employees, as applicable.
(b) Except as expressly provided in this Contract, neither MCO nor any of MCO’s employees or Subcontractors may act in any sense as agents or representatives of HHSC or the State of Texas.

(c) MCO agrees that anyone employed by MCO to fulfill the terms of the Contract is an employee of MCO and remains under MCO’s sole direction and control. MCO assumes sole and full responsibility for its acts and the acts of its employees and Subcontractors.

(d) MCO agrees that any claim on behalf of any person arising out of employment or alleged employment by the MCO (including, but not limited to, claims of discrimination against MCO, its officers, or its agents) is the sole responsibility of MCO and not the responsibility of HHSC. MCO will indemnify and hold harmless the State from any and all claims asserted against the State arising out of such employment or alleged employment by the MCO. MCO understands that any person who alleges a claim arising out of employment or alleged employment by MCO will not be entitled to any compensation, rights, or benefits from HHSC (including, but not limited to, tenure rights, medical and hospital care, sick and annual/vacation leave, severance pay, or retirement benefits).

(e) MCO agrees to be responsible for the following in respect to its employees:
   (1) Damages incurred by MCO’s employees within the scope of their duties under the Contract; and
   (2) Determination of the hours to be worked and the duties to be performed by MCO’s employees.

(f) MCO agrees and will inform its employees and Subcontractor(s) that there is no right of subrogation, contribution, or indemnification against HHSC for any duty owed to them by MCO pursuant to this Contract or any judgment rendered against the MCO. HHSC’s liability to the MCO’s employees, agents and Subcontractors, if any, will be governed by the Texas Tort Claims Act, as amended or modified (TEX. CIV. PRACT. & REM. CODE §101.001 et seq.).

(g) MCO understands that HHSC does not assume liability for the actions of, or judgments rendered against, the MCO, its employees, agents or Subcontractors. MCO agrees that it has no right to indemnification or contribution from HHSC for any such judgments rendered against MCO or its Subcontractors.

Section 4.06 Cooperation with HHSC and state administrative agencies.

(a) Cooperation with Other MCOs.
MCO agrees to reasonably cooperate with and work with the other MCOs in the MCO Programs, Subcontractors, and third-party representatives as requested by HHSC. To the extent permitted by HHSC’s financial and personnel resources, HHSC agrees to reasonably cooperate with MCO and to use its best efforts to ensure that other HHSC contractors reasonably cooperate with the MCO.

(b) Cooperation with state and federal administrative agencies.
MCO must ensure that MCO personnel will cooperate with HHSC or other state or federal administrative agency personnel at no charge to HHSC for purposes relating to the administration of MCO Programs including, but not limited to the following purposes:
(1) The investigation and prosecution of Fraud, Abuse, and Waste in the HHSC programs;
(2) Audit, inspection, or other investigative purposes; and
(3) Testimony in judicial or quasi-judicial proceedings relating to the Services and/or Deliverables under this Contract or other delivery of information to HHSC or other agencies’ investigators or legal staff.

Section 4.07 Conduct of MCO personnel and Subcontractors.

(a) While performing the Scope of Work, MCO’s personnel and Subcontractors must:
   (1) Comply with applicable state rules and regulations and HHSC’s requests regarding personal and professional conduct generally applicable to the service locations; and
   (2) Otherwise conduct themselves in a businesslike and professional manner.

(b) If HHSC determines in good faith that a particular employee or Subcontractor is not conducting himself or herself in accordance with this Contract, HHSC may provide MCO with notice and documentation concerning such conduct. Upon receipt of such notice, MCO must promptly investigate the matter and take appropriate action that may include:
   (1) Removing the employee or Subcontractor from the project;
   (2) Providing HHSC with written notice of such removal; and
   (3) Replacing the employee or Subcontractor with a similarly qualified individual acceptable to HHSC.

(c) Nothing in the Contract will prevent MCO, at the request of HHSC, from replacing any personnel who are not adequately performing their assigned responsibilities or who, in the reasonable opinion of HHSC’s Project Manager, after consultation with MCO, are unable to work effectively with the members of the HHSC’s staff. In such event, MCO will provide replacement personnel with equal or greater skills and qualifications as soon as reasonably practicable. Replacement of Key Personnel will be subject to HHSC review. The Parties will work together in the event of any such replacement so as not to disrupt the overall project schedule.
(d) MCO agrees that anyone employed or retained by MCO to fulfill the terms of the Contract remains under MCO’s sole direction and control.

(e) MCO must have policies regarding disciplinary action for all employees who have failed to comply with federal and/or state laws and the MCO’s standards of conduct, policies and procedures, and Contract requirements. MCO must have policies regarding disciplinary action for all employees who have engaged in illegal or unethical conduct.

Section 4.08 Subcontractors.

(a) MCO remains fully responsible for the obligations, services, and functions performed by its Subcontractors to the same extent as if such obligations, services, and functions were performed by MCO’s employees, and for purposes of this Contract such work will be deemed work performed by MCO. HHSC reserves the right to require the replacement of any Subcontractor found by HHSC to be unacceptable and unable to meet the requirements of the Contract, and to object to the selection of a Subcontractor.

(b) MCO must:
   (1) actively monitor the quality of care and services, as well as the quality of reporting data, provided under a Subcontract;
   (2) provide HHSC with a copy of TDI filings of delegation agreements;
   (3) unless otherwise provided in this Contract, provide HHSC with written notice no later than:
      (i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract;
      (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting;
      (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and
      (iv) 30 calendar days prior to the termination date of any other Material Subcontract.
   HHSC may grant a written exception to these notice requirements if, in HHSC’s reasonable determination, the MCO has shown good cause for a shorter notice period.

(c) During the Contract Period, Readiness Reviews by HHSC or its designated agent may occur if:
   (1) a new Material Subcontractor is employed by MCO;
   (2) an existing Material Subcontractor provides services in a new Service Area;
   (3) an existing Material Subcontractor provides services for a new MCO Program;
   (4) an existing Material Subcontractor changes locations or changes its MIS and or operational functions;
   (5) an existing Material Subcontractor changes one (1) or more of its MIS subsystems, claims processing or operational functions; or
   (6) a Readiness Review is requested by HHSC.

The MCO must submit information required by HHSC for each proposed Material Subcontractor as indicated in Section 7, “Transition Phase Requirements.” Refer to Sections 8.1.1.2., “Additional Readiness Reviews and Monitoring Efforts,” and 8.1.18., “Management Information System Requirements” for additional information regarding MCO Readiness Reviews during the Contract Period.

(d) MCO must not disclose Confidential Information of HHSC or the State of Texas to a Subcontractor unless and until such Subcontractor has agreed in writing to protect the confidentiality of such Confidential Information in the manner required of MCO under this Contract.

(e) MCO must identify any Subcontractor that is a subsidiary or entity formed after the Effective Date of the Contract, whether or not an Affiliate of MCO. The MCO must substantiate the proposed Subcontractor’s ability to perform the subcontracted Services, and certify to HHSC that no loss of service will occur as a result of the performance of such Subcontractor. The MCO will be the sole point of contact with regard to contractual matters.

(f) Except as provided herein, all Subcontracts must be in writing and must provide HHSC the right to examine the Subcontract and all Subcontractor records relating to the Contract and the Subcontract. This requirement does not apply to agreements with utility or mail service providers.

(g) A Subcontract whereby MCO receives rebates, recoupments, discounts, payments, or other consideration from a Subcontractor (including without limitation Affiliates) pursuant to or related to the execution of this Contract must be in writing and must provide HHSC the right to examine the Subcontract and all records relating to such consideration.

(h) All Subcontracts described in subsections (f) and (g) must show the dollar amount or the value of any consideration that MCO pays to or receives from the Subcontractor.

(i) HMO must submit a copy of each Material Subcontract executed prior to the Effective Date of the Contract to HHSC no later than thirty (30) days after the Effective Date of the Contract. For Material Subcontracts executed or amended after the Effective Date of the Contract, MCO must submit a copy to HHSC no later than five (5) Business Days after execution or amendment.

(j) Network Provider Contracts must include the mandatory provisions included in Uniform Managed Care Manual Chapter 8.1, “Provider Contract Checklist.”

(k) HHSC reserves the right to reject any Subcontract or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.
(l) MCO must comply with the requirements of Section 6505 of the PPACA, entitled “Prohibition on Payments to Institutions or Entities Located Outside of the United States.”
(m) Provider payment must comply with the requirements of Section 2702 of PPACA, entitled “Payment Adjustment for Health Acquired Conditions.”

Section 4.09 HHSC’s ability to contract with Subcontractors.

The MCO may not limit or restrict, through a covenant not to compete, employment contract or other contractual arrangement, HHSC’s ability to contract with Subcontractors or former employees of the MCO.

Section 4.10 MCO Agreements with Third Parties

(a) If the MCO intends to report compensation paid to a third party (including without limitation an Affiliate) as an Allowable Expense under this Contract, the compensation paid to the third party exceeds $200,000, or is reasonably anticipated to exceed $200,000, in a State Fiscal Year, then the MCO’s agreement with the third party must be in writing. The agreement must provide HHSC the right to examine the agreement and all records relating to the agreement.
(b) All agreements whereby the MCO or its Subcontractors receive discounts, incentives, rebates, fees, free goods, bundling arrangements, recoupments, retrocession, payments, or other consideration from a third party (including without limitation Affiliates) pursuant to or related to the execution of this Contract, must be in writing and must provide HHSC and the Office of Attorney General the right to examine the agreement and all records relating to such consideration.
(c) All agreements described in subsections (a) and (b) must show the dollar amount, the percentage of money, or the value of any consideration that MCO pays to or receives from the third party.
(d) MCO must submit a copy of each third party agreement described in subsections (a) and (b) to HHSC. If the third party agreement is entered into prior to the Effective Date of the Contract, MCO must submit a copy no later than thirty (30) days after the Effective Date of the Contract. If the third party agreement is executed after the Effective Date of the Contract, MCO must submit a copy no later than five (5) Business Days after execution.
(e) For third party agreements valued under $200,000 per State Fiscal Year that are reported as Allowable Expenses, the MCO must maintain financial records and data sufficient to verify the accuracy of such expenses in accordance with the requirements of Article 9, “Audit and Financial Compliance.”
(f) HHSC reserves the right to reject any third party agreement or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.
(g) Upon request, the MCO and its Subcontractors must provide all information described in Section 4.10 to HHSC and the Office of Attorney General at no cost.
(h) This section must not apply to Provider Contracts, or agreements with utility or mail service providers.
(i) MCO must comply with the requirements of Section 6505 of the PPACA, entitled “Prohibition on Payments to Institutions or Entities Located Outside of the United States.”
(j) Provider payment must comply with the requirements of Section 2702 of PPACA, entitled “Payment Adjustment for Health Acquired Conditions.”

Section 4.11 Prohibition Against Performance Outside the United States.

(a) Findings.

(1) HHSC finds the following:

(A) HHSC is responsible for administering several public programs that require the collection and maintenance of information relating to persons who apply for and receive services from HHSC programs. This information consists of, among other things, personal financial and medical information and information designated “Confidential Information” under state and federal law and this Agreement. Some of this information may, within the limits of the law and this Agreement, be shared from time to time with MCO or a subcontractor for purposes of performing the Services or providing the Deliverables under this Agreement.

(B) HHSC is legally responsible for maintaining the confidentiality and integrity of information relating to applicants and recipients of HHSC services and ensuring that any person or entity that receives such information—including MCO and any subcontractor—is similarly bound by these obligations.
(C) HHSC also is responsible for the development and implementation of computer software and hardware to support HHSC programs. These items are paid for, in whole or in part, with state and federal funds. The federal agencies that fund these items maintain a limited interest in the software and hardware so developed or acquired.

(D) Some of the software used or developed by HHSC may also be subject to statutory restrictions on the export of technology to foreign nations, including but not limited to the Export Administration Regulations, 15 C.F.R. Parts 730-774.

(2) In view of these obligations, and to ensure accountability, integrity, and the security of the information maintained by or for HHSC and the work performed on behalf of HHSC, HHSC DETERMINES that it is necessary and appropriate to require THAT:

(A) All work performed under this Agreement must be performed exclusively within the United States; and

(B) All information obtained by MCO or a subcontractor under this Agreement must be maintained within the United States.

(3) Further, HHSC finds it necessary and appropriate to forbid the performance of any work or the maintenance of any information relating or obtained pursuant to this Agreement to occur outside of the United States except as specifically authorized or approved by HHSC.

(b) Meaning of “within the United States” and “outside the United States.”

(1) As used in this Section 4.11, the term “within the United States” means any location inside the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(2) Conversely, the phrase “outside the United States” means any location that is not within the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(c) Maintenance of Confidential Information.

(1) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not allow any Confidential Information that MCO receives from or on behalf of HHSC to leave the United States by any means (physical or electronic) at any time, for any period of time, for any reason.

(2) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to have remote access to HHSC information, systems, or Deliverables from a location outside the United States.

(d) Performance of Work under Agreement.

(1) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must perform all services under the Agreement, including all tasks, functions, and responsibilities assigned and delegated to MCO under this Agreement, within the United States.

(A) This obligation includes, but is not limited to, all Services, including but not limited to information technology services, processing, transmission, storage, archiving, data center services, disaster recovery sites and services, customer support), medical, dental, laboratory and clinical services.

(B) All custom software prepared for performance of this Agreement, and all modifications of custom, third party, or vendor proprietary software, must be performed within the United States.

(2) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to perform work under this Agreement from a location outside the United States.

(e) Exceptions.
(1) COTS Software. The foregoing requirements will not preclude the acquisition or use of commercial off-the-shelf software that is developed outside the United States or hardware that is generically configured outside the United States.

(2) Foreign-made Products and Supplies. The foregoing requirements will not preclude MCO from acquiring, using, or reimbursing products or supplies that are manufactured outside the United States, provided such products or supplies are commercially available within the United States for acquisition or reimbursement by HHSC.

(3) HHSC Prior Approval. The foregoing requirements will not preclude MCO from performing work outside the United States that HHSC has approved in writing and that HHSC has confirmed will not involve the sharing of Confidential Information outside the United States.

(f) Disclosure.

MCO must disclose all Services and Deliverables under or related to this Agreement that MCO intends to perform or has performed outside the United States, whether directly or via subcontractors, vendors, agents, or service providers.

(g) Remedy.

(1) MCO’s violation of this Section 4.11 will constitute a material breach in accordance with Article 12. MCO will be liable to HHSC for all monetary damages, in the form of actual, consequential, direct, indirect, special and/or liquidated damages in accordance with this Agreement.

(2) HHSC may terminate the Agreement with notice to MCO at least one calendar day before the effective date of such termination.

Article 5. Member Eligibility & Enrollment

Section 5.01 Eligibility Determination

The State or its designee will make eligibility determinations for each of the HHSC MCO Programs.

Section 5.02 Member Enrollment & Disenrollment.

(a) HHSC or the HHSC Administrative Services Contractor will enroll and disenroll eligible individuals in the MCO Program. The HHSC Administrative Services Contractor will use HHSC’s default assignment methodologies, as described in 1 Tex. Admin. Code § 353.403 and § 370.303, to enroll individuals who do not select an MCO or PCP. To enroll in an MCO, the Member’s permanent residence must be located within the MCO’s Service Area. The MCO is not allowed to induce or accept disenrollment from a Member. The MCO must refer the Member to the HHSC Administrative Services Contractor.

(b) HHSC makes no guarantees or representations to the MCO regarding the number of eligible Members who will ultimately be enrolled into the MCO or the length of time any such enrolling Members remain enrolled with the MCO. The MCO has no ownership interest in its Member base, and therefore cannot sell or transfer this base to another entity.

(c) The HHSC Administrative Services Contractor will electronically transmit to the MCO new Member information and change information applicable to active Members.

(d) As described in the following Sections, depending on the MCO Program, special conditions may also apply to enrollment and span of coverage for the MCO.

(e) A Medicaid MCO has a limited right to request a Member be disenrolled from MCO without the Member’s consent. HHSC must approve any MCO request for disenrollment of a Member for cause. MCO must take reasonable measures to correct Member behavior prior to requesting disenrollment. Reasonable measures may include providing education and counseling regarding the offensive acts or behaviors. HHSC may permit disenrollment of a Member under the following circumstances:

(1) Member misuses or loans Member’s MCO membership card to another person to obtain services.

(2) Member misuses or loans Member’s MCO membership card to another person to obtain services.
(2) Member is disruptive, unruly, threatening or uncooperative to the extent that Member’s membership seriously impairs MCO’s or Provider’s ability to provide services to Member or to obtain new Members, and Member’s behavior is not caused by a physical or behavioral health condition.

(3) Member steadfastly refuses to comply with managed care restrictions (e.g., repeatedly using emergency room in combination with refusing to allow MCO to treat the underlying medical condition).

(f) HHSC must notify the Member of HHSC’s decision to disenroll the Member if all reasonable measures have failed to remedy the problem.

(g) If the Member disagrees with the decision to disenroll the Member from MCO, HHSC must notify the Member of the availability of the Complaint procedure and, for Medicaid Members, HHSC’s Fair Hearing process.

(h) MCO cannot request a disenrollment based on adverse change in the member’s health status or utilization of services that are Medically Necessary for treatment of a member’s condition.

(i) Members taken into conservatorship by the Department of Family and Protective Services (DFPS) will be disenrolled from the MCO effective the date of conservatorship, and enrolled in the STAR Health Program unless otherwise determined by DFPS.

Section 5.03 STAR enrollment for pregnant women and infants.

(a) The HHSC Administrative Services Contractor will retroactively enroll some pregnant Members in a Medicaid MCO based on their date of eligibility.

(b) The HHSC Administrative Services Contractor will enroll newborns born to Medicaid eligible mothers who are enrolled in a STAR MCO in the same MCO for at least 90 days following the date of birth, unless the mother requests a plan change as a special exception. The HHSC Administrative Service Contractor will consider such requests on a case-by-case basis. The HHSC Administrative Services Contractor will retroactively, to date of birth, enroll newborns in the applicable STAR MCO.

Section 5.03.1 Enrollment for infants born to pregnant women in STAR+PLUS.

If a newborn is born to a Medicaid-eligible mother enrolled in a STAR+PLUS MCO, the HHSC Administrative Service Contractor will enroll the newborn into that MCO’s STAR MCO product, if one (1) exists. All rules related to STAR newborn enrollment will apply to the newborn. If the STAR+PLUS MCO does not have a STAR product but the newborn is eligible for STAR, the newborn will be enrolled in traditional Fee-for-Service Medicaid, and given the opportunity to select a STAR MCO.

Section 5.04 CHIP eligibility and enrollment.

(a) Term of coverage.

HHSC or the HHSC Administrative Services Contractor, on HHSC’s behalf, determines CHIP eligibility. HHSC or the HHSC Administrative Services Contractor will enroll and disenroll eligible individuals into and out of CHIP.

(b) Pregnant Members and Infants.

(1) HHSC or the HHSC Administrative Contractor will refer pregnant CHIP Members, with the exception of Legal Permanent Residents and other legally qualified aliens barred from Medicaid due to federal eligibility restrictions, to Medicaid for eligibility determinations. Those CHIP Members who are determined to be Medicaid Eligible will be disenrolled from the MCO’s CHIP plan. Medicaid coverage will be coordinated to begin after CHIP eligibility ends to avoid gaps in health care coverage.

(2) In the event the MCO remains unaware of a CHIP Member’s pregnancy until delivery, the facility and professional costs associated with the delivery will be covered by CHIP in accordance with Attachment B-1.1, CHIP Covered Services. This includes the post-delivery costs for the newborn’s care while in the facility, as described in Attachment B-1.1, CHIP Covered Services. HHSC or the HHSC Administrative Services Contractor will set a pregnant CHIP mother’s eligibility expiration date at the later of (1) the end of the second month following the month of the pregnancy delivery or the pregnancy termination or (2) the Member’s original eligibility expiration date.
HHSC or the Administrative Services Contractor will screen the newborn’s eligibility for Medicaid, and then CHIP (if the newborn is not eligible for Medicaid). If the newborn is eligible for CHIP, the Administrative Services Contractor will enroll the newborn in the mother’s CHIP plan prospectively, following standard cut-off rules. The newborn’s CHIP eligibility ends when the mother’s CHIP eligibility expires, as described above.

**Section 5.05 CHIP Perinatal eligibility, enrollment, and disenrollment**

(a) HHSC or the HHSC Administrative Contractor will electronically transmit to the MCO new CHIP Perinatal Member information based on the appropriate CHIP Perinatal or CHIP Perinatal Newborn Rate Cell. There is no waiting period for CHIP Perinatal Program Members.

(b) Once born, a CHIP Perinatal who lives in a family with an income at or below the Medicaid eligibility threshold will be deemed eligible for 12 months of continuous Medicaid coverage (beginning on the date of birth). A CHIP Perinatal will continue to receive coverage through the CHIP Perinatal Program as a CHIP Perinatal Newborn after birth if the child’s family income is above the Medicaid eligibility threshold. A CHIP Perinatal Newborn is eligible for 12 months continuous enrollment, beginning with the month of enrollment as a CHIP Perinatal (month of enrollment as an unborn child plus 11 months). A CHIP Perinatal Newborn will maintain coverage in his or her CHIP Perinatal MCO.

(c) When a member of a household enrolls in the CHIP Perinatal Program, all traditional CHIP members in the household will be disenrolled from their current health plans and prospectively enrolled in the CHIP Perinatal Program Member’s health plan. All members of the household must remain in the same health plan until the later of: (1) the end of the CHIP Perinatal Program Member’s enrollment period, or (2) the end of the traditional CHIP members’ enrollment period.

(d) Once a CHIP Perinatal Newborn Member’s coverage expires, the child will be added to his or her siblings’ active CHIP program case. If there is no active CHIP program case, then in the 10th month of the CHIP Perinatal Newborn’s coverage, the family will receive a CHIP renewal form. The family must complete and submit the renewal form, which will be pre-populated to include the CHIP Perinatal Newborn’s and the CHIP Program Members’ information.

**Section 5.06 Span of Coverage**

(a) Medicaid MCOs.

(1) Open Enrollment.
HHSC will conduct continuous open enrollment for Medicaid Eligibles and the MCO must accept all persons who choose to enroll as Members in the MCO or who are assigned as Members in the MCO by HHSC, without regard to the Member’s health status or any other factor.

(2) Enrollment of New Medicaid Eligibles.
Persons who become eligible for Medicaid during an Inpatient Stay in a Hospital will not be enrolled in a Medicaid MCO until discharged from the Hospital, with the following exceptions: (1) Members retroactively enrolled in STAR in accordance with Section 5.03, STAR Enrollment of Pregnant Women and Infants, (2) Members prospectively enrolled in STAR or STAR+PLUS who are at or below 12 months of age, and (3) Members retroactively enrolled in STAR in accordance with Section 5.03.1, Enrollment for infants born to pregnant women in STAR+PLUS. Except as provided in the following table, if a Member is enrolled in a Medicaid MCO during an Inpatient Stay, the Medicaid MCO will be responsible for all Covered Services beginning on the Effective Date of Coverage. If a Member is enrolled during an Inpatient Stay under either of the above-referenced exceptions, responsibility for the Inpatient Stay services is assigned as follows:

<table>
<thead>
<tr>
<th>Exception</th>
<th>Responsibility for Inpatient Stay Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Retroactively Enrolled in STAR per §5.03 or in STAR+PLUS per §5.03.1</td>
<td>MCO</td>
</tr>
<tr>
<td>Member ≤ 12 Months of Age Who Is Prospectively Enrolled in STAR or STAR+PLUS Medicaid FFS</td>
<td>MCO</td>
</tr>
</tbody>
</table>

(3) Movement between STAR or STAR+PLUS MCOs.
Except as provided in Section 5.06(a)(9), a Member cannot change from a STAR or STAR+PLUS MCO to a different STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility.

(4) Movement from Medicaid Fee-for-Service to a STAR or STAR+PLUS MCO.
A Medicaid recipient can move from Medicaid Fee-for-Service into a STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential treatment facility, or residential detoxification facility. Except as provided in subpart (a)(2), responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the Medicaid Fee-for-Service program will continue to pay allowable facility charges until the earlier of the date of Discharge or loss of Medicaid eligibility; and (2) beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all other Covered Services.
Responsibility for claims incurred during residential treatment or residential detoxification will be divided as follows: the Medicaid Fee-for-Service program will continue to pay all covered services until the loss of Medicaid eligibility or the Effective Date of Coverage for STAR or STAR+PLUS. Beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all covered services. The MCO may evaluate for medical necessity prior to the end of the authorized services period.

(5) Movement from a STAR MCO to the STAR Health MCO.
A Medicaid recipient can move from the STAR Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR MCO will continue to pay Hospital facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(6) Movement from a STAR+PLUS MCO to the STAR Health MCO.
A Medicaid recipient can move from the STAR+PLUS Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, (2) and the Medicaid FFS program will continue to pay Hospital facility charges for non-Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (3) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(7) Movement from a STAR Health MCO to the STAR MCO.
An adult recipient can move from the STAR Health Program into the STAR Program during an Inpatient Stay. In these cases, responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the STAR Health MCO will continue to pay Hospital facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage, the STAR MCO will pay for all other Covered Services.

(8) Movement from STAR+PLUS to Medicaid Fee-for-Service.
A Medicaid recipient can move from the STAR+PLUS Program to FFS (if a child) during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for inpatient Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the effective date of FFS coverage, FFS will pay for all other Medicaid services.

(9) Movement from STAR to STAR+PLUS or Medicaid Fee-for-Service due to SSI Status.
When a STAR member in the Medicaid Rural Service Area becomes qualified for SSI, the member will remain in STAR (if an adult without Medicare), or may choose to stay in STAR or move to FFS (if a child). The process described in Section 5.06(c) will apply if a child member elects to move to FFS.
When a STAR member in another Service Area becomes qualified for SSI, the STAR member will move, in accordance with the processes described in Section 5.06(c): (1) to FFS or STAR+PLUS (if a child), or (2) to STAR+PLUS (if an adult).
If a move occurs during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility, responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the STAR MCO will continue to pay facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective date of Coverage, the STAR Health MCO will pay for all other Covered Services.
(10) Responsibility for Costs Incurred After Loss of Medicaid Eligibility.
Medicaid MCOs are not responsible for services incurred on or after the effective date of loss of Medicaid eligibility.

(11) Reenrollment after Temporary Loss of Medicaid Eligibility.
Members who are disenrolled because they are temporarily ineligible for Medicaid will be automatically re-enrolled into the same MCO, if available. Temporary loss of eligibility is defined as a period of six (6) months or less.

(b) CHIP MCOs.
If a CHIP Program or CHIP Perinatal Program Member’s Effective Date of Coverage occurs while the Member is confined in a Hospital, MCO is responsible for the Member’s costs of Covered Services beginning on the Effective Date of Coverage. If a Member is disenrolled while the Member is confined in a Hospital, MCO’s responsibility for the Member’s costs of Covered Services terminates on the Date of Disenrollment.

(c) Effective Date of SSI Status.
In accordance with Section 8.2.13, SSI status is effective on the date the State’s eligibility system identifies a STAR, CHIP, or CHIP Perinatal Program Member as Type Program 13 (TP 13). HHSC is responsible for updating the State’s eligibility system within 45 days of official notice of the Member’s Federal SSI status by the Social Security Administration (SSA). Once HHSC has updated the State’s eligibility system to identify the STAR, CHIP, or CHIP Perinatal Program Member as TP13, following standard eligibility cut-off rules, HHSC will allow the Member to:

(1) prospectively move to Medicaid FFS (if the Member is a child in any part of the State);
(2) prospectively move to STAR+PLUS (if the Member is a child in a STAR+PLUS Service Area); or
(3) remain in STAR (if the Member is a child who is already enrolled in STAR in a Service Area not served by STAR+PLUS).

HHSC will not retroactively disenroll a Member from the STAR, CHIP, or CHIP Perinatal Programs.

Section 5.07 Verification of Member Eligibility.

Medicaid MCOs are prohibited from entering into an agreement to share information regarding their Members with an external vendor that provides verification of Medicaid recipients’ eligibility to Medicaid providers. All such external vendors must contract with the State and obtain eligibility information from the State.

Section 5.08 Modified Default Enrollment Process

Under the circumstances described in HHSC’s administrative rules at 1 Tex. Admin. Code § 353.403 and 1 Tex. Admin. Code § 370.303, HHSC may implement a modified default enrollment process to equitably assign enrollees who have not selected an MCO. To the extent possible, HHSC will make assignments based on an enrollee's prior history with and geographic proximity to a PCP. HHSC will determine the length of the modified default enrollment period by considering factors such as MCO market share, viability, and Member Choice. HHSC reserves the right to extend the modified default period, or implement additional modified default periods as it determines necessary and with prior written notice to impacted MCOs.

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Article 6. Service Levels & Performance Measurement

Section 6.01 Performance measurement.

Satisfactory performance of this Contract will be measured by:
(a) Adherence to this Contract, including all representations and warranties;
(b) Delivery of the Services and Deliverables;
(c) Results of audits performed by HHSC or its representatives in accordance with Article 9, “Audit and Financial Compliance”;
(d) Timeliness, completeness, and accuracy of required reports; and
(e) Achievement of performance measures developed by MCO and HHSC and as modified from time to time by written agreement during the term of this Contract.

Article 7. Governing Law & Regulations

Section 7.01 Governing law and venue.

This Contract is governed by the laws of the State of Texas and interpreted in accordance with Texas law. Provided MCO first complies with the procedures set forth in Section 12.13, “Dispute Resolution,” proper venue for claims arising from this Contract will be in the State District Court of Travis County, Texas.

Section 7.02 MCO responsibility for compliance with laws and regulations.

(a) MCO must comply, to the satisfaction of HHSC, with all provisions set forth in this Contract, all provisions of state and federal laws, rules, regulations, federal waivers, policies and guidelines, and any court-ordered consent decrees, settlement agreements, or other court orders that govern the performance of the Scope of Work including, but not limited to, all applicable provisions of the following:
   (1) Titles XIX and XXI of the Social Security Act;
   (2) Chapters 62 and 63, Texas Health and Safety Code;
   (3) Chapters 531 and 533, Texas Government Code;
   (4) 42 C.F.R. Parts 417, 455, and 457, as applicable;
   (5) 45 C.F.R. Parts 74 and 92;
   (6) 48 C.F.R. Part 31, or OMB Circular A-122, based on whether the entity is for-profit or nonprofit;
   (7) 1 T.A.C. Part 15, Chapters 361, 370, 371, 391, and 392;
   (8) Consent Decree and Corrective Action Orders, Frew, et al. v. Janek, et al., (applies to Medicaid MCOs only);
   (9) partial settlement agreements, Alberto N., et al. v. Janek, et al., (applies to Medicaid MCOs only);
   (10) Texas Human Resources Code Chapters 32 and 36;
   (11) Texas Penal Code Chapter 35A (Medicaid Fraud);
   (12) 1 T.A.C. Chapter 353;
   (13) 1 T.A.C. Chapter 354, Subchapters B, J, and F, with the exception of the following provisions in Subchapter F: 1 T.A.C. §354.1865, §354.1867, §354.1873, and Division 6, Pharmacy Claims; and §354.3047:
   (14) 1 T.A.C. Chapter 354, Subchapters I and K, as applicable;
   (15) The Patient Protection and Affordable Care Act (PPACA; Public Law 111-148);
   (16) The Health Care and Education Reconciliation Act of 2010 (HCERA; Public Law 111-152) 42 CFR Part 455;
   (17) The Immigration and Nationality Act (8 U.S.C § 1101 et seq.) and all subsequent immigration laws and amendments; and
   (18) all State and Federal tax laws, State and Federal employment laws, State and Federal regulatory requirements, and licensing provisions.

(b) The Parties acknowledge that the federal and/or state laws, rules, regulations, policies, or guidelines, and court-ordered consent decrees, settlement agreements, or other court orders that affect the performance of the Scope of Work may change from time to time or be added, judicially interpreted, or amended by competent authority. MCO acknowledges that the MCO Programs will be subject to continuous change during the term of the Contract and, except as provided in Section 8.02, MCO has provided for or will provide for adequate resources, at no additional charge to HHSC, to reasonably accommodate such changes. The Parties further acknowledge that MCO was selected, in part, because of its expertise, experience, and knowledge concerning applicable Federal and/or state laws, regulations, policies, or guidelines that affect the performance of the Scope of Work. In keeping with HHSC’s reliance on this knowledge and expertise, MCO is responsible for identifying the impact of changes in applicable Federal or state legislative enactments and regulations that affect the performance of the Scope of Work or the State’s use of the Services and Deliverables. MCO must timely notify HHSC of such changes and must work with HHSC to identify the impact of such changes.

(c) HHSC will notify MCO of any changes in applicable law, regulation, policy, or guidelines that HHSC becomes aware of in the ordinary course of its business.
(d) MCO is responsible for any fines, penalties, or disallowances imposed on the State or MCO arising from any noncompliance with the laws and regulations relating to the delivery of the Services or Deliverables by the MCO, its Subcontractors or agents.

(e) MCO is responsible for ensuring each of its employees, agents or Subcontractors who provide Services under the Contract are properly licensed, certified, and/or have proper permits to perform any activity related to the Services.

(f) MCO warrants that the Services and Deliverables will comply with all applicable Federal, State, and County laws, regulations, codes, ordinances, guidelines, and policies. MCO will indemnify HHSC from and against any losses, liability, claims, damages, penalties, costs, fees, or expenses arising from or in connection with MCO's failure to comply with or violation of any such law, regulation, code, ordinance, or policy.

Section 7.03 TDI licensure/ANHC certification and solvency.

(a) Licensure
MCO must receive TDI approval to operate in all counties of the Service Areas included within the scope of the Contract.

(b) Solvency
MCO must maintain compliance with the Texas Insurance Code and rules promulgated and administered by the TDI requiring a fiscally sound operation. MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

1. continuation of benefits, until the time of discharge, to Members who are confined on the date of insolvency in a Hospital or other inpatient facility;
2. payment to unaffiliated health care providers and affiliated health care providers whose agreements do not contain member “hold harmless” clauses acceptable to TDI for required services rendered to Members for the duration of the Contract period for which HHSC has paid a Capitation Payment, and
3. continuation of benefits for the duration of the Contract period for which HHSC has paid a Capitation Payment.

Provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI.

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Section 7.05 Compliance with state and federal anti-discrimination laws.

(a) MCO agrees to comply with state and federal anti-discrimination laws, including without limitation:

1. Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq.);
2. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794);
4. Age Discrimination Act of 1975 (42 U.S.C. §§6101-6107);
5. Title IX of the Education Amendments of 1972 (20 U.S.C. §§1681-1688);
6. Food Stamp Act of 1977 (7 U.S.C. §200 et seq.); and
7. The HHS agency’s administrative rules, as set forth in the Texas Administrative Code, to the extent applicable to this Agreement.

MCO agrees to comply with all amendments to the above-referenced laws, and all requirements imposed by the regulations issued pursuant to these laws. These laws provide in part that no persons in the United States may, on the grounds of race, color, national origin, sex, age, disability, political beliefs, or religion, be excluded from participation in or denied any aid, care, service or other benefits provided by Federal or State funding, or otherwise be subjected to discrimination.

(b) MCO agrees to comply with Title VI of the Civil Rights Act of 1964, and its implementing regulations at 45 C.F.R. Part 80 or 7 C.F.R. Part 15, prohibiting a contractor from adopting and implementing policies and procedures that exclude or have the effect of excluding or limiting the participation of clients in its programs, benefits, or activities on the basis of national origin. Applicable state and federal civil rights laws require contractors to provide alternative methods for ensuring access to services for applicants and recipients who cannot express themselves fluently in English. MCO agrees to ensure that its policies do not have the effect of excluding or limiting the participation of persons in its programs, benefits, and activities on the basis of national origin. MCO also agrees to take reasonable steps to provide services and information, both orally and in writing, in appropriate languages other than English, in order to ensure that persons with limited English proficiency are effectively informed and can have meaningful access to programs, benefits, and activities.

(c) MCO agrees to comply with Executive Order 13279, and its implementing regulations at 45 C.F.R. Part 87 or 7 C.F.R. Part 16. These provide in part that any organization that participates in programs funded by direct financial assistance from the United States Department of Agriculture or the United States Department of Health and Human Services must not, in providing services, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.
Upon request, MCO will provide HHSC Civil Rights Office with copies of all of the MCO’s civil rights policies and procedures.

MCO must notify HHSC’s Civil Rights Office of any civil rights complaints received relating to its performance under this Agreement. This notice must be delivered no more than ten (10) calendar days after receipt of a complaint. Notice provided pursuant to this section must be directed to:

HHSC Civil Rights Office
701 W. 51st Street, Mail Code W206
Austin, Texas 78751
Phone Toll Free: (888) 388-6332
Phone: (512) 438-4313
TTY Toll Free: (877) 432-7232
Fax: (512) 438-5885.

Section 7.06 Environmental protection laws.

MCO must comply with the applicable provisions of federal environmental protection laws as described in this Section:

(a) Pro-Children Act of 1994.
   MCO must comply with the Pro-Children Act of 1994 (20 U.S.C. §6081 et seq.), as applicable, regarding the provision of a smoke-free workplace and promoting the non-use of all tobacco products.

(b) National Environmental Policy Act of 1969.
   MCO must comply with any applicable provisions relating to the institution of environmental quality control measures contained in the National Environmental Policy Act of 1969 (42 U.S.C. §4321 et seq.) and Executive Order 11514 (“Protection and Enhancement of Environmental Quality”).

(c) Clean Air Act and Water Pollution Control Act regulations.
   MCO must comply with any applicable provisions relating to required notification of facilities violating the requirements of Executive Order 11738 (“Providing for Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans”).

(d) State Clean Air Implementation Plan.
   MCO must comply with any applicable provisions requiring conformity of federal actions to State (Clean Air) Implementation Plans under §176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §740 et seq.).


Section 7.07 HIPAA.

(a) MCO must comply with applicable provisions of HIPAA. This includes, but is not limited to, the requirement that the MCO’s MIS system comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to HIPAA. MCO must comply with HIPAA EDI requirements.

(b) Additionally, MCO must comply with HIPAA notification requirements, including those set forth in the Health Information Technology for Economic and Clinical Health Act (HITECH Act) at 42 U.S.C. 17931 et seq. MCO must notify HHSC of all breaches or potential breaches of unsecured protected health information, as defined by the HITECH Act, without unreasonable delay and in no event later than 60 calendar days after discovery of the breach or potential breach. If, in HHSC’s determination, MCO has not provided notice in the manner or format prescribed by the HITECH Act, then HHSC may require the MCO to provide such notice.

Section 7.08 Historically Underutilized Business Participation Requirements

(a) Definitions.
   For purposes of this Section:
   (1) “Historically Underutilized Business” or “HUB” means a minority or women-owned business as defined by Texas Government Code, Chapter 2161
   (2) “HSP” means a HUB Subcontracting Plan.

(b) HUB Requirements.
   (1) In accordance with Attachment B-1, Section 8.1.20.2, the MCO must submit an HSP for HHSC’s approval during the Transition Phase, and maintain the HSP thereafter.
(2) MCO must report to HHSC’s contract manager and HUB Office monthly, in the format required by Chapter 5.4.4.5 of the Uniform Managed Care Manual, its use of HUB subcontractors to fulfill the subcontracting opportunities identified in the HSP.

(3) MCO must obtain prior written approval from the HHSC HUB Office before making any changes to the HSP. The proposed changes must comply with HHSC’s good faith effort requirements relating to the development and submission of HSPs.

(i) The MCO must submit a revised HSP to the HHSC HUB Office when it: changes the dollar amount of, terminates, or modifies an existing Subcontract for MCO Administrative Services; or enters into a new Subcontract for MCO Administrative Services. All proposed changes to the HSP must comply with the requirements of this Agreement.

(4) HHSC will determine if the value of Subcontracts to HUBs meet or exceed the HUB subcontracting provisions specified in the MCO’s HSP. If HHSC determines that the MCO's subcontracting activity does not demonstrate a good faith effort, the MCO may be subject to provisions in the Vendor Performance and Debarment Program (Title 34, Part 1, Chapter 20, Subchapter C, Rule §20.105), and subject to remedies for Breach.

Article 8. Amendments & Modifications

Section 8.01 Mutual agreement.

This Contract may be amended at any time by mutual agreement of the Parties. The amendment must be in writing and signed by individuals with authority to bind the Parties.

Section 8.02 Changes in law or contract.

If Federal or State laws, rules, regulations, policies or guidelines are adopted, promulgated, judicially interpreted or changed, or if contracts are entered or changed, the effect of which is to alter the ability of either Party to fulfill its obligations under this Contract, the Parties will promptly negotiate in good faith appropriate modifications or alterations to the Contract. Such modifications or alterations must be in writing and signed by individuals with authority to bind the parties, equitably adjust the terms and conditions of this Contract, and must be limited to those provisions of this Contract affected by the change.

Section 8.03 Modifications as a remedy.

This Contract may be modified under the terms of Article 12, “Remedies and Disputes.”

Section 8.04 Modification Process.

(a) If HHSC seeks modifications to the Contract, HHSC’s notice to MCO will specify those modifications to the Scope of Work, the Contract pricing terms, or other Contract terms and conditions.

(b) MCO must respond to HHSC’s proposed modification within the timeframe specified by HHSC, generally within ten (10) Business Days of receipt. Upon receipt of MCO’s response to the proposed modifications, HHSC may enter into negotiations with MCO to arrive at mutually agreeable Contract amendments. In the event that HHSC determines that the Parties will be unable to reach agreement on mutually satisfactory contract modifications, then HHSC will provide written notice to MCO of its intent terminate the Contract, or not to extend the Contract beyond the current Contract Term.

Section 8.05 Modification of the Uniform Managed Care Manual.

(a) HHSC will provide MCO with at least ten (10) Business Days advance written notice before implementing a substantive and material change in the Uniform Managed Care Manual, and all modifications thereto made during the Contract Term, are incorporated by reference into this Contract. The Uniform Managed Care Manual will provide MCO with a reasonable amount of time to comment on such changes, generally at least five (5) Business Days. HHSC is not required to provide advance written notice of changes that are not material and substantive in nature, such as corrections of clerical errors or policy clarifications.

(b) The Parties agree to work in good faith to resolve disagreements concerning material and substantive changes to the Uniform Managed Care Manual. If the Parties are unable to resolve issues relating to material and substantive changes, then either Party may terminate the agreement in accordance with Article 12, “Remedies and Disputes.”

(c) Changes will be effective on the date specified in HHSC’s written notice, which will not be earlier than the MCO’s response deadline, and such changes will be incorporated into the Uniform Managed Care Manual. If the MCO has raised an objection to a material and substantive change to the Uniform Managed Care Manual and submitted a notice of termination
in accordance with Section 12.04(c), HHSC will not enforce the policy change for the objecting MCO during the period of time between the receipt of the notice and the date of Contract termination.

Section 8.06 CMS approval of amendments

Amendments, modifications, and changes to the Contract are subject to the approval of the Centers for Medicare and Medicaid Services (“CMS.”)

Section 8.07 Required compliance with amendment and modification procedures.

No different or additional services, work, or products will be authorized or performed except as authorized by this Article. No waiver of any term, covenant, or condition of this Contract will be valid unless executed in compliance with this Article. MCO will not be entitled to payment for any services, work or products that are not authorized by a properly executed Contract amendment or modification.

Article 9. Audit & Financial Compliance

Section 9.01 Record retention and audit.

MCO agrees to maintain, and require its Subcontractors to maintain, records, books, documents, and information (collectively “records”) that are adequate to ensure that services are provided and payments are made in accordance with the requirements of this Contract, including applicable Federal and State requirements (e.g., 45 CFR §74.53). Such records must be retained by MCO or its Subcontractors for a period of five (5) years after the Contract Expiration Date or until the resolution of all litigation, claim, financial management review or audit pertaining to this Contract, whichever is longer.

Section 9.02 Access to records, books, and documents.

(a) Upon reasonable notice, MCO must provide, and cause its Subcontractors to provide, at no cost to the officials and entities identified in this Section prompt, reasonable, and adequate access to any records that are related to the scope of this Contract.

(b) MCO and its Subcontractors must provide the access described in this Section upon HHSC’s request. This request may be for, but is not limited to, the following purposes:

1. Examination;
2. Audit;
3. Investigation;
4. Contract administration; or
5. The making of copies, excerpts, or transcripts.

(c) The access required must be provided to the following officials and/or entities:

1. The United States Department of Health and Human Services or its designee;
2. The Comptroller General of the United States or its designee;
3. MCO Program personnel from HHSC or its designee;
4. The Office of Inspector General;
5. The Medicaid Fraud Control Unit of the Texas Attorney General's Office or its designee;
6. Any independent verification and validation contractor, audit firm, or quality assurance contractor acting on behalf of HHSC;
7. The Office of the State Auditor of Texas or its designee;
8. A State or Federal law enforcement agency;
9. A special or general investigating committee of the Texas Legislature or its designee; and
10. Any other state or federal entity identified by HHSC, or any other entity engaged by HHSC.

(d) MCO agrees to provide the access described wherever MCO maintains such books, records, and supporting documentation. MCO further agrees to provide such access in reasonable comfort and to provide any furnishings, equipment, and other conveniences deemed reasonably necessary to fulfill the purposes described in this Section. MCO will require its Subcontractors to provide comparable access and accommodations.

(e) Upon request, the MCO must provide copies of the information described in this Section free of charge to HHSC and the entities described in subsection (c).

(f) In accordance with Texas Government Code §533.012(e), any information submitted to HHSC or the Texas Attorney General's Office pursuant to Texas Government Code §533.012(a)(1) is confidential and is not subject to disclosure under the Texas Public Information Act.

Section 9.03 Audits of Services, Deliverables and inspections.
(a) Upon reasonable notice from HHSC, MCO will provide, and will cause its Subcontractors to provide, such auditors and inspectors as HHSC may from time to time designate, with access to:

1. service locations, facilities, or installations;
2. records; and

(b) The access described in this Section will be for the purpose of examining, auditing, or investigating:

1. MCO’s capacity to bear the risk of potential financial losses;
2. the Services and Deliverables provided;
3. a determination of the amounts payable under this Contract;
4. a determination of the allowability of costs reported under this Contract;
5. an examination of Subcontract terms and/or transactions;
6. an assessment of financial results under this Contract;
7. detection of Fraud, Waste and/or Abuse; or
8. other purposes HHSC deems necessary to perform its oversight function and/or enforce the provisions of this Contract.

(c) MCO must provide, as part of the Scope of Work, any assistance that such auditors and inspectors reasonably may require to complete such audits or inspections.

(d) If, as a result of an audit or review of payments made to the MCO, HHSC discovers a payment error or overcharge, HHSC will notify the MCO of such error or overcharge. HHSC will be entitled to recover such funds as an offset to future payments to the MCO, or to collect such funds directly from the MCO. MCO must return funds owed to HHSC within 30 days after receiving notice of the error or overcharge, or interest will accrue on the amount due. HHSC will calculate interest at 12% per annum, compounded daily. In the event that an audit reveals that errors in reporting by the MCO have resulted in errors in payments to the MCO or errors in the calculation of the Experience Rebate, the MCO will indemnify HHSC for any losses resulting from such errors, including the cost of audit. If the interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

Section 9.04 SAO Audit

The MCO understands that acceptance of funds under this Contract acts as acceptance of the authority of the State Auditor's Office (SAO), or any successor agency, to conduct an investigation in connection with those funds. The MCO further agrees to cooperate fully with the SAO or its successor in the conduct of the audit or investigation, including providing all records requested at no cost. The MCO will ensure that this clause concerning the authority to audit funds and the requirement to cooperate is included in any Subcontract, and in any third party agreements described in Section 4.10, "MCO Agreements with Third Parties."

Section 9.05 Response/compliance with audit or inspection findings.

(a) MCO must take action to ensure its or a Subcontractor’s compliance with or correction of any finding of noncompliance with any law, regulation, audit requirement, or generally accepted accounting principle relating to the Services and Deliverables or any other deficiency contained in any audit, review, or inspection conducted under this Article. This action will include MCO’s delivery to HHSC, for HHSC’S approval, a Corrective Action Plan that addresses deficiencies identified in any audit, review, or inspection within 30 calendar days of the close of the audit, review, or inspection.

(b) MCO must bear the expense of compliance with any finding of noncompliance under this Section that is:

1. Required by Texas or Federal law, regulation, rule, court order, or other audit requirement relating to MCO's business;
2. Performed by MCO as part of the Scope of Work; or
3. Necessary due to MCO's noncompliance with any law, regulation, rule, court order, or audit requirement imposed on MCO.

(c) As part of the Scope of Work, MCO must provide to HHSC upon request a copy of those portions of MCO's and its Subcontractors’ internal audit reports relating to the Services and Deliverables provided to HHSC under the Contract.

Section 9.06 Notification of Legal and Other Proceedings, and Related Events.

The MCO must notify HHSC of all proceedings, reports, documents, actions, and events as specified in Uniform Managed Care Manual Chapter 5.8, "Report of Legal and Other Proceedings, and Related Events."

Article 10. Terms & Conditions of Payment
Section 10.01 Calculation of monthly Capitation Payment.

(a) This is a Risk-based contract. For each applicable MCO Program, HHSC will pay the MCO fixed monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Members by each applicable Member Rate Cell. In consideration of the Monthly Capitation Payments, the MCO agrees to provide the Services and Deliverables described in this Contract.
(b) MCO will be required to provide timely financial and statistical information necessary in the Capitation Rate determination process. Encounter Data provided by MCO must conform to all HHSC requirements. Encounter Data containing non-compliant information, including, but not limited to, inaccurate Member identification numbers, inaccurate provider identification numbers, or diagnosis or procedures codes insufficient to adequately describe the diagnosis or medical procedure performed, will not be considered in the MCO’s experience for rate-setting purposes.
(c) Information or data, including complete and accurate Encounter Data, as requested by HHSC for rate-setting purposes, must be provided to HHSC: (1) within 30 days of receipt of the letter from HHSC requesting the information or data; and (2) no later than March 31st of each year.
(d) The fixed monthly Capitation Rate consists of the following components:
   (1) an amount for Health Care Services performed during the month;
   (2) an amount for administering the MCO Program, and
   (3) an amount for the MCO’s Risk margin.
Capitation Rates for each MCO Program may vary by Service Area and MCO. HHSC will employ or retain qualified actuaries to perform data analysis and calculate the Capitation Rates for each Rate Period.
(e) MCO understands and expressly assumes the risks associated with the performance of the duties and responsibilities under this Contract, including the failure, termination or suspension of funding to HHSC, delays or denials of required approvals, and cost overruns not reasonably attributable to HHSC.

Section 10.02 Time and Manner of Payment.

(a) During the Contract Term and beginning after the Operational Start Date, HHSC will pay the monthly Capitation Payments by the 10th Business Day of each month.
(b) The MCO must accept Capitation Payments by direct deposit into the MCO’s account.
(c) HHSC may adjust the monthly Capitation Payment to the MCO in the case of an overpayment to the MCO; for Experience Rebate amounts due and unpaid, including any associated interest; and if monetary damages are assessed in accordance with Article 12, “Remedies and Disputes.”
(d) HHSC’s payment of monthly Capitation Payments is subject to availability of federal and state appropriations. If appropriations are not available to pay the full monthly Capitation Payment, HHSC may:
   (1) equitably adjust Capitation Payments for all participating MCOs, and reduce scope of service requirements as appropriate in accordance with Article 8, “Amendments and Modifications,” or
   (2) terminate the Contract in accordance with Article 12, “Remedies and Disputes.”

Section 10.03 Certification of Capitation Rates.

HHSC will employ or retain a qualified actuary to certify the actuarial soundness of the Capitation Rates, and all revisions or modifications thereto.

Section 10.04 Modification of Capitation Rates.

The Parties expressly understand and agree that the agreed Capitation Rates are subject to modification in accordance with Article 8, “Amendments and Modifications,” if changes in state or federal laws, rules, regulations, guidelines, policies, or court orders affect the rates or the actuarial soundness of the rates. HHSC will provide the MCO notice of a modification to the Capitation Rates at least 60 days prior to the effective date of the change, unless HHSC determines that circumstances warrant a shorter notice period. If the MCO does not accept the rate change, either Party may terminate the Contract in accordance with Article 12 , “Remedies and Disputes.”

Section 10.05 STAR and STAR+PLUS Capitation Structure.

(a) STAR Rate Cells.
STAR Capitation Rates are defined on a per Member per month basis by Rate Cells and Service Areas. STAR Rate Cells are:
   (1) Under Age 1 Child;
   (2) Age 1-5 Child;
(3) Age 6-14 Child;
(4) Age 15-18 Child;
(5) Age 19-20 Child;
(6) TANF adults;
(7) Pregnant women; and
(8) SSI (applies to the Medicaid Rural Service Area only).

These Rate Cells are subject to change.

(b) STAR+PLUS Rate Cells.

STAR+PLUS Capitation Rates are defined on a per Member per month basis by Rate Cells. STAR+PLUS Rate Cells are based on client category as follows:

1. Medicaid Only Standard Rate
2. Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor
3. Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor
4. Dual Eligible Standard Rate
5. Dual Eligible HCBS STAR+PLUS Waiver Rate - Above Floor
6. Dual Eligible HCBS STAR+PLUS Waiver Rate - Below Floor
7. Nursing Facility - Medicaid only
8. Nursing Facility - Dual Eligible

These Rate Cells are subject to change.

(c) STAR and STAR+PLUS Capitation Rate development:

1. Capitation Rates for Service Areas with historical Medicaid MCO Program participation.
   
   For Service Areas where HHSC operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will develop base Capitation Rates by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area (e.g., Capitation Rates for the STAR Program will be based on STAR Program historical Encounter Data and financial data for the Service Area). This analysis will apply to all MCOs in the Service Area, including MCOs that have no historical participation in the Medicaid MCO Program in Service Area. The analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. If the MCO participated in the Medicaid MCO Program in the Service Area prior to the Effective Date of this Contract, HHSC may modify the Service Area base Capitation Rates using diagnosis-based risk adjusters to yield the final Capitation Rates.

2. Capitation Rates for Rate Periods 1 and 2 for Service Areas with no historical STAR Program participation.
   
   For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for Rate Periods 1 and 2 by analyzing Fee-for-Service claims data for the Medicaid MCO Program and Service Area (e.g., Capitation Rates for the STAR Program will be based fee-for-service data in the Service Area). This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

3. Capitation Rates for subsequent Rate Periods for Service Areas with no historical STAR Program participation.
   
   For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for the Rate Periods following Rate Period 2 by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

(d) Acuity adjustment.

HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services.

Value-added Services will not be included in the rate-setting process.

(f) Delay in Increased STAR+PLUS Capitation Level for Certain Members Receiving Waiver Services.

Once a current STAR+PLUS MCO Member has been certified to receive STAR+PLUS Waiver (SPW) services, there is a two (2) month delay before the MCO will begin receiving the higher capitation payment. Non-Waiver Members who qualify for STAR+PLUS based on eligibility for SPW services and Waiver recipients who transfer from another region will not be subject to this two (2) month delay in the increased capitation payment. All SPW recipients will be registered into Service Authorization System Online (SASO). The Premium Payment System (PPS) will process data from the SASO system in establishing a Member's correct capitation payment.

Section 10.06 CHIP Capitation Rates Structure.
(a) CHIP Rate Cells.
CHIP Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Rate Cells are based on the Member’s age group as follows:

1. under age one (1);
2. ages one (1) through five (5);
3. ages six (6) through fourteen (14); and
4. ages fifteen (15) through eighteen (18).

(b) CHIP Perinatal Program Rate Cells.
CHIP Perinatal Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Perinatal Rate Cells are based on the Member’s birth status and household income as follows:

1. CHIP Perinate at or Below Medicaid Eligibility Threshold (an unborn child who will qualify for Medicaid once born);
2. CHIP Perinate Above Medicaid Eligibility Threshold (an unborn child who will not qualify for Medicaid once born); and
3. CHIP Perinate Newborn Above Medicaid Eligibility Threshold (newborn that does not qualify for Medicaid).

(c) CHIP and CHIP Perinatal Program Capitation Rate development:
HHSC will establish base Capitation Rates by analyzing Encounter Data and financial data for each Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. HHSC may modify the Service Area base Capitation Rate using diagnosis based risk adjusters to yield the final Capitation Rates.

(d) Acuity adjustment.
HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services.
Value-added Services will not be included in the rate-setting process.

Section 10.07 MCO input during rate setting process.

(a) In Service Areas with historical STAR or STAR+PLUS Program participation, MCO must provide certified Encounter Data and financial data as prescribed in Uniform Managed Care Manual Chapter 5.0, “Deliverable Matrix.” Such information may include, without limitation: claims lag information by Rate Cell, capitation expenses, and stop loss reinsurance expenses. HHSC may request clarification or for additional financial information from the MCO. HHSC will notify the MCO of the deadline for submitting a response, which will include a reasonable amount of time for response.

(b) HHSC will allow the MCO to review and comment on data used by HHSC to determine base Capitation Rates. In Service Areas with no historical STAR or STAR+PLUS Program participation, this will include Fee-for-Service data for Rate Periods 1 and 2. HHSC will notify the MCO of deadline for submitting comments, which will include a reasonable amount of time for response. HHSC will not consider comments received after the deadline in its rate analysis.

(c) During the rate setting process, HHSC will conduct at least two (2) meetings with the MCOs. HHSC may conduct the meetings in person, via teleconference, or by another method deemed appropriate by HHSC. Prior to the first meeting, HHSC will provide the MCO with proposed Capitation Rates. During the first meeting, HHSC will describe the process used to generate the proposed Capitation Rates, discuss major changes in the rate setting process, and receive input from the MCO. HHSC will notify the MCO of the deadline for submitting comments, which will include a reasonable amount of time to review and comment on the proposed Capitation Rates and rate setting process. After reviewing such comments, HHSC will conduct a second meeting to discuss the final Capitation Rates and changes resulting from MCO comments, if any.
Section 10.08 Adjustments to Capitation Payments.

(a) Recoupment.
HHSC may recoup a payment made to the MCO for a Member if:
(1) the Member is enrolled into the MCO in error;
(2) the Member moves outside the United States;
(3) the Member dies before the first day of the month for which the payment was made; or
(4) a Member’s eligibility status or program type is changed, corrected as a result of error, or is retroactively adjusted; or
(5) payment has been denied by the CMS in accordance with the requirements in 42 C.F.R. §438.730.

(b) Appeal of recoupment.
The MCO may appeal the recoupment or adjustment of capitations in the above circumstances using the HHSC dispute resolution process set forth in Section 12.13, “Dispute Resolution.”

Section 10.09 Delivery Supplemental Payment for CHIP, CHIP Perinatal and STAR MCOs.

(a) The Delivery Supplemental Payment (DSP) is a function of the average delivery cost in each Service Area. Delivery costs include facility and professional charges.

(b) CHIP and STAR MCOs will receive a Delivery Supplemental Payment (DSP) from HHSC for each live or stillbirth by a Member. CHIP Perinatal MCOs will receive a DSP from HHSC for each live or stillbirth of a CHIP Perinate above the Medicaid eligibility threshold (i.e., a Perinate who does not qualify for Medicaid once born, measured at the time of enrollment in the CHIP Perinatal subprogram). CHIP Perinatal MCOs will not receive a DSP from HHSC for a live or stillbirth of a CHIP Perinate at or below the Medicaid eligibility threshold (i.e., a Perinate who qualifies for Medicaid once born). For STAR and CHIP and CHIP Perinatal Program MCOs, the one-time DSP payment is made in the amount identified in the HHSC Managed Care Contract document regardless of whether there is a single birth or there are multiple births at time of delivery. A delivery is the birth of a live born infant, regardless of the duration of the pregnancy, or a stillborn (fetal death) infant of twenty (20) weeks or more of gestation. A delivery does not include a spontaneous or induced abortion, regardless of the duration of the pregnancy.

(c) MCO must submit a monthly DSP Report as described in, Section 8.1.20.2, Reports to the RFP, in the format prescribed in Uniform Managed Care Manual Chapter 5.3.9, Disproportionate Share Hospital Report.

(d) HHSC will pay the Delivery Supplemental Payment within twenty (20) Business Days after receipt of a complete and accurate report from the MCO.

(e) The MCO will not be entitled to Delivery Supplemental Payments for deliveries that are not reported to HHSC within 210 days after the date of delivery, or within thirty (30) days from the date of discharge from the Hospital for the stay related to the delivery, whichever is later.

(f) MCO must maintain complete claims and adjudication disposition documentation, including paid and denied amounts for each delivery. The MCO must submit the documentation to HHSC within five (5) Business Days after receiving a request for such information from HHSC.

Section 10.10 Experience Rebate

(a) MCO’s duty to pay.
(1) General.
At the end of each FSR Reporting Period beginning with FSR Reporting Period 12/13, , the MCO must pay an Experience Rebate if the MCO’s Net Income Before Taxes is greater than the percentage set forth below of the total Revenue for the period. The Experience Rebate is calculated in accordance with the tiered rebate method set forth below. The Net Income Before Taxes and the total Revenues are as measured by the FSR, as reviewed and confirmed by HHSC. The final amount used in the calculation of the percentage may be impacted by various factors herein, including the Loss Carry Forward, the Admin Cap, and/or the Reinsurance Cap.

(2) Basis of Consolidation.
The percentages are calculated on a Consolidated Basis, and include the consolidated Net Income Before Taxes for all of the MCO’s and its Affiliates’ Texas HHSC Programs and Service Areas.

(b) Graduated Experience Rebate Sharing Method.
HHSC and the MCO will share the consolidated Net Income Before Taxes for its HHSC Programs as follows, unless HHSC provides the MCO an Experience Rebate Reward in accordance with Section 6, “Premium Payment Incentives and Disincentives,” and Uniform Managed Care Manual Chapter 6.2, “Financial Incentive Methodology”:

<table>
<thead>
<tr>
<th>Pre-tax Income as a % of Revenues</th>
<th>MCO Share</th>
<th>HHSC Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 3%</td>
<td>100%</td>
<td>—%</td>
</tr>
<tr>
<td>&gt; 3% and ≤ 5%</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>&gt; 5% and ≤ 7%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>&gt; 7% and ≤ 9%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>&gt; 9% and ≤ 12%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>&gt; 12%</td>
<td>—%</td>
<td>100%</td>
</tr>
</tbody>
</table>

(1) The MCO will retain all the Net Income Before Taxes that is equal to or less than 3% of the total Revenues received by the MCO;

(2) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 3% and less than or equal to 5% of the total Revenues received, with 80% to the MCO and 20% to HHSC.

(3) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 5% and less than or equal to 7% of the total Revenues received, with 60% to the MCO and 40% to HHSC.

(4) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 7% and less than or equal to 9% of the total Revenues received, with 40% to the MCO and 60% to HHSC.

(5) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 9% and less than or equal to 12% of the total Revenues received, with 20% to the MCO and 80% to HHSC.

(6) HHSC will be paid the entire portion of the Net Income Before Taxes that exceeds 12% of the total Revenues.

(c) Net Income Before taxes.

(1) The MCO must compute the Net Income Before Taxes in accordance with applicable federal regulations and Uniform Managed Care Manual Chapter 6.1 “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and similar such instructions for other HHSC Programs. The Net Income Before Taxes will be confirmed by HHSC or its agent for the FSR Reporting Period relating to all Revenues and Allowable Expenses incurred pursuant to the Contract. HHSC reserves the right to modify the “Cost Principles for Expenses” and “FSR Instructions for Completion” found in the Uniform Managed Care Manual in accordance with Section 8.05, “Modification of the Uniform Managed Care Manual.”

(2) For purposes of calculating Net Income Before Taxes certain items are omitted from the calculation, as they are not Allowable Expenses; these include, but are not limited to:

(i) the payment of an Experience Rebate;

(ii) any interest expense associated with late or underpayment of the Experience Rebate;

(iii) financial incentives, including without limitation the Quality Challenge Award described in Attachment B-1, Section 6.3.2.3; and

(iv) financial disincentives, including without limitation: the Performance-based Capitation Rate described in Attachment B-1, Section 6.3.2.2; and the liquidated damages described in Attachment B-5.

See Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(3) Financial incentives will not be reduced by potential increased Experience Rebate payments. Financial disincentives will not be offset in whole or part by potential decreases in Experience Rebate payments.

(4) For FSR reporting purposes, financial incentives incurred must not be reported as an increase in Revenues or as an offset to costs, and any award of such will not increase reported income. Financial disincentives incurred must not be included as reported expenses, and must not reduce reported income. The reporting or recording of any of these incurred items will be done on a memo basis, which is below the income line, and will be listed as separate items.

(d) Carry forward of prior FSR Reporting Period losses.

(1) General.
Losses incurred on a Consolidated Basis for a given FSR Reporting Period may be carried forward to the next FSR Reporting Period, and applied as an offset against consolidated pre-tax net income for determination of any Experience Rebate due. Any such prior losses may be carried forward for the next two (2) contiguous FSR Reporting Periods.

In the case when a loss in a given FSR Reporting Period is carried forward and applied against profits in either or both of the next two (2) FSR Reporting Periods, the loss must first be applied against the first subsequent FSR Reporting Period such that the profit in the first subsequent FSR Reporting Period is reduced to a zero pre-tax income; any additional loss then remaining unapplied may be carried forward to any profit in the next subsequent FSR Reporting Period. In such case, the revised income in the third FSR Reporting Period would be equal to the cumulative income of the three (3) contiguous FSR Reporting Periods. In no case could the loss be carried forward to the fourth FSR Reporting Period or beyond.

Carrying forward of losses may be impacted by the Admin Cap; see Section 10.10.2 (f) below.

Losses incurred in the last or next-to-last FSR Reporting Period of a prior contiguous contract with HHSC may be carried forward up to two (2) FSR Reporting Periods into the first or potentially second FSR Reporting Period of this Contract, if such losses meet all other requirements of both the prior and current contracts.

(2) Basis of consolidation.

In order for a loss to be eligible for potential carry forward as an offset against future income, the MCO must have a negative Net Income Before Taxes for an FSR Reporting Period on a Consolidated Basis.

(c) Settlements for payment.

(1) There may be one (1) or more MCO payment(s) of the State share of the Experience Rebate on income generated for a given State Fiscal Year under the applicable Programs. The first scheduled payment (the “Primary Settlement”) will equal 100% of the State share of the Experience Rebate as derived from the FSR, and will be paid on the same day the 90-day FSR Report is submitted to HHSC.

The “Primary Settlement,” as utilized herein, refers strictly to what should be paid with the 90-day FSR, and does not refer to the first instance in which an MCO may tender a payment. For example, an MCO may submit a 90-day FSR indicating no Experience Rebate is due, but then submit a 334-day FSR with a higher income and a corresponding Experience Rebate payment. In such case, this initial payment would be subsequent to the Primary Settlement.

(2) The next scheduled payment will be an adjustment to the Primary Settlement, if required, and will be paid on the same day that the 334-day FSR Report is submitted to HHSC if the adjustment is a payment from the MCO to HHSC. Section 10.10(f) describes the interest expenses associated with any payment after the Primary Settlement.

An MCO may make non-scheduled payments at any time to reduce the accumulation of interest under Section 10.10(f). For any nonscheduled payments prior to the 334-day FSR, the MCO is not required to submit a revised FSR, but is required to submit an Experience Rebate calculation form and an adjusted summary page of the FSR. The FSR summary page is labeled “Summary Income Statements (Dollars), All Coverage Groups Combined (FSR, Part I).”

(3) HHSC or its agent may audit or review the FSRs. If HHSC determines that corrections to the FSRs are required, based on an HHSC audit/review or other documentation acceptable to HHSC, then HHSC will make final adjustments. Any payment resulting from an audit or final adjustment will be due from the MCO within 30 days of the earlier of:

(i) the date of the management representation letter resulting from the audit; or

(ii) the date of any invoice issued by HHSC.

Payment within this 30-day timeframe will not relieve the MCO of any interest payment obligation that may exist under Section 10.10(f).

(4) In the event that any Experience Rebates and/or corresponding interest payments owed to the State are not paid by the required due dates, then HHSC may offset such amounts from any future Capitation Payments, or collect such sums directly from the MCO. HHSC may adjust the Experience Rebate if HHSC determines the MCO has paid amounts for goods or services that are not reasonable, necessary, or allowable in accordance with Uniform Managed Care.
Care Manual Chapter 6.1, “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” “Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and the Federal Acquisition Regulations (FAR), or other applicable federal or state regulations. HHSC has final authority in auditing and determining the amount of the Experience Rebate.

(f) Interest on Experience Rebate.

1. Interest on any Experience Rebate owed to HHSC will be charged beginning 35 days after the due date of the Primary Settlement, as described in Section 10.10(e)(1). Thus, any Experience Rebate due or paid on or after the Primary Settlement will accrue interest starting at 35 days after the due date for the 90-day FSR Report. For example, any Experience Rebate payment(s) made in conjunction with the 334-day FSR, or as a result of audit findings, will accrue interest back to 35 days after the due-date for submission of the 90-day FSR.

The MCO has the option of preparing an additional FSR based on 120 days of claims run-out (a “120-day FSR”). If a 120-day FSR, and an Experience Rebate payment based on it, are received by HHSC before the interest commencement date above, then such a payment would be counted as part of the Primary Settlement.

2. If an audit or adjustment determines a downward revision of income after an interest payment has previously been required for the same State Fiscal Year, then HHSC will recalculate the interest and, if necessary, issue a full or partial refund or credit to the MCO.

3. Any interest obligations that are incurred pursuant to Section 10.10 that are not timely paid will be subject to accumulation of interest as well, at the same rate as applicable to the underlying Experience Rebate.

4. All interest assessed pursuant to Section 10.10 will continue to accrue until such point as a payment is received by HHSC, at which point interest on the amount received will stop accruing. If a balance remains at that point that is subject to interest, then the balance will continue to accrue interest. If interim payments are made, then any interest that may be due will only be charged on amounts for the time period during which they remained unpaid. By way of example only, if $100,000 is subject to interest commencing on a given day, and a payment is received for $75,000 45 days after the start of interest, then the $75,000 will be subject to 45 days of interest, and the $25,000 balance will continue to accrue interest until paid. The accrual of interest as defined under Section 10.10(f) will not stop during any period of dispute. If a dispute is resolved in the MCO’s favor, then interest will only be assessed on the revised unpaid amount.

5. If the MCO incurs an interest obligation pursuant to Section 10.10 for an Experience Rebate payment HHSC will assess such interest at 12% per annum, compounded daily. If any interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

6. Any such interest expense incurred pursuant to Section 10.10 is not an Allowable Expense for reporting purposes on the FSR.

**Section 10.10.1 This Section Intentionally Left Blank**

**Section 10.10.2 Administrative Expense Cap.**

(a) General requirement.

The calculation methodology of Experience Rebates described in Section 10.10 will be adjusted by an Administrative Expense Cap (“Admin Cap.”) The Admin Cap is a calculated maximum amount of administrative expense dollars (corresponding to a given FSR) that can be deducted from Revenues for purposes of determining income subject to the Experience Rebate. While Administrative Expenses may be limited by the Admin Cap to determine Experience Rebates, all valid Allowable Expenses will continue to be reported on the Financial Statistical Reports (FSRs). Thus, the Admin Cap does not impact FSR reporting, but may impact any associated Experience Rebate calculation.

The calculation of any corresponding Experience Rebate due will be subject to limitations on total deductible administrative expenses.
Such limitations will be calculated as follows:

(b) Calculation methodology.

HHSC will determine the administrative expense component of the applicable Capitation Rate structure for each Program prior to each applicable Rate Period. At the conclusion of an FSR Reporting Period, HHSC will apply that predetermined administrative expense component against the MCO’s actually incurred number of Member Months and aggregate premiums received (monthly Capitation Payments plus any Delivery Supplemental Payments), to determine the specific Admin Cap, in aggregate dollars, for a given MCO.

If rates are changed during the FSR Reporting Period, HHSC will use this same methodology of multiplying the predetermined HHSC rates for a given month against the ultimate actual number of member months or Revenues that occurred during that month, such that HHSC will apply each month’s actual results against the rates that were in effect for that month.

(c) Data sources.

In determining the amount of Experience Rebate payment to include in the Primary Settlement (or in conjunction with any subsequent payment or settlement), the MCO will need to make the appropriate calculation, in order to assess the impact, if any, of the Admin Cap.

(1) The total premiums paid by HHSC (received by the MCO), and corresponding Member Months, will be taken from the relevant FSR (or audit report) for the FSR Reporting Period.

(2) There are two (2) components of the administrative expense portion of the Capitation Rate structure:
   - (i) the percentage rate to apply against the total premiums paid (the “percentage of premium” within the administrative expenses), and,
   - (ii) the dollar rate per Member Month (the “fixed amount” within the administrative expenses).

These will be taken from the supporting details associated with the official notification of final Capitation Rates, as supplied by HHSC. This notification is sent to the MCOs during the annual rate setting process via email, labeled as “the final rate exhibits for your health plan.” The email has one (1) or more spreadsheet files attached, which are particular to the given MCO. The spreadsheet(s) show the fixed amount and percentage of premium components for the administrative component of the Capitation Rate.

The components of the administrative expense portion of the Capitation Rate can also be found on HHSC’s Medicaid website, under “Rate Analysis for Managed Care Services.” Under each Program, there is a separate Rate Setting document for each Rate Period that describes the development of the Capitation Rates. Within each such document, there is a section entitled “Administrative Fees,” where it refers to “the amount allocated for administrative expenses.”

(3) In cases where the administrative expense portion of the Capitation Rate refers to “the greater of (a) [one (1) set of factors], and (b) [another set of factors],” then the Admin Cap will be calculated each way, and the larger of the two (2) results will be the Admin Cap utilized for the determination of any Experience Rebates due.

(d) Separate calculations, by FSR.

Each MCO will have a separate Admin Cap for each Program and each Service Area in which it participates. This will require calculating a separate Admin Cap corresponding to each FSR (for annual, or complete period, versions of FSRs only). All administrative expenses reported on an FSR in excess of the calculated corresponding Admin Cap will be subtracted from the total Allowable Expense in the Experience Rebate calculation of income for that Program and Service Area, subject to any consolidation or offset that may apply, as described in Section 10.10.2(e).

By way of example only, HHSC will calculate the Admin Cap for an FSR Reporting Period as follows:

(1) Multiply the predetermined administrative expense rate structure “fixed amount,” or dollar rate per Member Month (for example, $11.00), by the actual number of Member Months for the Program and Service Area during the Rate Period (for example, 70,000):
   • $11.00 x 70,000 = $770,000.
Multiply the predetermined percent of premiums in the administrative expense rate structure (for example, 5.75%), by the actual aggregate premiums earned for the Program and Service Area during the Rate Period (for example, $6,000,000).

\[ 5.75\% \times 6,000,000 = 345,000. \]

Add the totals of items 1 and 2, plus applicable premium taxes and maintenance taxes (for example, $112,000), to determine the Admin Cap for the Program:

\[ (770,000 + 345,000) + 112,000 = 1,227,000. \]

In this example, $1,227,000 would be the Admin Cap for a single Program for an MCO in a particular FSR Reporting Period.

e) Consolidation and offsets.

The Admin Cap will be first calculated individually by Program, and then totaled and applied on a Consolidated Basis. There will be one aggregate amount of dollars determined as the Admin Cap for each MCO, which will cover all of an MCO’s and its Affiliates’ Programs and Service Areas. This consolidated Admin Cap will be applied to the administrative expenses of the MCO on a Consolidated Basis. The net impact of the Admin Cap will be applied to the Experience Rebate calculation. Calculation details are provided in the applicable FSR Templates and FSR Instructions in the Uniform Managed Care Manual.

(f) Impact on Loss carry-forward.

For Experience Rebate calculation purposes, the calculation of any loss carry-forward, as described in Section 10.10(d), will be based on the allowable pre-tax loss as determined under the Admin Cap.

(g) MCOs entering a Service Delivery Area or Program.

If an MCO enters a new Service Area or offers a Program that it did not offer under a previous contract, it may be exempt from the Admin Cap for those Service Areas and Programs for a period of time to be determined by HHSC, up through the first FSR Reporting Period or portion thereof.

(h) Service Delivery Areas with only one (1) MCO in a Program.

In Service Areas operating with only one (1) MCO for a Program, HHSC may, at its sole discretion, revise the Admin Cap if its application would create an undue hardship on the MCO.

(i) Unforeseen events.

If, in HHSC’s sole discretion, it determines that unforeseen events have created significant hardships for one (1) or more MCOs, HHSC may revise or temporarily suspend the Admin Cap as it deems necessary.

Section 10.10.3 Reinsurance Cap

Beginning with FSR Reporting Period 12/13, the MCO is subject to the Reinsurance Cap. Reinsurance is reported on HHSC’s FSR report format as: 1) gross reinsurance premiums paid, and 2) reinsurance recoveries received. The premiums paid are treated as a part of medical expenses, and the recoveries received are treated as an offset to those medical expenses (also known as a contra-cost). The net of the gross premiums paid minus the recoveries received is called the net reinsurance cost. The net reinsurance cost, as measured in aggregate dollars over the FSR Reporting Period, divided by the number of member-months for that same period, is referred to as the net reinsurance cost per-member-per-month (PMPM).

The MCO will be limited to a maximum amount of net reinsurance cost PMPM for purposes of calculating the pre-tax net income that is subject to the Experience Rebate. This limitation does not impact an MCO’s ability to purchase or arrange for reinsurance. It only impacts what is factored into the Experience Rebate calculation. The maximum amount of allowed net reinsurance cost PMPM (Reinsurance Cap) varies by MCO Program, and is equal to 110% of the net reinsurance cost PMPM contained in the Capitation Rates for the Program during the FSR Reporting Period.

Regardless of the maximum amounts as represented by the Reinsurance Cap, all reinsurance reported on the FSR is subject to audit, and must comply with the UMCM Cost Principles.

Section 10.11 Restriction on assignment of fees.
During the term of the Contract, MCO may not, directly or indirectly, assign to any third party any beneficial or legal interest of the MCO in or to any payments to be made by HHSC pursuant to this Contract. This restriction does not apply to fees the MCO pays to Subcontractors for the performance of the Scope of Work.

**Section 10.12 Liability for taxes.**

HHSC is not responsible in any way for the payment of any Federal, state or local taxes related to or incurred in connection with the MCO’s performance of this Contract. MCO must pay and discharge any and all such taxes, including any penalties and interest. In addition, HHSC is exempt from Federal excise taxes, and will not pay any personal property taxes or income taxes levied on MCO or any taxes levied on employee wages.

**Section 10.13 Liability for employment-related charges and benefits.**

MCO will perform work under this Contract as an independent contractor and not as agent or representative of HHSC. MCO is solely and exclusively liable for payment of all employment-related charges incurred in connection with the performance of this Contract, including but not limited to salaries, benefits, employment taxes, workers compensation benefits, unemployment insurance and benefits, and other insurance or fringe benefits for Staff.

**Section 10.14 No additional consideration.**

(a) MCO will not be entitled to nor receive from HHSC any additional consideration, compensation, salary, wages, charges, fees, costs, or any other type of remuneration for Services and Deliverables provided under the Contract, except by properly authorized and executed Contract amendments.

(b) No other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services and Deliverables due under the Agreement.

(c) MCO will not be entitled by virtue of the Contract to consideration in the form of overtime, health insurance benefits, retirement benefits, disability retirement benefits, sick leave, vacation time, paid holidays, or other paid leaves of absence of any type or kind whatsoever.

**Section 10.15 Federal Disallowance**

If the federal government recoups money from the state for expenses and/or costs that are deemed unallowable by the federal government, the state has the right to, in turn, recoup payments made to the MCOs for these same expenses and/or costs, even if they had not been previously disallowed by the state and were incurred by the MCO, and any such expenses and/or costs would then be deemed unallowable by the state. If the state retroactively recoups money from the MCOs due to a federal disallowance, the state will recoup the entire amount paid to the MCO for the federally disallowed expenses and/or costs, not just the federal portion.

**Section 10.16 Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products**

The capitation rates do not include the costs of Medicaid wrap-around services for outpatient drugs and biological products for STAR+PLUS Members, as described in Attachment B-1, Section 8.2.13.1.

HHSC will make supplemental payments to the MCO for these Medicaid wrap-around services, based on encounter data received by HHSC’s Administrative Services Contractor during an encounter reporting period. The first supplemental payment will cover encounter data received from March 1, 2012, to February 28, 2013. Thereafter, supplemental payments will cover six-month encounter reporting periods. HHSC will make supplemental payments within a reasonable amount of time after the encounter reporting period, generally no later than 95 calendar days after HHSC’s Administrative Services Contractor has processed the encounter data. Supplemental payments will be limited to the actual amounts paid to pharmacy providers for these Medicaid wrap-around services, as represented in “Net Amount Due” field (Field 281) on the National Council for Prescription Drug Programs (NCPDP) encounter transaction. To be eligible for reimbursement, encounters must contain a Financial Arrangement Code “14” in the “Line of Business” field (Field 270) on the NCPDP encounter transaction.

**Section 10.17 Pass-through Payments for Provider Rate Increases**

The capitation rates do not include the costs of federally-mandated provider rate increases, per PPACA as amended by Section 1202 of the Health Care and Education Reconciliation Act. HHSC will make supplemental payments to the MCO for these rate
increases, and the MCO will pass through the full amount of the supplemental payments to qualified providers no later than 30 calendar days after receipt of HHSC’s supplemental payment report, contingent upon the receipt of HHSC’s payment allocation. Additional information regarding these requirements is located in Attachment B-1, Section 8.2.16, “Supplemental Payments for Qualified Providers.”

Article 11. Disclosure & Confidentiality of Information

Section 11.01 Confidentiality.

(a) MCO and all Subcontractors, consultants, or agents must treat all information that is obtained through performance of the Services under the Contract, including information relating to applicants or recipients of HHSC Programs, as Confidential Information to the extent that confidential treatment is provided under state and federal law, rules, and regulations.

(b) MCO is responsible for understanding the degree to which information obtained through performance of this Contract is confidential under State and Federal law, rules, and regulations.

(c) MCO and all Subcontractors, consultants, or agents may not use any information obtained through performance of this Contract in any manner except as is necessary for the proper discharge of obligations and securing of rights under the Contract.

(d) MCO must have a system in effect to protect all records and all other documents deemed confidential under this Contract that are maintained in connection with the activities funded under the Contract. Any disclosure or transfer of Confidential Information by MCO, including information required by HHSC, will be in accordance with applicable law. If the MCO receives a request for information deemed confidential under this Contract, the MCO will immediately notify HHSC of such request, and will make reasonable efforts to protect the information from public disclosure.

(e) In addition to the requirements expressly stated in this Section, MCO must comply with any policy, rule, or reasonable requirement of HHSC that relates to the safeguarding or disclosure of information relating to Members, MCO's operations, or MCO's performance of the Contract.

(f) In the event of the expiration of the Contract or termination of the Contract for any reason, all Confidential Information disclosed to and all copies thereof made by the MCO must be returned to HHSC or, at HHSC's option, erased or destroyed. MCO must provide HHSC certificates evidencing such destruction.

(g) The obligations in this Section must not restrict any disclosure by the MCO pursuant to any applicable law, or by order of any court or government agency, provided that the MCO must give prompt notice to HHSC of such order.

(h) With the exception of confidential Member information, Confidential Information must not be afforded the protection of the Contract if such data was:

1. Already known to the receiving Party without restrictions at the time of its disclosure by the furnishing Party;
2. Independently developed by the receiving Party without reference to the furnishing Party's Confidential Information;
3. Rightfully obtained by the other Party without restriction from a third party after its disclosure by the furnishing Party;
4. Publicly available other than through the fault or negligence of the other Party; or
5. Lawfully released without restriction to anyone.

Section 11.02 Disclosure of HHSC’s Confidential Information.

(a) MCO will immediately report to HHSC any and all unauthorized disclosures or uses of HHSC’s Confidential Information of which it or its Subcontractors, consultants, or agents is aware or has knowledge. MCO acknowledges that any publication or disclosure of HHSC’s Confidential Information to others may cause immediate and irreparable harm to HHSC and may constitute a violation of State or federal laws. If MCO, its Subcontractors, consultants, or agents publish or disclose such Confidential Information to others without authorization, HHSC will immediately be entitled to injunctive relief or any other remedy to which it is entitled under law or equity. HHSC will have the right to recover from MCO all damages and liabilities caused by or arising from MCO’s, its Subcontractors’, consultants’, or agents’ failure to protect HHSC’s Confidential Information. MCO will defend with counsel approved by HHSC, indemnify and hold harmless HHSC from all damages, costs, liabilities, and expenses caused by or arising from MCO’s or its Subcontractors’, consultants’ or agents’ failure to protect HHSC’s Confidential Information. HHSC will not unreasonably withhold approval of counsel selected by the MCO.

(b) MCO will require its Subcontractors, consultants, and agents to comply with the terms of this provision.
Section 11.03 Member Records

(a) MCO must comply with the requirements of state and federal laws, including the HIPAA requirements set forth in Section 7.07, regarding the transfer of Member Records.
(b) If at any time during the Contract Term this Contract is terminated, HHSC may require the transfer of Member Records, upon written notice to MCO, to another entity, as consistent with federal and state laws and applicable releases.
(c) The term “Member Record” for this Section means only those administrative, enrollment, case management and other such records maintained by MCO and is not intended to include patient records maintained by participating Network Providers.

Section 11.04 Requests for public information.

(a) When the MCO produces reports or other forms of information that the MCO believes consist of proprietary or otherwise confidential information, the MCO must clearly mark such information as confidential information or provide written notice to HHSC that it considers the information confidential.
(b) If HHSC receives a request, filed in accordance with the Texas Public Information Act (“Act,”) seeking information that has been identified by the MCO as proprietary or otherwise confidential, HHSC will deliver a copy of the request for public information to MCO, in accordance with the requirements of the Act.
(c) With respect to any information that is the subject of a request for disclosure, MCO is required to demonstrate to the Texas Office of Attorney General the specific reasons why the requested information is confidential or otherwise excepted from required public disclosure under law. MCO will provide HHSC with copies of all such communications.

Section 11.05 Privileged Work Product.

(a) MCO acknowledges that HHSC asserts that privileged work product may be prepared in anticipation of litigation and that MCO is performing the Services with respect to privileged work product as an agent of HHSC, and that all matters related thereto are protected from disclosure by the Texas Rules of Civil Procedure, Texas Rules of Evidence, Federal Rules of Civil Procedure, or Federal Rules of Evidence.
(b) HHSC will notify MCO of any privileged work product to which MCO has or may have access. After the MCO is notified or otherwise becomes aware that such documents, data, database, or communications are privileged work product, only MCO personnel, for whom such access is necessary for the purposes of providing the Services, may have access to privileged work product.
(c) If MCO receives notice of any judicial or other proceeding seeking to obtain access to HHSC’s privileged work product, MCO will:
   (1) Immediately notify HHSC; and
   (2) Use all reasonable efforts to resist providing such access.
(d) If MCO resists disclosure of HHSC’s privileged work product in accordance with this Section, HHSC will, to the extent authorized under Civil Practices and Remedies Code or other applicable State law, have the right and duty to:
   (1) Represent MCO in such resistance;
   (2) Retain counsel to represent MCO; or
   (3) Reimburse MCO for reasonable attorneys’ fees and expenses incurred in resisting such access.
(e) If a court of competent jurisdiction orders MCO to produce documents, disclose data, or otherwise breach the confidentiality obligations imposed in the Contract, or otherwise with respect to maintaining the confidentiality, proprietary nature, and secrecy of privileged work product, MCO will not be liable for breach of such obligation.

Section 11.06 Unauthorized acts.

Each Party agrees to:
(1) Notify the other Party promptly of any unauthorized possession, use, or knowledge, or attempt thereof, by any person or entity that may become known to it, of any HHSC Confidential Information or any information identified by the MCO as confidential or proprietary;
(2) Promptly furnish to the other Party full details of the unauthorized possession, use, or knowledge, or attempt thereof, and use reasonable efforts to assist the other Party in investigating or preventing the reoccurrence of any unauthorized possession, use, or knowledge, or attempt thereof, of Confidential Information;
(3) Cooperate with the other Party in any litigation and investigation against third Parties deemed necessary by such Party to protect its proprietary rights; and
(4) Promptly prevent a reoccurrence of any such unauthorized possession, use, or knowledge such information.

Section 11.07 Legal action.
Neither party may commence any legal action or proceeding in respect to any unauthorized possession, use, or knowledge, or attempt thereof by any person or entity of HHSC’s Confidential Information or information identified by the MCO as confidential or proprietary, which action or proceeding identifies the other Party’s information without such Party’s consent.

Section 11.08 Information Security

The HMO and all Subcontractors, consultants, or agents must comply with all applicable laws, rules, and regulations regarding information security, including without limitation the following:
(1) Health and Human Services Enterprise Information Security Standards and Guidelines;
(2) Title 1, Sections 202.1 and 202.3 through 202.28, Texas Administrative Code;
(3) The Health Insurance Portability and Accountability Act of 1996 (HIPAA); and
(4) The Health Information Technology for Economic and Clinical Health Act (HITECH Act).

Article 12. Remedies & Disputes

Section 12.01 Understanding and expectations.

The remedies described in this Section are directed to MCO’s timely and responsive performance of the Services and production of Deliverables, and the creation of a flexible and responsive relationship between the Parties. The MCO is expected to meet or exceed all HHSC objectives and standards, as set forth in the Contract. All areas of responsibility and all Contract requirements will be subject to performance evaluation by HHSC. Performance reviews may be conducted at the discretion of HHSC at any time and may relate to any responsibility and/or requirement. Any and all responsibilities and/or requirements not fulfilled may be subject to the remedies set forth in the Contract.

Section 12.02 Tailored remedies.

(a) Understanding of the Parties.
MCO agrees and understands that HHSC may pursue tailored contractual remedies for noncompliance with the Contract. At any time and at its discretion, HHSC may impose or pursue one (1) or more remedies for each item of noncompliance and will determine remedies on a case-by-case basis. HHSC’s pursuit or non-pursuit of a tailored remedy does not constitute a waiver of any other remedy that HHSC may have at law or equity.

(b) Notice and opportunity to cure for non-material breach.

(1) HHSC will notify MCO in writing of specific areas of MCO performance that fail to meet performance expectations, standards, or schedules set forth in the Contract, but that, in the determination of HHSC, do not result in a material deficiency or delay in the implementation or operation of the Services.
(2) MCO will, within five (5) Business Days (or another date approved by HHSC) of receipt of written notice of a non-material deficiency, provide the HHSC Project Manager a written response that:
   (i) Explains the reasons for the deficiency, MCO’s plan to address or cure the deficiency, and the date and time by which the deficiency will be cured; or
   (ii) If MCO disagrees with HHSC’s findings, its reasons for disagreeing with HHSC’s findings.
(3) MCO’s proposed cure of a non-material deficiency is subject to the approval of HHSC. MCO’s repeated commission of non-material deficiencies or repeated failure to resolve any such deficiencies may be regarded by HHSC as a material deficiency and entitle HHSC to pursue any other remedy provided in the Contract or any other appropriate remedy HHSC may have at law or equity.

(c) Corrective action plan.

(1) At its option, HHSC may require MCO to submit to HHSC a written plan (the “Corrective Action Plan”) to correct or resolve a material breach of this Contract, as determined by HHSC.
(2) The Corrective Action Plan must provide:
   (i) A detailed explanation of the reasons for the cited deficiency;
   (ii) MCO’s assessment or diagnosis of the cause; and
   (iii) A specific proposal to cure or resolve the deficiency.
(3) The Corrective Action Plan must be submitted by the deadline set forth in HHSC’s request for a Corrective Action Plan. The Corrective Action Plan is subject to approval by HHSC, which will not unreasonably be withheld.
(4) HHSC will notify MCO in writing of HHSC’s final disposition of HHSC’s concerns. If HHSC accepts MCO’s proposed Corrective Action Plan, HHSC may:
   (i) Condition such approval on completion of tasks in the order or priority that HHSC may reasonably prescribe;
   (ii) Disapprove portions of MCO’s proposed Corrective Action Plan; or
(iii) Require additional or different corrective action(s).

Notwithstanding the submission and acceptance of a Corrective Action Plan, MCO remains responsible for achieving all written performance criteria.

(5) HHSC’s acceptance of a Corrective Action Plan under this Section will not:
(i) Excuse MCO’s prior substandard performance;
(ii) Relieve MCO of its duty to comply with performance standards; or
(iii) Prohibit HHSC from assessing additional tailored remedies or pursuing other appropriate remedies for continued substandard performance.

(d) Administrative remedies.
(1) At its discretion, HHSC may impose one (1) or more of the following remedies for each item of material noncompliance and will determine the scope and severity of the remedy on a case-by-case basis:
(i) Assess liquidated damages in accordance with Attachment B-3, “Liquidated Damages Matrix;”
(ii) Conduct accelerated monitoring of the MCO. Accelerated monitoring includes more frequent or more extensive monitoring by HHSC or its agent;
(iii) Require additional, more detailed financial and/or programmatic reports to be submitted by MCO;
(iv) Require additional and/or more detailed financial and/or programmatic audits or other reviews of the MCO;
(v) Decline to renew or extend the Contract;
(vi) Appoint temporary management under the circumstances described in 42 C.F.R. §438.706;
(vii) Initiate disenrollment of a Member or Members;
(viii) Suspend enrollment of Members;
(ix) Withhold or recoup payment to MCO;
(x) Require forfeiture of all or part of the MCO’s bond; or
(xi) Terminate the Contract in accordance with Section 12.03, “Termination by HHSC.”

(2) For purposes of the Contract, an item of material noncompliance means a specific action of MCO that:
(i) Violates a material provision of the Contract;
(ii) Fails to meet an agreed measure of performance; or
(iii) Represents a failure of MCO to be reasonably responsive to a reasonable request of HHSC relating to the Scope of Work for information, assistance, or support within the timeframe specified by HHSC.

(3) HHSC will provide notice to MCO of the imposition of an administrative remedy in accordance with this Section, with the exception of accelerated monitoring, which may be unannounced. HHSC may require MCO to file a written response in accordance with this Section.

(4) The Parties agree that a State or Federal statute, rule, regulation, or Federal guideline will prevail over the provisions of this Section unless the statute, rule, regulation, or guidelines can be read together with this Section to give effect to both.

(e) Damages.
(1) HHSC will be entitled to monetary damages in the form of actual, consequential, direct, indirect, special, and/or liquidated damages resulting from Contractor’s Breach of this Agreement In some cases, the actual damage to HHSC or State of Texas as a result of MCO’s failure to meet any aspect of the responsibilities of the Contract and/or to meet specific performance standards set forth in the Contract are difficult or impossible to determine with precise accuracy. Therefore, liquidated damages will be assessed in writing against and paid by the MCO in for failure to meet any aspect of the responsibilities of the Contract and/or to meet the specific performance standards identified by the HHSC in Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Liquidated damages will be assessed if HHSC determines such failure is the fault of the MCO (including the MCO’S Subcontractors, agents and/or consultants) and is not materially caused or contributed to by HHSC or its agents. If at any time HHSC determines the MCO has not met any aspect of the responsibilities of the Contract and/or the specific performance standards due to mitigating circumstances, HHSC reserves the right to waive all or part of the liquidated damages. All such waivers must be in writing, contain the reasons for the waiver, and be signed by the appropriate executive of HHSC.

(2) The liquidated damages prescribed in this Section are not intended to be in the nature of a penalty, but are intended to be reasonable estimates of HHSC’s projected financial loss and damage resulting from the MCO’s nonperformance, including financial loss as a result of project delays. Accordingly, in the event MCO fails to perform in accordance with the Contract, HHSC may assess liquidated damages as provided in this Section.

(3) If MCO fails to perform any of the Services described in the Contract, HHSC may assess liquidated damages for each occurrence of a liquidated damages event, to the extent consistent with HHSC’s tailored approach to remedies and Texas law.

(4) HHSC may elect to collect liquidated damages:
(i) Through direct assessment and demand for payment delivered to MCO; or
(ii) By deduction of amounts assessed as liquidated damages as set-off against payments then due to MCO or that become due at any time after assessment of the liquidated damages. HHSC will make deductions until the full amount payable by the MCO is collected by HHSC.

(f) Equitable Remedies

(1) MCO acknowledges that, if MCO breaches (or attempts or threatens to breach) its material obligation under this Contract, HHSC may be irreparably harmed. In such a circumstance, HHSC may proceed directly to court to pursue equitable remedies.

(2) If a court of competent jurisdiction finds that MCO breached (or attempted or threatened to breach) any such obligations, MCO agrees that without any additional findings of irreparable injury or other conditions to injunctive relief, it will not oppose the entry of an appropriate order compelling performance by MCO and restraining it from any further breaches (or attempted or threatened breaches).

(g) Suspension of Contract

(1) HHSC may suspend performance of all or any part of the Contract if:
   (i) HHSC determines that MCO has committed a material breach of the Contract;
   (ii) HHSC has reason to believe that MCO has committed, or assisted in the commission of, Fraud, Abuse, Waste, malfeasance, misfeasance, or nonfeasance by any party concerning the Contract;
   (iii) HHSC determines that the MCO knew, or should have known, of Fraud, Abuse, Waste, malfeasance, or nonfeasance by any party concerning the Contract, and the MCO failed to take appropriate action; or
   (iv) HHSC determines that suspension of the Contract in whole or in part is in the best interests of the State of Texas or the HHSC Programs.

(2) HHSC will notify MCO in writing of its intention to suspend the Contract in whole or in part. Such notice will:
   (i) Be delivered in writing to MCO;
   (ii) Include a concise description of the facts or matter leading to HHSC’s decision; and
   (iii) Unless HHSC is suspending the contract for convenience, request a Corrective Action Plan from MCO or describe actions that MCO may take to avoid the contemplated suspension of the Contract.

Section 12.03 Termination by HHSC.

This Contract will terminate upon the Expiration Date. In addition, prior to completion of the Contract Term, all or a part of this Contract may be terminated for any of the following reasons:

(a) Termination in the best interest of HHSC.
   HHSC may terminate the Contract without cause at any time when, in its sole discretion, HHSC determines that termination is in the best interests of the State of Texas. HHSC will provide reasonable advance written notice of the termination, as it deems appropriate under the circumstances. The termination will be effective on the date specified in HHSC’s notice of termination.

(b) Termination for cause.
   Except as otherwise provided by the U.S. Bankruptcy Code, or any successor law, HHSC may terminate this Contract, in whole or in part, upon the following conditions:

   (1) Assignment for the benefit of creditors, appointment of receiver, or inability to pay debts.
      HHSC may terminate this Contract at any time if MCO:
      (i) Makes an assignment for the benefit of its creditors;
      (ii) Admits in writing its inability to pay its debts generally as they become due; or
      (iii) Consents to the appointment of a receiver, trustee, or liquidator of MCO or of all or any part of its property.

   (2) Failure to adhere to laws, rules, ordinances, or orders.
      HHSC may terminate this Contract if a court of competent jurisdiction finds MCO failed to adhere to any laws, ordinances, rules, regulations or orders of any public authority having jurisdiction and such violation prevents or substantially impairs performance of MCO’s duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

   (3) Breach of confidentiality.
      HHSC may terminate this Contract at any time if MCO breaches confidentiality laws with respect to the Services and Deliverables provided under this Contract.

   (4) Failure to maintain adequate personnel or resources.
HHSC may terminate this Contract if, after providing notice and an opportunity to correct, HHSC determines that MCO has failed to supply personnel or resources and such failure results in MCO’s inability to fulfill its duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

(5) Termination for gifts and gratuities.

(i) HHSC may terminate this Contract at any time following the determination by a competent judicial or quasi-judicial authority and MCO’s exhaustion of all legal remedies that MCO, its employees, agents or representatives have either offered or given any thing of value to an officer or employee of HHSC or the State of Texas in violation of state law.

(ii) MCO must include a similar provision in each of its Subcontracts and must enforce this provision against a Subcontractor who has offered or given any thing of value to any of the persons or entities described in this Section, whether or not the offer or gift was in MCO’s behalf.

(iii) Termination of a Subcontract by MCO pursuant to this provision will not be a cause for termination of the Contract unless:

(a) MCO fails to replace such terminated Subcontractor within a reasonable time; and

(b) Such failure constitutes cause, as described in this Subsection 12.03(b).

(iv) For purposes of this Section, a “thing of value” means any item of tangible or intangible property that has a monetary value of more than $50.00 and includes, but is not limited to, cash, food, lodging, entertainment, and charitable contributions. The term does not include contributions to holders of public office or candidates for public office that are paid and reported in accordance with state and/or federal law.

(6) Termination for non-appropriation of funds.

Notwithstanding any other provision of this Contract, if funds for the continued fulfillment of this Contract by HHSC are at any time not forthcoming or are insufficient, through failure of any entity to appropriate funds or otherwise, then HHSC will have the right to terminate this Contract at no additional cost and with no penalty whatsoever by giving prior written notice documenting the lack of funding. HHSC will provide at least 30 days advance written notice of such termination. HHSC will use reasonable efforts to ensure appropriated funds are available.

(7) Judgment and execution.

(i) HHSC may terminate the Contract at any time if judgment for the payment of money in excess of $500,000.00 that is not covered by insurance, is rendered by any court or governmental body against MCO, and MCO does not:

(a) Discharge the judgment or provide for its discharge in accordance with the terms of the judgment; and

(b) Procure a stay of execution of the judgment within 30 days from the date of entry thereof; or

(c) Perfect an appeal of such judgment and cause the execution of such judgment to be stayed during the appeal, providing such financial reserves as may be required under generally accepted accounting principles.

(ii) If a writ or warrant of attachment or any similar process is issued by any court against all or any material portion of the property of MCO, and such writ or warrant of attachment or any similar process is not released or bonded within 30 days after its entry, HHSC may terminate the Contract in accordance with this Section.

(8) Termination for Criminal Conviction

HHSC will have the right to terminate the Contract in whole or in part, or require the replacement of a Material Subcontractor, if the MCO or a Material Subcontractor is convicted of a criminal offense in a state or federal court:

(i) Related to the delivery of an item or service;

(ii) Related to the neglect or abuse of patients in connection with the delivery of an item or service;

(iii) Consisting of a felony related to fraud, theft, embezzlement, breach of fiduciary responsibility, or other financial misconduct, or

(iv) resulted in a penalty or fine in the amount of $500,000 or more in a state or federal administrative proceeding.

(9) Termination for MCO’S material breach of the Contract.

HHSC will have the right to terminate the Contract in whole or in part if HHSC determines, at its sole discretion, that MCO has materially breached the Contract. HHSC will provide at least 30 days advance written notice of such termination, unless HHSC in its reasonable determination finds that a shorter notice period is warranted.
Section 12.04 Termination by MCO.

(a) Failure to pay.
MCO may terminate this Contract if HHSC fails to pay the MCO undisputed charges when due as required under this Contract. Retaining premium, recoupment, sanctions, or penalties that are allowed under this Contract or that result from the MCO’s failure to perform or the MCO’s default under the terms of this Contract is not cause for termination. Termination for failure to pay does not release HHSC from the obligation to pay undisputed charges for services provided prior to the termination date.

If HHSC fails to pay undisputed charges when due, then the MCO may submit a notice of intent to terminate for failure to pay in accordance with the requirements of Subsection 12.04(d). If HHSC pays all undisputed amounts then due within 30 days after receiving the notice of intent to terminate, the MCO cannot proceed with termination of the Contract under this Article.

(b) Change to HHSC Uniform Managed Care Manual.
MCO may terminate this agreement if the Parties are unable to resolve a dispute concerning a material and substantive change to the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). MCO must submit a notice of intent to terminate due to a material and substantive change in the Uniform Managed Care Manual no later than 30 days after the effective date of the policy change. HHSC will not enforce the policy change for the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(c) Change to Capitation Rate.
If HHSC proposes a modification to the Capitation Rate that is unacceptable to the MCO, the MCO may terminate the Contract. MCO must submit a written notice of intent to terminate due to a change in the Capitation Rate no later than 30 days after HHSC’s notice of the proposed change. HHSC will not enforce the rate change against the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(d) Notice of intent to terminate.
In order to terminate the Contract pursuant to this Section, MCO must give HHSC at least 90 days written notice of intent to terminate. The termination date will be calculated as the last day of the month following 90 days from the date the notice of intent to terminate is received by HHSC.

Section 12.05 Termination by mutual agreement.

This Contract may be terminated by mutual written agreement of the Parties.

Section 12.06 Effective date of termination.

Except as otherwise provided in this Contract, termination will be effective as of the date specified in the notice of termination.

Section 12.07 Extension of termination effective date.

The Parties may extend the effective date of termination one (1) or more times by mutual written agreement.

Section 12.08 Payment and other provisions at Contract termination.

(a) In the event of termination pursuant to this Article, HHSC will pay the Capitation Payment for Services and Deliverables rendered through the effective date of termination. All pertinent provisions of the Contract will form the basis of settlement.

(b) MCO must provide HHSC all reasonable access to records, facilities, and documentation as is required to efficiently and expeditiously close out the Services and Deliverables provided under this Contract.

(c) MCO must prepare a Turnover Plan, which is acceptable to and approved by HHSC. The Turnover Plan will be implemented during the time period between receipt of notice and the termination date, in accordance with Attachment B-1, RFP Section 9.

Section 12.09 Modification of Contract in the event of remedies.

HHSC may propose a modification of this Contract in response to the imposition of a remedy under this Article. Any modifications under this Section must be reasonable, limited to the matters causing the exercise of a remedy, in writing, and executed in accordance with Article 8, “Amendments and Modifications.” MCO must negotiate such proposed modifications in good faith.

Section 12.10 Turnover assistance.
Upon receipt of notice of termination of the Contract by HHSC, MCO will provide any turnover assistance reasonably necessary to enable HHSC or its designee to effectively close out the Contract and move the work to another vendor or to perform the work itself.

**Section 12.11 Rights upon termination or expiration of Contract.**

In the event that the Contract is terminated for any reason, or upon its expiration, HHSC will, at HHSC's discretion, retain ownership of any and all associated work products, Deliverables and/or documentation in whatever form that they exist.

**Section 12.12 MCO responsibility for associated costs.**

If HHSC terminates the Contract for Cause, the MCO will be responsible to HHSC for all reasonable costs incurred by HHSC, the State of Texas, or any of its administrative agencies to replace the MCO. These costs include, but are not limited to, the costs of procuring a substitute vendor and the cost of any claim or litigation that is reasonably attributable to MCO’s failure to perform any Service in accordance with the terms of the Contract.

**Section 12.13 Dispute resolution.**

(a) General agreement of the Parties. The Parties mutually agree that the interests of fairness, efficiency, and good business practices are best served when the Parties employ all reasonable and informal means to resolve any dispute under this Contract. The Parties express their mutual commitment to using all reasonable and informal means of resolving disputes prior to invoking a remedy provided elsewhere in this Section.

(b) Duty to negotiate in good faith. Any dispute that in the judgment of any Party to this Contract may materially or substantially affect the performance of any Party will be reduced to writing and delivered to the other Party. The Parties must then negotiate in good faith and use every reasonable effort to resolve such dispute and the Parties must not resort to any formal proceedings unless they have reasonably determined that a negotiated resolution is not possible. The resolution of any dispute disposed of by Contract between the Parties must be reduced to writing and delivered to all Parties within ten (10) Business Days.

(c) Claims for breach of Contract.

(1) General requirement. MCO’s claim for breach of this Contract will be resolved in accordance with the dispute resolution process established by HHSC in accordance with Chapter 2260, Texas Government Code.

(2) Negotiation of claims. The Parties expressly agree that the MCO’s claim for breach of this Contract that the Parties cannot resolve in the ordinary course of business or through the use of all reasonable and informal means will be submitted to the negotiation process provided in Chapter 2260, Subchapter B, Texas Government Code.

(i) To initiate the process, MCO must submit written notice to HHSC that specifically states that MCO invokes the provisions of Chapter 2260, Subchapter B, Texas Government Code. The notice must comply with the requirements of Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.

(ii) The Parties expressly agree that the MCO’s compliance with Chapter 2260, Subchapter B, Texas Government Code, will be a condition precedent to the filing of a contested case proceeding under Chapter 2260, Subchapter C, of the Texas Government Code.

(3) Contested case proceedings. The contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be MCO’s sole and exclusive process for seeking a remedy for any and all alleged breaches of contract by HHSC if the Parties are unable to resolve their disputes under Subsection (c)(2) of this Section.

The Parties expressly agree that compliance with the contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be a condition precedent to seeking consent to sue from the Texas Legislature under Chapter 107, Civil Practices & Remedies Code. Neither the execution of this Contract by HHSC nor any other conduct of any representative of HHSC relating to this Contract will be considered a waiver of HHSC’s sovereign immunity to suit.

(4) HHSC rules. The submission, processing and resolution of MCO’s claim is governed by the rules adopted by HHSC pursuant to Chapter 2260, Texas Government Code, found at Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.

(5) MCO’s duty to perform. Neither the occurrence of an event constituting an alleged breach of contract nor the pending status of any claim for breach of contract is grounds for the suspension of performance, in whole or in part, by MCO of any duty or obligation with respect to the performance of this Contract. Any changes to the Contract as a result of a dispute resolution will be implemented in accordance with Article 8, “Amendments and Modifications.”

**Section 12.14 Liability of MCO.**
(a) MCO bears all risk of loss or damage to HHSC or the State due to:
   (1) Defects in Services or Deliverables;
   (2) Unfitness or obsolescence of Services or Deliverables; or
   (3) The negligence or intentional misconduct of MCO or its employees, agents, consultants, Subcontractors, or representatives.

(b) MCO must, at the MCO’s own expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC and State employees, officers, directors, contractors and agents from and against any losses, liabilities, damages, penalties, costs, fees, and expenses from any claim or action for property damage, bodily injury or death, to the extent caused by or arising from the negligence or intentional misconduct of the MCO and its employees, officers, agents, consultants, or Subcontractors. HHSC will not unreasonably withhold approval of counsel selected by MCO.

(c) MCO will not be liable to HHSC for any loss, damages or liabilities attributable to or arising from the failure of HHSC or any state agency to perform a service or activity in connection with this Contract.

Section 12.15 Pre-termination Process.

The following process will apply when HHSC terminates the Agreement for any reason set forth in Section 12.03(b), “Termination for Cause,” other than Subpart 6, “Termination for Non-appropriation of Funds.” HHSC will provide the MCO with reasonable advance written notice of the proposed termination, as it deems appropriate under the circumstances. The notice will include the reason for the proposed termination, the proposed effective date of the termination, and the time and place where the parties will meet regarding the proposed termination. During this meeting, the MCO may present written information explaining why HHSC should not affirm the proposed termination. HHSC’s Associate Commissioner for Medicaid and CHIP will consider the written information, if any, and will provide the MCO with a written notice of HHSC’s final decision affirming or reversing the termination. An affirming decision will include the effective date of termination.

The pre-termination process described herein will not limit or otherwise reduce the parties’ rights and responsibilities under Section 12.13, “Dispute Resolution;” however, HHSC’s final decision to terminate is binding and is not subject to review by the State Office of Administrative Hearings under Chapter 2260, Texas Government Code.

Article 13. Assurances & Certifications

Section 13.01 Proposal certifications.

MCO acknowledges its continuing obligation to comply with the requirements of the certifications contained in its Proposal, and will immediately notify HHSC of any changes in circumstances affecting the certifications.

Section 13.02 Conflicts of interest.

(a) Representation.

MCO agrees to comply with applicable state and federal laws, rules, and regulations regarding conflicts of interest in the performance of its duties under this Contract. MCO warrants that it has no interest and will not acquire any direct or indirect interest that would conflict in any manner or degree with its performance under this Contract.

(b) General duty regarding conflicts of interest.

MCO will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain. MCO will operate with complete independence and objectivity without actual, potential or apparent conflict of interest with respect to the activities conducted under this Contract.

Section 13.03 Organizational conflicts of interest.

(a) Definition.

An organizational conflict of interest is a set of facts or circumstances, a relationship, or other situation under which an MCO or a Subcontractor has past, present, or currently planned personal or financial activities or interests that either directly or indirectly:
   (1) Impairs or diminishes the MCO’s or Subcontractor’s ability to render impartial or objective assistance or advice to HHSC; or
   (2) Provides the MCO or Subcontractor an unfair competitive advantage in future HHSC procurements (excluding the award of this Contract).

(b) Warranty.


Except as otherwise disclosed and approved by HHSC prior to the Effective Date of the Contract, MCO warrants that, as of the Effective Date and to the best of its knowledge and belief, there are no relevant facts or circumstances that could give rise to an organizational conflict of interest affecting this Contract. MCO affirms that it has neither given, nor intends to give, at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, at any time during the procurement process or in connection with the procurement process except as allowed under relevant state and federal law.

(c) Continuing duty to disclose.

(1) MCO agrees that, if after the Effective Date, MCO discovers or is made aware of an organizational conflict of interest, MCO will immediately and fully disclose such interest in writing to the HHSC project manager. In addition, MCO must promptly disclose any relationship that might be perceived or represented as a conflict after its discovery by MCO or by HHSC as a potential conflict. HHSC reserves the right to make a final determination regarding the existence of conflicts of interest, and MCO agrees to abide by HHSC’s decision.

(2) The disclosure will include a description of the actions that MCO has taken or proposes to take to avoid or mitigate such conflicts.

(d) Remedy.

If HHSC determines that an organizational conflict of interest exists, HHSC may, at its discretion, terminate the Contract pursuant to Subsection 12.03(b)(9). If HHSC determines that MCO was aware of an organizational conflict of interest before the award of this Contract and did not disclose the conflict to the contracting officer, such nondisclosure will be considered a material breach of the Contract. Furthermore, such breach may be submitted to the Office of the Attorney General, Texas Ethics Commission, or appropriate State or Federal law enforcement officials for further action.

(e) Flow-down obligation.

MCO must include the provisions of this Section in all Subcontracts for work to be performed similar to the service provided by MCO, and the terms "Contract," "MCO," and "project manager" modified appropriately to preserve the state's rights.

Section 13.04 HHSC personnel recruitment prohibition.

MCO has not retained or promised to retain any person or company, or utilized or promised to utilize a consultant that participated in HHSC’s development of specific criteria of the RFP or who participated in the selection of the MCO for this Contract. Unless authorized in writing by HHSC, MCO will not recruit or employ any HHSC personnel who have worked on projects relating to the subject matter of this Contract, or who have had any influence on decisions affecting the subject matter of this Contract, for two (2) years following the completion of this Contract.

Section 13.05 Anti-kickback provision.

MCO certifies that it will comply with the Anti-Kickback Act of 1986, 41 U.S.C. §51-58 and Federal Acquisition Regulation 52.203-7, to the extent applicable.

Section 13.06 Debt or back taxes owed to State of Texas.

In accordance with Section 403.055 of the Texas Government Code, MCO agrees that any payments due to MCO under the Contract will be first applied toward any debt and/or back taxes MCO owes State of Texas. MCO further agrees that payments will be so applied until such debts and back taxes are paid in full.

Section 13.07 Outstanding debts and judgments.

MCO certifies that it is not presently indebted to the State of Texas, and that MCO is not subject to an outstanding judgment in a suit by State of Texas against MCO for collection of the balance. For purposes of this Section, an indebtedness is any amount or sum of money that is due and owing to the State of Texas and is not currently under dispute. A false statement regarding MCO’s status will be treated as a material breach of this Contract and may be grounds for termination at the option of HHSC.

Article 14. Representations & Warranties

Section 14.01 Authorization.

(a) The execution, delivery and performance of this Contract has been duly authorized by MCO and no additional approval, authorization or consent of any governmental or regulatory agency is required to be obtained in order for MCO to enter into this Contract and perform its obligations under this Contract.
(b) MCO has obtained all licenses, certifications, permits, and authorizations necessary to perform the Services under this Contract and currently is in good standing with all regulatory agencies that regulate any or all aspects of MCO’s performance of this Contract. MCO will maintain all required certifications, licenses, permits, and authorizations during the term of this Contract.

Section 14.02 Ability to perform.

MCO warrants that it has the financial resources to fund the capital expenditures required under the Contract without advances by HHSC or assignment of any payments by HHSC to a financing source.

Section 14.03 Minimum Net Worth.

The MCO has, and will maintain throughout the life of this Contract, minimum net worth that complies with standards adopted by TDI. Minimum net worth means the excess total admitted assets over total liabilities, excluding liability for subordinated debt issued in compliance with Chapter 843 of the Texas Insurance Code.

Section 14.04 Insurer solvency.

(a) The MCO must be and remain in full compliance with all applicable state and federal solvency requirements for basic-service health maintenance organizations, including but not limited to, all reserve requirements, net worth standards, debt-to-equity ratios, or other debt limitations. In the event the MCO fails to maintain such compliance, HHSC, without limiting any other rights it may have by law or under the Contract, may terminate the Contract.

(b) If the MCO becomes aware of any impending changes to its financial or business structure that could adversely impact its compliance with the requirements of the Contract or its ability to pay its debts as they come due, the MCO must notify HHSC immediately in writing.

(c) The MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

1. continuation of Covered Services, until the time of discharge, to Members who are confined on the date of insolvency in a hospital or other inpatient facility;
2. payments to unaffiliated health care providers and affiliated healthcare providers whose Contracts do not contain Member “hold harmless” clauses acceptable to the TDI;
3. continuation of Covered Services for the duration of the Contract Period for which a capitation has been paid for a Member;
4. provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI and the Contract.

Should TDI determine that there is an immediate risk of insolvency or the MCO is unable to provide Covered Services to its Members, HHSC, without limiting any other rights it may have by law, or under the Contract, may terminate the Contract.

Section 14.05 Workmanship and performance.

(a) All Services and Deliverables provided under this Contract will be provided in a manner consistent with the standards of quality and integrity as outlined in the Contract.

(b) All Services and Deliverables must meet or exceed the required levels of performance specified in or pursuant to this Contract.

(c) MCO will perform the Services and provide the Deliverables in a workmanlike manner, in accordance with best practices and high professional standards used in well-managed operations performing services similar to the Services described in this Contract.

Section 14.06 Warranty of deliverables.

MCO warrants that Deliverables developed and delivered under this Contract will meet in all material respects the specifications as described in the Contract during the period following its acceptance by HHSC, through the term of the Contract, including any subsequently negotiated by MCO and HHSC. MCO will promptly repair or replace any such Deliverables not in compliance with this warranty at no charge to HHSC.

Section 14.07 Compliance with Contract.
MCO will not take any action substantially or materially inconsistent with any of the terms and conditions set forth in this Contract without the express written approval of HHSC.

Section 14.08 Technology Access

All technological solutions offered by the MCO must comply with the requirements of Texas Government Code § 531.0162. This includes providing technological solutions that meet federal accessibility standards for persons with disabilities, as applicable.

Section 14.09 Electronic & Information Resources Accessibility Standards

(a) Applicability
The following Electronic and Information Resources (EIR) requirements apply to the Contract because the MCO performs services that include EIR that: (i) HHSC employees are required or permitted to access; or (ii) members of the public are required or permitted to access. This Section does not apply to incidental uses of EIR in the performance of a Contract, unless the Parties agree that the EIR will become property of the State or will be used by the HHSC’s clients or recipients after completion of the Contract. Nothing in this section is intended to prescribe the use of particular designs or technologies or to prevent the use of alternative technologies, provided they result in substantially equivalent or greater access to and use of a Product.

(b) Definitions.
For purposes of this Section:

“Accessibility Standards” means the Electronic and Information Resources Accessibility Standards and the Web Site Accessibility Standards/Specifications.

“Electronic and Information Resources” means information resources, including information resources technologies, and any equipment or interconnected system of equipment that is used in the creation, conversion, duplication, or delivery of data or information. The term includes, but is not limited to, telephones and other telecommunications products, information kiosks, transaction machines, Internet websites, multimedia resources, and office equipment, including copy machines and fax machines.

“Electronic and Information Resources Accessibility Standards” means the accessibility standards for electronic and information resources contained in Volume 1 Texas Administrative Code Chapter 213.

“Web Site Accessibility Standards/Specifications” means standards contained in Volume 1 Texas Administrative Code Chapter 206.

“Product” means information resources technology that is, or is related to, EIR.

(c) Accessibility Requirements.
Under Texas Government Code Chapter 2054, Subchapter M, and implementing rules of the Texas Department of Information Resources, HHSC must procure Products that comply with the Accessibility Standards when such Products are available in the commercial marketplace or when such Products are developed in response to a procurement solicitation. Accordingly, MCO must provide electronic and information resources and associated Product documentation and technical support that comply with the Accessibility Standards.

(d) Evaluation, Testing, and Monitoring.

(1) HHSC may review, test, evaluate and monitor MCO’s Products and associated documentation and technical support for compliance with the Accessibility Standards. Review, testing, evaluation and monitoring may be conducted before and after the award of a contract. Testing and monitoring may include user acceptance testing.

Neither (1) the review, testing (including acceptance testing), evaluation or monitoring of any Product, nor (2) the absence of such review, testing, evaluation or monitoring, will result in a waiver of the State’s right to contest the MCO’s assertion of compliance with the Accessibility Standards.

(2) MCO agrees to cooperate fully and provide HHSC and its representatives timely access to Products, records, and other items and information needed to conduct such review, evaluation, testing and monitoring.

(e) Representations and Warranties.

(1) MCO represents and warrants that: (i) as of the Effective Date of the Contract, the Products and associated documentation and technical support comply with the Accessibility Standards as they exist at the time of entering the Contract, unless and to the extent the Parties otherwise expressly agree in writing; and (ii) if the Products will be in the custody of the state or an HHS Agency’s client or recipient after the Contract expiration or termination, the Products will continue to comply with such Accessibility Standards after the expiration or termination of the Contract Term, unless HHSC and/or its clients or recipients, as applicable, use the Products in a manner that renders it noncompliant.

(2) In the event MCO should have known, becomes aware, or is notified that the Product and associated documentation and technical support do not comply with the Accessibility Standards, MCO represents and warrants that it will, in a timely manner and at no cost to HHSC, perform all necessary steps to satisfy the Accessibility
Standards, including but not limited to remediation, replacement, and upgrading of the Product, or providing a suitable substitute.

(3) MCO acknowledges and agrees that these representations and warranties are essential inducements on which HHSC relies in awarding this Contract.

(4) MCO’s representations and warranties under this subsection will survive the termination or expiration of the Contract and will remain in full force and effect throughout the useful life of the Product.

(f) Remedies.

(1) Pursuant to Texas Government Code Sec. 2054.465, neither MCO nor any other person has cause of action against HHSC for a claim of a failure to comply with Texas Government Code Chapter 2054, Subchapter M, and rules of the Department of Information Resources.

(2) In the event of a breach of MCO’s representations and warranties, MCO will be liable for direct, consequential, indirect, special, and/or liquidated damages and any other remedies to which HHSC may be entitled under this Contract and other applicable law. This remedy is cumulative of any and all other remedies to which HHSC may be entitled under this Contract and other applicable law.

Article 15. Intellectual Property

Section 15.01 Infringement and misappropriation.

(a) MCO warrants that all Deliverables provided by MCO will not infringe or misappropriate any right of, and will be free of any claim of, any third person or entity based on copyright, patent, trade secret, or other intellectual property rights.

(b) MCO will, at its expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC, its employees, officers, directors, contractors, and agents from and against any losses, liabilities, damages, penalties, costs, and fees from any claim or action against HHSC that is based on a claim of breach of the warranty set forth in the preceding paragraph. HHSC will promptly notify MCO in writing of the claim, provide MCO a copy of all information received by HHSC with respect to the claim, and cooperate with MCO in defending or settling the claim. HHSC will not unreasonably withhold, delay or condition approval of counsel selected by the MCO.

(c) In case the Deliverables, or any one (1) or part thereof, is in such action held to constitute an infringement or misappropriation, or the use thereof is enjoined or restricted or if a proceeding appears to MCO to be likely to be brought, MCO will, at its own expense, either:

(1) Procure for HHSC the right to continue using the Deliverables; or

(2) Modify or replace the Deliverables to comply with the Specifications and to not violate any intellectual property rights.

Section 15.02 Exceptions.

MCO is not responsible for any claimed breaches of the warranties set forth in Section 15.01 to the extent caused by:

(a) Modifications made to the item in question by anyone other than MCO or its Subcontractors, or modifications made by HHSC or its contractors working at MCO’s direction or in accordance with the specifications; or

(b) The combination, operation, or use of the item with other items if MCO did not supply or approve for use with the item; or

(c) HHSC’s failure to use any new or corrected versions of the item made available by MCO.

Section 15.03 Ownership and Licenses

(a) Definitions.

For purposes of this Section 15.03, the following terms have the meanings set forth below:

(1) “Custom Software” means any software developed by the MCO: for HHSC; in connection with the Contract; and with funds received from HHSC. The term does not include MCO Proprietary Software or Third Party Software.

(2) “MCO Proprietary Software” means software: (i) developed by the MCO prior to the Effective Date of the Contract, or (ii) software developed by the MCO after the Effective Date of the Contract that is not developed: for HHSC; in connection with the Contract; and with funds received from HHSC.

(3) “Third Party Software” means software that is: developed for general commercial use; available to the public; or not developed for HHSC. Third Party Software includes without limitation: commercial off-the-shelf software; operating system software; and application software, tools, and utilities.

(b) Deliverables.

The Parties agree that any Deliverable, including without limitation the Custom Software, will be the exclusive property of HHSC.

(c) Ownership rights.
Article 16. Liability

Section 16.01 Property damage.

(a) MCO will protect HHSC’s real and personal property from damage arising from MCO’s, its agent’s, employees’, Consultants’, and Subcontractors’ performance of the Scope of Work, and MCO will be responsible for any loss, destruction, or damage to HHSC’s property that results from or is caused by MCO’s, its agents’, employees’, consultant’s, or Subcontractors’ negligent or wrongful acts or omissions. Upon the loss of, destruction of, or damage to any property of HHSC, MCO will notify the HHSC Project Manager thereof and, subject to direction from the Project Manager or her or his designee, will take all reasonable steps to protect that property from further damage.

(b) MCO agrees to observe and encourage its employees and agents to observe safety measures and proper operating procedures at HHSC sites at all times.

(c) MCO will distribute a policy statement to all of its employees and agents that directs the employee or agent to promptly report to HHSC or to MCO any special defect or unsafe condition encountered while on HHSC premises. MCO will promptly report to HHSC any special defect or an unsafe condition it encounters or otherwise learns about.

Section 16.02 Risk of Loss.

During the period Deliverables are in transit and in possession of MCO, its carriers or HHSC prior to being accepted by HHSC, MCO will bear the risk of loss or damage thereto, unless such loss or damage is caused by the negligence or intentional misconduct of HHSC. After HHSC accepts a Deliverable, the risk of loss or damage to the Deliverable will be borne by HHSC, except loss or damage attributable to the negligence or intentional misconduct of MCO’s agents, employees, consultants, or Subcontractors.
Section 16.03 Limitation of HHSC’s Liability.

HHSC WILL NOT BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHER LEGAL THEORY. THIS WILL APPLY REGARDLESS OF THE CAUSE OF ACTION AND EVEN IF HHSC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

HHSC’S LIABILITY TO MCO UNDER THE CONTRACT WILL NOT EXCEED THE TOTAL CHARGES TO BE PAID BY HHSC TO MCO UNDER THE CONTRACT, INCLUDING CHANGE ORDER PRICES AGREED TO BY THE PARTIES OR OTHERWISE ADJUDICATED.

MCO’s remedies are governed by the provisions in Article 12.

Section 17.01 Insurance Coverage.

(a) Statutory and General Coverage

MCO will maintain, at the MCO’s expense, the following insurance coverage:

(1) Business Automobile Liability Insurance for all owned, non-owned, and hired vehicles for bodily injury and property damage;
(2) Comprehensive General Liability Insurance of at least $1,000,000.00 per occurrence and $5,000,000.00 in the aggregate (including Bodily Injury coverage of $100,000.00 per occurrence and Property Damage Coverage of $25,000.00 per occurrence); and
(3) If MCO’s current Comprehensive General Liability insurance coverage does not meet the above stated requirements, MCO will obtain Umbrella Liability Insurance to compensate for the difference in the coverage amounts. If Umbrella Liability Insurance is provided, it must follow the form of the primary coverage.

(b) Professional Liability Coverage.

(1) MCO must maintain, or cause its Network Providers to maintain, Professional Liability Insurance for each Network Provider of $100,000.00 per occurrence and $300,000.00 in the aggregate, or the limits required by the hospital at which the Network Provider has admitting privileges.
(2) MCO must maintain an Excess Professional Liability (Errors and Omissions) Insurance Policy for the greater of $3,000,000.00 or an amount (rounded to the nearest $100,000.00) that represents the number of Members enrolled in the MCO in the first month of the applicable State Fiscal Year multiplied by $150.00, not to exceed $10,000,000.00.

(c) General Requirements for All Insurance Coverage

(1) Except as provided herein, all exceptions to the Contract’s insurance requirements must be approved in writing by HHSC. HHSC’s written approval is not required in the following situations:

(i) An MCO or a Network Provider is not required to obtain the insurance coverage described in Section 17.01 if the MCO or Network Provider qualifies as a state governmental unit or municipality under the Texas Tort Claims Act, and is required to comply with, and subject to the provisions of, the Texas Tort Claims Act.
(ii) An MCO may waive the Professional Liability Insurance requirement described in Section 17.01(b)(1) for a Network Provider of Community-based Long-term Services and Supports. An MCO may not waive this requirement if the Network Provider provides other Covered Services in addition to Community-based Long Term Services and Supports, or if a Texas licensing entity requires the Network Provider to carry such Professional Liability coverage. An MCO that waives the Professional Liability Insurance requirement for a Network Provider pursuant to this provision is not required to obtain such coverage on behalf of the Network Provider.
(2) MCO or the Network Provider is responsible for any and all deductibles stated in the insurance policies.
(3) Insurance coverage must be issued by insurance companies authorized to conduct business in the State of Texas.
(4) With the exception of Professional Liability Insurance maintained by Network Providers, all insurance coverage must name HHSC as an additional insured. In addition, with the exception of Professional Liability Insurance maintained by Network Providers and Business Automobile Liability Insurance, all insurance coverage must name HHSC as a loss payee.
(5) Insurance coverage kept by the MCO must be maintained in full force at all times during the Term of the Contract, and until HHSC’s final acceptance of all Services and Deliverables. Failure to maintain such insurance coverage will constitute a material breach of this Contract.
(6) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must have extended reporting periods of two (2) years. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, the Contract Effective Date.
(7) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must provide that prior written notice be given to HHSC at least 30 calendar days before coverage is reduced below minimum HHSC contractual requirements, canceled, or non-renewed. MCO must submit a new coverage binder to HHSC to ensure no break in coverage.

(8) The Parties expressly understand and agree that any insurance coverages and limits furnished by MCO will in no way expand or limit MCO’s liabilities and responsibilities specified within the Contract documents or by applicable law.

(9) MCO expressly understands and agrees that any insurance maintained by HHSC will apply in excess of and not contribute to insurance provided by MCO under the Contract.

(10) If MCO, or its Network Providers, desire additional coverage, higher limits of liability, or other modifications for its own protection, MCO or its Network Providers will be responsible for the acquisition and cost of such additional protection. Such additional protection will not be an Allowable Expense under this Contract.

(11) MCO will require all insurers to waive their rights of subrogation against HHSC for claims arising from or relating to this Contract.

(d) Proof of Insurance Coverage

(1) Except as provided in Section 17.01(d)(2), the MCO must furnish the HHSC Project Manager original Certificates of Insurance evidencing the required insurance coverage on or before the Effective Date of the Contract. If insurance coverage is renewed during the Term of the Contract, the MCO must furnish the HHSC Project Manager renewal certificates of insurance, or such similar evidence, within five (5) Business Days of renewal. The failure of HHSC to obtain such evidence from MCO will not be deemed to be a waiver by HHSC and MCO will remain under continuing obligation to maintain and provide proof of insurance coverage.

(2) The MCO is not required to furnish the HHSC Project Manager proof of Professional Liability Insurance maintained by Network Providers on or before the Effective Date of the Contract, but must provide such information upon HHSC’s request during the Term of the Contract.

Section 17.02 Performance Bond.

(a) The MCO must obtain a performance bond with a one (1) year term. The performance bond must be renewable and renewal must occur no later than the first day of each subsequent State Fiscal Year. The performance bond must continue to be in effect for one (1) year following the expiration of the final renewal period. MCO must obtain and maintain the performance bonds in the form prescribed by HHSC and approved by TDI, naming HHSC as Obligee, securing MCO’s faithful performance of the terms and conditions of this Contract. The performance bonds must comply with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. At least one (1) performance bond must be issued. The amount of the performance bond(s) should total $100,000.00 for each MCO Program within each Service Area that the MCO covers under this Contract. Performance bonds must be issued by a surety licensed by TDI, and specify cash payment as the sole remedy. MCO must deliver each renewal prior to the first day of the State Fiscal Year.

(b) Since the CHIP Perinatal Program is a subprogram of the CHIP Program, neither a separate performance bond for the CHIP Perinatal Program nor a combined performance bond for the CHIP and CHIP Perinatal Programs is required. The same bond that the MCO obtains for its CHIP Program within a particular Service Area also will cover the MCO’s CHIP Perinatal Program in that same Service Area.

Section 17.03 TDI Fidelity Bond

The MCO will secure and maintain throughout the life of the Contract a fidelity bond in compliance with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. The MCO must promptly provide HHSC with copies of the bond and any amendments or renewals thereto.
<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Sections 1 – 5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 1.3 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC. Section 1.8.1 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, &quot;Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 1.6.1 is modified to replace reference to the 1915(b) waiver with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.6.2 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.8 is modified to reference the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC’s administrative rules for identification of eligible populations. Section 1.8.1 STAR Program Eligibility is deleted in its entirety. Section 1.8.2 STAR+PLUS Eligibility is deleted in its entirety. Section 1.8.3 CHIP Program Eligibility is deleted in its entirety.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Section 2.1 is modified to clarify that HHSC uses two dashboards. Section 4.3.7.2 is modified to correct the name to which the acronym HEDIS refers.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Section 1.6.3 is modified to clarify the eligibility thresholds.</td>
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1. Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2. Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3. Brief description of the changes to the document made in the revision.
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1. Introduction

1.1 Point-of-Contact

The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission
Enterprise Contracts and Procurement Services
4405 North Lamar Blvd
All communications relating to this RFP must be directed to the HHSC contact person named above. All communications between Respondents and other HHSC staff members concerning this RFP are strictly prohibited. **Failure to comply with these requirements may result in proposal disqualification.**

### 1.2 Procurement Schedule

The following table documents the critical pre-award events for the procurement. All dates are subject to change at HHSC’s discretion.

<table>
<thead>
<tr>
<th>Event</th>
<th>Date/Time</th>
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<tbody>
<tr>
<td>Draft RFP Release Date</td>
<td>November 5, 2010</td>
</tr>
<tr>
<td>Draft RFP Respondent Comments Due</td>
<td>December 6, 2010</td>
</tr>
<tr>
<td>RFP Release Date</td>
<td>April 8, 2011</td>
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<td>Vendor Conference</td>
<td>April 18, 2011 1:00pm CDT</td>
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<td>April 19, 2011</td>
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<td>Letters Claiming Mandatory Contract Status Due</td>
<td>April 28, 2011</td>
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<tr>
<td>HHSC Posts Responses to Respondent Questions</td>
<td>April 29, 2011</td>
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<td>Proposals Due</td>
<td>May 23, 2011</td>
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<tr>
<td>Deadline for Proposal Withdrawal</td>
<td>May 23, 2011</td>
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<tr>
<td>Respondent Demonstrations/Oral Presentations (HHSC option)</td>
<td>HHSC will not be holding presentations</td>
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<tr>
<td>Tentative Award Announcement</td>
<td>August 1, 2011</td>
</tr>
<tr>
<td>Anticipated Contract Start Date</td>
<td>September 1, 2011</td>
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<tr>
<td>Operational Start Date</td>
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### 1.3 Purpose

The State of Texas, by and through the Texas Health and Human Services Commission (HHSC), is soliciting competitive proposals for managed care services for recipients who participate in the following managed care programs:

- Medicaid State of Texas Access Reform Program (STAR);
- Medicaid STAR+PLUS Program;
- Children’s Health Insurance Program (CHIP), including the CHIP Perinatal subprogram.

In order to ensure that recipients have a choice of health plans in all MCO Programs, HHSC will select at least two (2) managed care organizations (MCOs) per MCO Program and Service Area.

Through this Request for Proposals (RFP), HHSC is expanding both the scope of services and the geographical areas covered by its current managed care programs. New features include:

- Expansion of STAR into two (2) new regions, the Hidalgo Service Area and Medicaid Rural Service Area (MRSA).
- Expansion of STAR+PLUS into the El Paso and Lubbock Service Areas, as well as the new Hidalgo Service Area.
Adjustments to the Service Area boundaries for STAR, STAR+PLUS and CHIP Service Areas, so that the Service Areas are consistent for all Programs.

The addition of prescription drug benefits to the managed care structure. The prescription drug benefit will no longer be carved-out of managed care and paid through HHSC’s Vendor Drug Program. Medicaid and CHIP MCOs will be responsible for recruiting and maintaining pharmacy providers and paying for pharmacy benefits.

The addition of inpatient facility services to the managed care structure for STAR+PLUS.

For Dual Eligible Members in the STAR+PLUS Program, the addition of Medicaid Wrap Services to the scope of Covered Services at a date determined by HHSC.

Attachments B-5, 5.1, 5.2 include maps of the planned STAR, STAR+PLUS and CHIP Service Areas.

1.4 Mission Statement

HHSC’s mission is to create a customer-focused, innovative, and adaptable managed care system that provides the highest quality of care to clients while at the same time ensures access to services. Through this procurement, HHSC seeks to accomplish its mission by contracting for measurable results that improve Member access and satisfaction; maximize program efficiency, effectiveness, and responsiveness; and limit operational costs.

1.5 Mission Objectives

To accomplish the HHSC’s mission, HHSC will prioritize desired outcomes and benefits for the managed care programs, and will focus its monitoring efforts on the MCOs’ ability to provide satisfactory results in the following areas.

1. Network adequacy and access to care

All Members must have timely access to quality of care through a Network of Providers designed to meet the needs of the population served. The MCO will be held accountable for creating and maintaining a Network capable of delivering all Covered Services to Members. The MCO must provide Members with access to qualified Network Providers within the travel distance and waiting time for appointment standards defined in this RFP.

2. Quality

HHSC is accountable to Texans for ensuring that all Members receive quality services in the most efficient and effective manner possible. Accordingly, the MCO will be responsible for providing high quality services in a professional and ethical manner. HHSC expects the MCO to implement new and creative approaches that ensure quality services, cost-effective service delivery, and careful stewardship of public resources.

3. Timeliness of claim payment

The MCO’s ability to ensure that Network Providers receive timely and fair payment for services rendered is a key component of their success in the STAR, STAR+PLUS, and CHIP programs. The MCO must have the ability to timely comply with HHSC’s claims adjudication requirements, as set forth in the Uniform Managed Care Manual. Therefore, HHSC will require strict adherence to claims adjudication standards during the term of the Contract. HHSC also encourages MCOs to provide a no-cost alternative for providers to allow billing without the use of a clearinghouse, and to include attendant care payments as part of the regular claims payment process.

4. Timeliness with which prenatal care is initiated

STAR Program data has revealed that 83% of pregnant women received prenatal care in the first trimester or within 42 days of enrollment. While this rate approximates the Medicaid managed care national average, HHSC believes that the high prevalence of births in the STAR population warrants efforts to improve timeliness of prenatal care initiation.
5. Behavioral health services

Members must have timely access to Medically Necessary Behavioral Health Services, such as mental health counseling and treatment, as well as timely and appropriate follow-up care.

6. Delivery of health care to diverse populations

Member populations in Texas are as diverse as those of any state in the nation. Health Care Services must be delivered without regard to racial or ethnic factors. HHSC expects the MCO to implement intervention strategies to avoid disparities in the delivery of Health Care Services to diverse populations and provide services in a culturally competent manner as described in Section 8.1.5.8 of the RFP.

7. Disease management requirements

The MCO must provide a comprehensive disease management program or coverage for Disease Management (DM) services for asthma, diabetes, and other chronic diseases identified by the MCO, based upon an evaluation of the prevalence of the diseases within the MCO’s membership. Please refer to the Uniform Managed Care Manual, Chapter 9.1 “Disease Management,” for additional DM requirements.

8. Service Coordination

The integration of Acute Care services and Community-based Long-Term Services and Supports is an essential feature of STAR+PLUS. A STAR+PLUS MCO must demonstrate that there are sufficient levels of qualified and competent personnel devoted to Service Coordination to meet the everyday needs of STAR+PLUS Members, including Dual Eligibles.

9. Continuity Of Care

HHSC expects that established Member/Provider relationships, existing treatment protocols, and ongoing care plans will not be impacted significantly by this procurement. Transition to the MCO must be as seamless as possible for Members and their Providers.

1.6 Overview of the HHSC MCO Programs

House Bill 7 from the 72nd Regular Session of the Texas Legislature mandated the establishment of Medicaid managed care pilot projects that utilized proven approaches for delivering comprehensive health care. In 1991, the Texas Department of Health created the Bureau of Managed Care. Since that time, Texas has administered a comprehensive set of managed care programs to serve low income Texans. These programs, as presently constituted and administered by HHSC, include the STAR, STAR+PLUS, and CHIP Programs as described in this section.

1.6.1 STAR

STAR is currently HHSC's primary managed care program for Medicaid Eligibles and operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. It grew out of a pilot project in Travis County in 1993.

STAR is currently available in Bexar, Dallas, El Paso, Harris, Nueces, Jefferson, Lubbock, Tarrant, and Travis regions. Total STAR enrollment as of August 1, 2010 was 1,452,531.

All non-STARS counties in Texas (primarily rural areas) are currently served by the Medicaid Primary Care Case Management Program (PCCM). Total PCCM enrollment as of August 1, 2010 was 840,172. As a result of this procurement, PCCM will be replaced by STAR in the Hidalgo Service Area and the Medicaid Rural Service Area (MRSA). Note, however, that in the Hidalgo Service Area, HHSC will secure legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR Program. Refer to the Procurement Library for current and projected STAR enrollment by Service Area.
1.6.2 STAR+PLUS

STAR+PLUS is a Texas Medicaid program integrating the delivery of Acute Care services and Community-based Long-Term Services and Supports to aged, blind, and disabled (ABD) Medicaid recipients through a managed care system. STAR+PLUS began as a Medicaid pilot project in Harris County in 1998. The STAR+PLUS program operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. The waivers allow the state to provide home and community-based services for Supplemental Security Income (SSI) eligible and SSI-related Medicaid clients, and to mandate managed care participation for SSI/SSI-related eligible clients who are 21 years of age and older. Enrollment in STAR+PLUS is voluntary for clients who are 20 years of age and younger.

As of August 1, 2010, STAR+PLUS MCOs served 169,873 Members in the Bexar, Harris, Nueces, and Travis Service Areas. Through this procurement, HHSC intends to expand STAR+PLUS to the El Paso, Hidalgo, and Lubbock Service Areas (see Attachment B-5.2 STAR+PLUS Service Area Map). As in STAR, HHSC will seek legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR+PLUS Hidalgo Service Area. Refer to the Procurement Library for current and projected STAR+PLUS enrollment by Service Area.

1.6.3 CHIP

CHIP is HHSC’s program to help Texas families obtain affordable coverage for their uninsured children (from birth through the month of their 19th birthday). In 1999, the 76th Texas Legislature authorized the state’s participation in the federal CHIP program. The principal objective of the state legislation was to provide primary and preventative health care to low-income, uninsured children of Texas, including Children with Special Health Care Needs (CSHCN) who were not served by or eligible for other state-assisted health insurance programs.

HHSC began operating CHIP in 2000. CHIP Members are currently covered through two (2) types of managed care entities - health maintenance organizations (HMOs) licensed by the Texas Department of Insurance (TDI) and exclusive provider organizations (EPOs) with TDI-approved exclusive provider benefit plans (EPBPs). HMOs serve CHIP Members in eight (8), primarily urban Service Areas. EPOs serve the remaining CHIP Members, who reside primarily in the 174-county rural service area (the CHIP RSA). As of September 1, 2010, 523,895 children were enrolled in CHIP. Of these, 400,243 were enrolled in HMOs. The balance of the CHIP enrollment is in the EPOs serving the CHIP RSA. Refer to the Procurement Library for current and projected CHIP enrollment by Service Area.

The CHIP Perinatal Program, a subprogram of CHIP, is for unborn children of women who are not eligible for Medicaid. The 2006-07 General Appropriations Act (Article II, Health and Human Services Commission, Rider 70, S.B. 1, 79th Legislature, Regular Session, 2005) authorized HHSC to expend funds to provide unborn children with health benefit coverage under CHIP. The result was the CHIP Perinatal Program, which began in January 2007. This benefit allows pregnant women who are ineligible for Medicaid due to income (whose income is greater than the Medicaid eligibility threshold) or immigration status (and whose income is also below the Medicaid eligibility threshold) to receive prenatal care for their unborn children. Upon delivery, newborns in families with income at or below the Medicaid eligibility threshold move from the CHIP Perinatal Program to Medicaid, where they receive 12-months of continuous Medicaid coverage. CHIP Perinatal newborns in families with incomes above the Medicaid eligibility threshold remain in the CHIP Perinatal Program and receive CHIP benefits for a 12-month coverage period, beginning on the date of enrollment as an unborn child. CHIP Perinatal Program Members are exempt from the 90-day waiting period, the asset test, and all cost-sharing that applies to traditional CHIP Members, including enrollment fees and co-pays, for the duration of their coverage period. As of September 1, 2010, 33,860 CHIP Perinates (unborn children) and 19,076 CHIP Perinate Newborns were enrolled in this subprogram.

Throughout this RFP, references to CHIP apply to both the traditional CHIP Program and the CHIP Perinatal subprogram unless the context indicates otherwise.

1.7 Other HHSC Managed Care Programs

The following managed care options are not included in the scope of this procurement:

CHIP Rural Service Area (RSA): 174 primarily-rural counties.
Medicaid and CHIP Dental Programs: The Medicaid State Plan encourages eligible individuals to improve and maintain good oral health by providing access to comprehensive dental care. The CHIP Dental Program is a statewide program that provides services such as routine check-ups, cleanings, X-rays, sealants, fillings, tooth removal, crowns/caps, and root canals for all CHIP children. HHSC has issued a managed care procurement with an anticipated operational start date of March 1, 2012 for both the Medicaid and CHIP Dental Programs.

STAR+PLUS Program in the Dallas and Tarrant Service Areas: Effective February 1, 2011, STAR+PLUS began serve approximately 78,000 Medicaid clients in the Dallas and Tarrant Service Areas.

STAR Health Program: On April 1, 2008, HHSC launched the STAR Health program as the first comprehensive health and medical network for children who are in the state’s foster care system. The goal is to give children health care services that are coordinated, comprehensive, easy to find, and uninterrupted when the child moves.

NorthSTAR: NorthSTAR is an integrated behavioral health delivery system for Medicaid Eligibles in the Dallas Service Area. It is an initiative of the Texas Department of Mental Health and Mental Retardation and the Texas Commission on Alcohol and Drug Abuse. Behavioral Health Services are provided by a licensed behavioral health organization. Due to the presence of NorthSTAR in the Dallas Service Area, MCOs in the Service Area will not be required to provide Behavioral Health Services to STAR Members.

1.8 Eligible Populations for HHSC MCO Programs

The Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC’s administrative rules identify the populations that are eligible for STAR and STAR+PLUS, and the CHIP State Plan identifies the populations eligible for CHIP.

Federal law requires a choice of Medicaid managed care health plans in any given Service Area. For the STAR Program, during the period after which the Medicaid eligibility determination has been made, but prior to enrollment in the MCO, Medicaid Eligibles, with the exception of certain newborns and pregnant women will be enrolled under the traditional fee-for-service Medicaid program (see Article 5 of Attachment A, Uniform Managed Care Contract Terms and Conditions of the RFP). All such Medicaid Eligibles will remain in the fee-for-service Medicaid program until enrolled in or assigned to a STAR or STAR+PLUS MCO, as applicable. For the CHIP MCO Program, there is no benefit coverage for CHIP-eligible children prior to enrollment in a CHIP MCO.

1.9 Authorization

The Texas Legislature has designated HHSC as the single state agency to administer the Medicaid and CHIP Programs in the State of Texas. HHSC has authority to contract with MCOs to carry out the duties and functions of the Medicaid Managed Care Program under Title XIX of the Social Security Act; §12.011 and §12.02, Texas Health and Safety Code; and Chapter 533, Texas Government Code. HHSC has the authority to contract with MCOs to carry out the duties of the CHIP Managed Care Program under Title XXI of the Social Security Act, and Chapter 62, Texas Health and Safety Code.

Contracts awarded under this RFP are subject to all necessary federal and state approvals, including, but not limited to, Centers for Medicare and Medicaid Services (CMS) approval.

1.10 Eligible Respondents

Except as provided herein, eligible Respondents include insurers that are licensed by the TDI as HMOs in accordance with Chapter 843 of the Texas Insurance Code, or a certified Approved Non-Profit Health Corporation (ANHC), formed in compliance with Chapter 844 of the Texas Insurance Code.

For the STAR and STAR+PLUS Hidalgo Service Area, eligible respondents include HMOs, ANHCs, and EPOs with TDI-approved EPBPs. Note that under current state law, HHSC is precluded from providing services to Medicaid recipients through an HMO model in the following three (3) counties in the Hidalgo Service Area: Cameron, Hidalgo, and Maverick. HHSC will not implement any form of capitated managed care in these three (3) counties in the Hidalgo Service Area without guidance from the Texas Legislature. Respondents who are interested in bidding on the Hidalgo Service Area should nevertheless pursue one or more forms of TDI approval appropriate to these counties.
For the Medicaid Rural Service Area for STAR, eligible respondents include HMOs, ANHCs, EPOs with TDI-approved EPBPs. Note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may seek TDI approval in one (1) or more of these areas, but should note that HHSC will more favorably evaluate responses that propose to serve all three (3) areas. Should HHSC determine that it is in the state’s best interest to subdivide the Medicaid Rural Service Area for purposes of award, the Medicaid Rural Service Area will still be treated as one (1) Service Area for rate-setting purposes.

Throughout this RFP, the term “MCO” is used to refer to HMOs, ANHCs, and EPOs.

A Respondent that has submitted its application for licensure as an HMO, for certification as an ANHC, or for approval of an EPBP prior to the Proposal due date is also eligible to respond to this RFP; however, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract (see Section 1.2, “Procurement Schedule”). Failure to receive the required approval within 60 days after HHSC executes the Contract will result in the cancellation of the award.

For more information on the reasons for HHSC’s disqualification of Respondents, see Section 3.3.2, “Conflicts of Interest,” and Section 3.3.3, “Former Employees of a State Agency.”

1.11 Term of Contract

The Initial Contract Period will begin on the Contract’s Effective Date (generally the date HHSC signs the contract) and will continue through August 31, 2015 (the “Initial Contract Period”). HHSC may, at its option, extend the Contract for an additional period or periods, not to exceed a total of eight (8) operational years. All reserved Contract extensions beyond the Initial Contract Period will be subject to good faith negotiation between the parties.

1.12 Development of Contracts

HHSC intends to execute one (1) Contract per MCO, which will include all awarded MCO Programs and Service Areas. For reference only, HHSC has included a copy of the standard Managed Care Contract in the Procurement Library. The Managed Care Contract identifies an MCO’s awarded MCO Programs and Service Areas, and identifies all documents that will become part of the agreement, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

1.13 Medicaid and CHIP Service Areas

In this RFP, HHSC distinguishes areas of Texas by MCO Program Service Areas. If a Respondent proposes to participate in an HHSC MCO Program Service Area, the Respondent must propose to serve all counties in the HHSC-defined Service Area, with the following exception. As described above, Respondents may choose to serve all or part of the STAR Medicaid Rural Service Area. Maps and tables depicting the Service Area configuration for each of the MCO Programs can be found in Attachments B-5, 5.1, and 5.2. The tables indicate the counties included in each of the designated Service Areas. The following chart summarizes the MCO Program options included in the scope of this procurement, by Service Area.
As described above, HHSC intends to expand the STAR Program to include the Hidalgo Service Area and Medicaid RSA, and the STAR+PLUS MCO Program to include the El Paso, Hidalgo, and Lubbock Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.

2. Procurement Strategy and Approach

HHSC seeks to contract with at least two (2) MCOs for each MCO Program and Service Areas to provide for client choice. It is possible that a Service Area could have more than two (2) MCOs. HHSC reserves the right to enter into Contracts with more than two (2) MCOs in any Service Area based on:

- the number of managed care Eligibles in the Service Area compared to the combined capacity of qualified MCO Respondents, and
- statutory requirements, such as HHSC’s consideration of Proposals from an MCO owned or operated by a hospital district.

Section 2155.144, Texas Government Code obligates HHSC to purchase goods and services on the basis of best value. HHSC rules define “best value” as the optimum combination of economy and quality that is the result of fair, efficient, and practical procurement decision-making and that achieves health and human services procurement objectives (see 1 TAC §391.31). HHSC will evaluate proposals using the best value criteria set forth in Section 5 of this RFP.

2.1 HHSC Model Management Strategy

HHSC will use two Performance Indicator Dashboards (one for administrative and financial measures and another for quality measures). The Performance Indicator Dashboards are included in the Uniform Managed Care Manual. The Performance Indicator Dashboards are not all-inclusive sets of performance measures; HHSC will measure other aspects of the MCO’s performance as well. Rather, the Performance Indicator Dashboards assemble performance indicators that assess many of the most important dimensions of the MCO's performance, and includes measures that, when publicly shared, will also serve to incentivize excellence.

As described in Section 8.1.1.1, "Performance Evaluation," after Rate Year 1 HHSC will also collaborate with each MCO to establish an annual series of performance improvement projects. The MCO will be committed to making its best efforts to achieve the established goals.
HHSC may establish some or all of the annual performance improvement projects. HHSC and each MCO will negotiate any remaining projects or goals. These projects will be highly specified and measurable. The projects will reflect areas that present significant opportunities for performance improvement. Once finalized and approved by HHSC, the projects will become part of each MCO's annual plan for its Quality Assurance and Performance Improvement (QAPI) Program, as defined in Section 8.1.7, "Quality Assessment and Performance Improvement," and will be incorporated by reference into the Contract.

HHSC recognizes the importance of applying a variety of financial and non-financial incentives and disincentives for demonstrated MCO performance. It is HHSC’s objective to recognize and reward both excellence in performance and improvement in performance within existing state and federal financial constraints. It is likely that this approach will be modified over time based on several variables, including accumulated experience by HHSC and the MCO, changes in the status of state finances, and changes in each MCO's performance levels. Section 6.3, "Performance Incentives and Disincentives," describes the incentive and disincentive approach in additional detail.

The incentives and disincentives will be linked to some of the measures in the Performance Indicator Dashboard. The MCO's performance relative to the annual performance improvement projects may be used by HHSC to identify and reward excellence and improvement by the MCO in subsequent years.

Finally, HHSC plans to improve methods for sharing information regarding the Texas Medicaid and CHIP Programs with all of the MCOs through HHSC-sponsored workgroups and other initiatives.

2.2 Performance Measures and Associated Remedies

The MCO must provide all services and deliverables under the Contract at an acceptable quality level and in a manner consistent with acceptable industry standard, custom, and practice. Failure to do so may result in HHSC's assessment of contractual remedies, including liquidated damages, as set forth in Attachment B-4, “Deliverables/Liquidated Damages Matrix.”

3. General Instructions and Requirements

3.1 Strategic Elements

3.1.1 Contract Elements

The term “Contract” means the contract awarded as a result of this RFP and all exhibits thereto. At a minimum, the following documents will be incorporated into the contract: this RFP and all attachments and exhibits; any modifications, addendum or amendments issued in conjunction with this RFP; HHSC’s “Uniform Managed Care Contract Terms and Conditions;” and the MCO’s Proposal.

Respondents are responsible for reviewing all parts of the Contract, including the “Uniform Managed Care Contract Terms and Conditions,” and noting any exceptions, reservations, and limitations on the Respondent Information and Disclosures Form.

3.1.2 HHSC’s Basic Philosophy: Contracting for Results

HHSC’s fundamental commitment is to contract for results. HHSC defines a successful result as the generation of defined, measurable, and beneficial outcomes that satisfy the Contract requirements and support HHSC’s missions and objectives. This RFP describes what is required of the MCO in terms of services, deliverables, performance measures, and outcomes, and unless otherwise noted in the RFP, places the responsibility for how they are accomplished on the MCO.

3.2 External Factors

External factors may affect the project, including budgetary and resource constraints. Any contract resulting from the RFP is subject to the availability of state and federal funds. As of the issuance of this RFP, HHSC anticipates that budgeted funds will
be available to reasonably fulfill the project requirements. If, however, funds are not available, HHSC reserves the right to withdraw the RFP or terminate the resulting contract without penalty.

3.3 Legal and Regulatory Constraints

3.3.1 Delegation of Authority

State and federal laws generally limit HHSC’s ability to delegate certain decisions and functions to a vendor, including, but not limited to: (1) policy-making authority, and (2) final decision-making authority on the acceptance or rejection of contracted services.

3.3.2 Conflicts of Interest

A conflict of interest is a set of facts or circumstances in which either a Respondent or anyone acting on its behalf in connection with this procurement has past, present, or currently planned personal, professional, or financial interests or obligations that, in HHSC’s determination, would actually or apparently conflict or interfere with the Respondent’s contractual obligations to HHSC. A conflict of interest would include circumstances in which a party’s personal, professional, or financial interests or obligations may directly or indirectly:

• make it difficult or impossible to fulfill its contractual obligations to HHSC in a manner that is consistent with the best interests of the State of Texas;

• impair, diminish, or interfere with that party’s ability to render impartial or objective assistance or advice to HHSC;

and/or

• provide the party with an unfair competitive advantage in future HHSC procurements.

Neither the Respondent nor any other person or entity acting on its behalf, including, but not limited to subcontractors, employees, agents, and representatives, may have a conflict of interest with respect to this procurement. Before submitting a proposal, Respondents should carefully review Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for additional information concerning conflicts of interests.

A Respondent must certify that it does not have personal or business interests that present a conflict of interest with respect to this RFP and resulting contract (see the Required Certifications form). Additionally, if applicable, the Respondent must disclose all potential conflicts of interest. The Respondent must describe the measures it will take to ensure that there will be no actual conflict of interest and that its fairness, independence, and objectivity will be maintained (see the Respondent Information and Disclosures Form). HHSC will determine to what extent, if any, a potential conflict of interest can be mitigated and managed during the term of the Contract. Failure to identify potential conflicts of interest may result in HHSC’s disqualification of a proposal or termination of the Contract.

3.3.3 Former Employees of a State Agency

Respondents must comply with Texas and federal laws and regulations relating to the hiring of former state employees (see e.g., Texas Government Code §572.054 and 45 C.F.R. §74.43). Such “revolving door” provisions generally restrict former agency heads from communicating with or appearing before the agency on certain matters for two (2) years after leaving the agency. The revolving door provisions also restrict some former employees from representing clients on matters that the employee participated in during state service or matters that were in the employees’ official responsibility.

As a result of such laws and regulations, a Respondent must certify that it has complied with all applicable laws and regulations regarding former state employees (see the Required Certifications Form). Furthermore, a Respondent must disclose any relevant past state employment of the Respondent’s or its subcontractors’ employees and agents in the Respondent Information and Disclosure Form.
3.4 HHSC Amendments and Announcements Regarding this RFP

HHSC will post all official communication regarding this RFP on its website, including the notice of tentative award. HHSC reserves the right to revise the RFP at any time. Any changes, amendments, or clarifications will be made in the form of written responses to Respondents’ questions, amendments, or addendum issued by HHSC on its website. Respondents should check the website frequently for notice of matters affecting the RFP. To access the website, go to the “HHSC Contracting Opportunities” page and enter a search for this procurement.

3.5 RFP Cancellation/Partial Award/Non-Award

HHSC reserves the right to cancel this RFP, to make a partial award, or to make no award if it determines that such action is in the best interest of the State of Texas.

3.6 Right to Reject Proposals or Portions of Proposals

HHSC may, in its discretion, reject any and all proposals or portions thereof.

3.7 Costs Incurred

Respondents understand that issuance of this RFP in no way constitutes a commitment by HHSC to award a contract or to pay any costs incurred by a Respondent in the preparation of a response to this RFP. HHSC is not liable for any costs incurred by a Respondent prior to issuance of or entering into a formal agreement, contract, or purchase order. Costs of developing proposals, preparing for or participating in oral presentations and site visits, or any other similar expenses incurred by a Respondent are entirely the responsibility of the Respondent, and will not be reimbursed in any manner by the State of Texas.

3.8 Protest Procedures

Texas Administrative Code, Title 1, Part 15, Chapter 392, Subchapter C outlines HHSC’s Respondent protest procedures.

3.9 Vendor Conference

HHSC will hold a vendor conference according to the time and date in Section 1.2, “Procurement Schedule” in the Lone Star Conference Room located at 11209 Metric Blvd, Building H, Austin, Texas. Vendor conference attendance is strongly recommended, but is not required.

Respondents may email questions for the conference to the HHSC Point of Contact (see Section 1.1) no later than five (5) days before the conference. HHSC will also give Respondents the opportunity to submit written questions at the conference. All questions should reference the appropriate RFP page and section number. HHSC will attempt to respond to questions at the vendor conference, but responses are not official until posted in final form on the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

3.10 Questions and Comments

All questions and comments regarding this RFP should be sent to the HHSC Point of Contact (see Section 1.1). Questions should reference the appropriate RFP page and section number, and must be submitted by the deadline set forth in Section 1.2. HHSC will not respond to questions received after the deadline. HHSC’s responses to Respondent questions will be posted to the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

Respondents must notify HHSC of any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in the RFP by the deadline for submitting questions and comments. If a Respondent fails to notify HHSC of these issues, it will submit a proposal at its own risk, and if awarded a contract:
(1) must have waived any claim of error or ambiguity in the RFP or resulting contract;
(2) must not contest HHSC’s interpretation of such provision(s); and
(3) must not be entitled to additional compensation, relief, or time by reason of the ambiguity, error, or its later correction.

### 3.11 Modification or Withdrawal of Proposal

Prior to the proposal submission deadline set forth in Section 1.2, a Respondent may: (1) withdraw its proposal by submitting a written request to the HHSC Point of Contact, or (2) modify its proposal by submitting a written amendment to the HHSC Point of Contact. HHSC may request proposal modifications at any time.

HHSC reserves the right to waive minor informalities in a proposal and award a contract that is in the best interest of the State of Texas. A “minor informality” is an omission or error that, in HHSC’s determination, if waived or modified when evaluating proposals, would not give a Respondent an unfair advantage over other Respondents or result in a material change in the proposal or RFP requirements. When HHSC determines that a proposal contains a minor informality, it may at its discretion provide the Respondent with the opportunity to correct.

### 3.12 News Releases

Prior to tentative award, a Respondent may not issue a press release or provide any information for public consumption regarding its participation in the procurement. After tentative award, a Respondent must receive prior written approval from HHSC before issuing a press release or providing information for public consumption regarding its participation in the procurement. Requests should be directed to the HHSC Point of Contact identified in Section 1.1.

Section 3.12 does not preclude business communications necessary for a Respondent to develop a proposal, or required reporting to shareholders or governmental authorities.

### 3.13 Incomplete Proposals

HHSC may reject without further consideration a proposal that does not include a complete, comprehensive, or total solution as requested by this RFP.

### 3.14 State Use of Proposal Information

HHSC reserves the right to use any and all ideas and information presented in a proposal. A Respondent may not object to HHSC’s use of such information.

### 3.15 Property of HHSC

Except as otherwise provided in this RFP or the resulting Contract, all products produced by a Respondent, including without limitations the proposal, all plans, designs, software, and other contract deliverables, become the sole property of HHSC. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 15 for additional information concerning intellectual property rights.

### 3.16 Copyright Restriction

HHSC will not consider any proposal that is copyrighted by the Respondent, in whole or part.
3.17 Additional Information

By submitting a proposal, the Respondent grants HHSC the right to obtain information from any lawful source regarding the Respondent’s and its directors’, officers’, and employees’:

(1) past business history, practices, and conduct;
(2) ability to supply the goods and services; and
(3) ability to comply with Contract requirements.

By submitting a proposal, a Respondent generally releases from liability and waives all claims against any party providing HHSC information about the Respondent. HHSC may take such information into consideration in evaluating proposals.

3.18 Multiple Responses

A Respondent may only submit one (1) proposal as a prime contractor. If a Respondent submits more than one (1) proposal, HHSC may reject one or more of the submissions. This requirement does not limit a subcontractor’s ability to collaborate with one (1) or more Respondents submitting proposals.

A Respondent may not entice or require a subcontractor to enter into an exclusive subcontract for the purpose of this procurement. Any subcontract entered into by a Respondent with a third party to meet a requirement of this RFP must not include any provision that would prevent or bar that subcontractor from entering into a comparable contractual relationship with another Respondent submitting a proposal under this procurement. This prohibition against exclusive subcontracts does not apply to professional services that solely pertain to development of the proposal, including gathering of competitive intelligence.

3.19 No Joint Proposals

HHSC will not consider joint or collaborative proposals that require it to contract with more than one (1) Respondent.

3.20 Use of Subcontractors

Subcontractors providing services under the Contract must meet the same requirements and level of experience as required of the Respondent. No subcontract under the Contract must relieve the Respondent of the responsibility for ensuring the requested services are provided. Respondents planning to subcontract all or a portion of the work to be performed must identify the proposed subcontractors and describe the subcontracted functions in their proposals.

3.21 Texas Public Information Act

Proposals will be subject to the Texas Public Information Act (the Act), located in Chapter 552 of the Texas Government Code, and may be disclosed to the public upon request. By submitting a proposal, the Respondent acknowledges that all information and ideas presented in the proposal are public information and subject to disclosure under the Texas Public Information Act, with the limited exception of Social Security Numbers and certain non-public financial reports or information submitted in response to RFP Sections 4.2.3.3 and 4.2.3.4.

If the Respondent asserts that financial reports or information provided in response to RFP Sections 4.2.3.3 and 4.2.3.4 contains trade secret or other confidential information, it must be clearly marked such information in boldface type and include the words “confidential” or “trade secret” at top of the page. Furthermore, the Respondent must identify the financial reports or information, and provide an explanation of why the reports or information are excepted from public disclosure, on the Respondent Information and Disclosures form.

HHSC will process any request from a member of the public in accordance with the procedures outlined in the Act. Respondents should consult the Texas Attorney General’s website (www.oag.state.tx.us) for information concerning the Act’s application to applications and potential exceptions to disclosure.
3.22 Inducements

HHSC submits this RFP setting forth certain information regarding the objectives of the Contract and HHSC’s desire to mitigate risk throughout the life of the Contract by use of expert MCO services.

Therefore, HHSC will consider all representations contained in a Respondent’s proposal, oral or written presentations, correspondence, discussions, and negotiations as representations of the Respondent’s expertise. HHSC accepts these representations as inducements to contract.

3.23 Definition of Terms

Defined terms must have the meaning stated as described in the Attachment A, “Uniform Managed Care Contract Terms and Conditions,” unless the context clearly indicates otherwise. Defined terms are capitalized throughout this RFP. For example, the word “Provider,” when capitalized, refers to Network provider. When the word “provider” is not capitalized, the connotation is all providers, whether Network or Out-of-Network.

4. Submission Requirements

To be considered for award, the Respondent must address all applicable RFP specifications to HHSC’s satisfaction. If requested by HHSC, the Respondent must provide HHSC with information necessary to validate any statements made in its Proposal. This includes, but may not be limited to, granting permission or access for HHSC to verify information with third parties, whether identified by the Respondent or HHSC. If any requested information is not provided within the timeframe allotted, HHSC may reject the Proposal.

Respondents must prepare and submit proposals in accordance with the provisions of this section. Proposals received that do not follow these instructions may be evaluated as non-responsive and may not be considered for award.

4.1 General Instructions

For Respondents bidding on more than one MCO Program, i.e., STAR, STAR+PLUS, or CHIP Program, HHSC has attempted to minimize the need for Respondents to submit multiple copies of the same information.

Each bid for participation in the STAR Program, the STAR+PLUS Program, and/or the CHIP Program must include the following two (2) components:

1. Business Specifications; and
2. General Programmatic Proposal.

Respondents proposing to participate in multiple MCO Programs do not need to submit multiple copies of the Business Specifications or the General Programmatic Proposal. However, these Respondents will need to carefully read each submission requirement to ensure that they provide specific information for each MCO Program bid and Service Area, as applicable, when completing any element of their Proposals.

All Proposal information must be submitted on 8 ½ x 11 inch, white bond paper, three (3)-hole punched, and placed in sturdy three (3) ring binders. Text must be no smaller than 11-point font, single-spaced. Figures may not incorporate text smaller than 8-pt font. All pages must have one-inch margins and page numbering must be sequential per section. Where practical, pages should be double-sided. Each binder must be clearly labeled with the title of this RFP, the Respondent’s legal name, and the title of the document contained in the binder, e.g., Business Proposal or Programmatic Proposal.
Proposals must be organized and numbered in a manner that facilitates reference to this RFP and its requirements. Respondents must respond to each item in the order it appears in the RFP. The response must include headings and numbering to match the corresponding section of the RFP. Respondents may place attachments and appendices in a separate section if the RFP provides that such attachments are not included in the section’s specified page limits.

4.1 Economy of Presentation

Unnecessarily elaborate Proposals beyond those sufficient to provide a complete and effective response to this RFP are not desired and may be construed as an indication of the Respondent’s lack of ability to provide efficient work products.

The Respondent must adhere to page limits where specified. Page limits are listed in parentheses at the end of the title of the section. A three (3) page limit, for example, means that the response should not be in excess of three (3) one-sided pages that meet the size, font, and margin requirements specified in the General Instructions in Section 4.1 above.

Some page limits are identical regardless of the number of MCO Programs in which a Respondent is proposing to participate. If a page limit is listed but does not include the phrase “per MCO Program,” the page limit applies to the entire response regardless of the number of MCO Programs bid. In these cases, the page limit will be indicated as a set number, e.g., “3 pages.”

In some cases, additional pages are provided for Respondents proposing to serve more than one MCO Program. For example, “3 pages plus 1 additional page per additional MCO Program” indicates that a Respondent proposing to serve one (1) MCO Program has a three (3) page limit, a Respondent proposing to serve two (2) MCO Programs has a four (4) page limit, and a Respondent proposing to serve all three (3) MCO Programs has a five (5) page limit. This page limit approach is designed to give Respondents submitting a Proposal for multiple MCO Programs sufficient space to respond to the submission requirement when submission responses differ across MCO Programs. Respondents proposing to serve multiple programs should have similar or identical approaches across MCO Programs where administrative efficiencies are possible and appropriate. Respondents must clearly indicate differences, if any, in their response to each submission requirement for each applicable MCO Program.

In other cases, additional pages may be provided based on certain aspects of the Respondent’s Proposal or organization, such as the number of organizational charts submitted reflecting arrangements with Material Subcontractors, or the number of Key Contract Personnel included in the Proposal for Respondents proposing to serve more than one MCO Program.

Finally, some page limits are by MCO Program, e.g., two (2) pages per MCO Program means that a Respondent proposing to serve all three (3) MCO Programs would have a six (6) page limit for that requirement.

If the Respondent chooses to repeat the RFP question in its Proposal, the question text will be included in the page limit.

In responding to questions in Section 4.2 (“Business Proposal”) and Section 4.3 (“Programmatic Proposal”) for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement, and up to one (1) page may be used to describe each Action Plan. These pages are outside of the page limit instructions for the specific submission requirement.

HHSC reserves the right not to review information provided in excess of the page limits. Respondents need not feel compelled to submit unnecessary text in order to reach the page limits.

Attachments required by the RFP, such as certain policies and procedures, are not counted in calculating the Respondent’s page limits. Respondents must not submit information or attachments that are not explicitly requested in the RFP. Elaborate artwork, expensive paper and bindings, and expensive visual or other presentation aids are neither necessary nor desired.

4.1.2 Number of Copies and Packaging

Respondents must submit one (1) hardbound original and eight (8) hardbound copies of the Proposal. The original must be clearly labeled “Original” on the outside of the binder. In addition to the hardbound original and copies, Respondents must submit 22 electronic copies of each Proposal component. At the Respondent’s option, it may produce only electronic copies of certain attachments and appendices. This exception applies to attachments and appendices that exceed ten (10) pages, such as
GeoAccess tables, Significant Traditional Provider (STP) files, TDI filings, and other financial documents. The exception does not apply to the attachments referenced in Section 4.2, Section 5, “HUB Subcontracting Plan,” or Section 6, “Certifications and Other Required Forms,” which must be included in both the hardbound and electronic copies of the Proposal. If the Respondent produces only an electronic copy of an attachment or appendix, the hardbound Proposals should refer the reader to the electronic Proposal for the required information.

For the electronic copies, the Proposal, attachments, financial documents, signed forms, pamphlets, and all other documents included in the proposal hardcopy must be submitted on CDs compatible with Microsoft Office 2000 files. PDF files should be prepared in a format that allows for OCR text recognition. HHSC will not accept Proposals by facsimile or e-mail.

4.1.3 Due Date, Time, and Location

Submit all copies of the Proposal to HHSC’s Enterprise Contracts and Procurement Services (ECPS) no later than 2:00 p.m. Central Time (CT) according to the timeline in Section 1.2, “Procurement Schedule.” All submissions will be date and time stamped when received by ECPS. The clock in the ECPS office is the official timepiece for determining compliance with the deadlines in this procurement. HHSC reserves the right to reject late submissions. It is the Respondent’s responsibility to appropriately mark and deliver the Proposal to HHSC by the specified date and time. The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission
Enterprise Contracts and Procurement Services
4405 North Lamar Blvd
Austin, Texas 78756-3422
ATT: Alice Hanna, Purchaser
(512) 206-5277
alice.hanna@hhsc.state.tx.us

4.2 Part 1 – Business Proposal

The Business Proposal must include the following:

Section 1 – Executive Summary
Section 2 – Respondent Identification and Information
Section 3 – Corporate Background and Experience
Section 4 – Material Subcontractor Information
Section 5 – HUB Subcontracting Plan
Section 6 – Certifications and Other Required Forms

4.2.1 Section 1 – Executive Summary

(2 pages, excluding Table 1)

In this section, condense and highlight the content of the Business Proposal to provide HHSC with a broad understanding of the respondent’s approach to meeting the RFP’s business requirements. The summary must demonstrate an understanding of HHSC’s goals and objectives for this procurement. Please identify the Respondent’s proposed MCO Program(s) and the Service Areas. The Respondent should complete Table 1 by placing an “X” in all Service Areas and MCO Programs bid. (The Service Areas are described in the Attachments B-5, 5.1, 5.2, and 5.3. A Respondent may elect to bid on some, all, or none of the Service Areas.) Respondents should note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may bid on one (1) or more of these areas; however, HHSC will more favorably evaluate responses that propose to serve all three (3) areas.

Table 1: Proposed MCO Programs and Service Areas
<table>
<thead>
<tr>
<th>Service Area</th>
<th>Proposal for STAR</th>
<th>Proposal for STAR+PLUS</th>
<th>Proposal for CHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bexar</td>
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<td>Dallas</td>
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<td>Jefferson</td>
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<tr>
<td>Lubbock</td>
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<tr>
<td>Medicaid RSA (Entire Service Area)</td>
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<tr>
<td>- West Texas</td>
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<td>- Central Texas</td>
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<td>- Northeast Texas</td>
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<td>Nueces</td>
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<td>Tarrant</td>
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<tr>
<td>Travis</td>
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</tbody>
</table>

### 4.2.2 Section 2 – Respondent Identification and Information

(no page limit)

Submit the following information:

1. Respondent identification and basic information.
   a. The Respondent’s legal name, trade name, dba, acronym, and any other name under which the Respondent does business.
   b. The physical address, mailing address, and telephone number of the Respondent’s headquarters office.

2. TDI Authority. A copy of the MCO’s licensure, certification, or approval to operate as an HMO, ANHC, or EPBP. If the Respondent has not received TDI approval, then submit a copy of the application filed with TDI. In accordance with RFP Section 7.2.9, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract.

3. Authorized Counties. Indicate whether the Respondent is currently authorized by TDI to operate as an MCO in each county in the Service Area with a “Yes-MCO,” “No MCO,” or “Partial MCO.” If the Respondent is not authorized to conduct business as an MCO in all or part of a county, it should list those areas in Column C.

For each county listed in Column C, the Respondent must document that it applied to TDI for such approval prior to the submission of a Proposal for this RFP. The Respondent must indicate the date that it applied for such approval and the status of its application to get TDI approval in the relevant counties in this section of its submission to HHSC.

Table 2: TDI Authority in Proposed Service Area
<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Area</td>
<td>TDI Authority/Status of Approval</td>
<td>Counties/Partial Counties without TDI Authority</td>
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<td>Medicaid RSA (Entire Service Area)</td>
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<td>West Texas</td>
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<tr>
<td>Travis</td>
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</tr>
</tbody>
</table>

4. Texas Comptroller Certificate. A current Certificate of Good Standing issued by the Texas Comptroller of Public Accounts, or an explanation for why this form is not applicable to the Respondent.

5. Respondent Legal Status and Ownership.
   a. The type of ownership of the Respondent by its ultimate parent:
      - wholly-owned subsidiary of a publicly-traded corporation;
      - wholly-owned subsidiary of a private (closely-held) stock corporation;
      - subsidiary or component of a non-profit foundation;
      - subsidiary or component of a governmental entity such as a County Hospital District;
      - independently-owned member of an alliance or cooperative network;
      - joint venture (describe ultimate owners)
      - stand-alone privately-owned corporation (no parents or subsidiaries); or
      - other (describe).
   b. The legal status of the Respondent and its parent (any/all that may apply):
      (i.) Respondent is a corporation, partnership, sole proprietor, or other (describe);
      • Respondent is for-profit, or non-profit;
      • the Respondent’s ultimate parent is for-profit, or non-profit;
      • the Respondent’s ultimate parent is privately-owned, listed on a stock exchange, a component of government, or other (describe).
c. The legal name of the Respondent’s ultimate parent (e.g., the name of a publicly-traded corporation, or a County Hospital District, etc.).

d. The name and address of any other sponsoring corporation, or others (excluding the Respondent’s parent) who provide financial support to the Respondent, and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

6. Hospital District/Non-Profit Corporation. Section 5 of the RFP requires Respondents who believe they qualify for mandatory STAR or STAR+PLUS contracts under Texas Government Code §533.004 to submit notice to HHSC no later than April 28, 2011, explaining the basis for this belief for each proposed Service Area. Please indicate whether the Respondent provided such notice to HHSC.

7. The name and address of any health professional that has at least a five percent (5%) financial interest in the Respondent, and the type of financial interest.

8. The full names and titles of the Respondent’s officers and directors.

9. The state in which the Respondent is incorporated, and the state(s) in which the Respondent is licensed to do business as an MCO. The Respondent must also indicate the state where it is commercially domiciled, if outside Texas.

10. The Respondent’s federal taxpayer identification number.

11. If any change of ownership of the Respondent’s company or its parent is anticipated during the 12 months following the Proposal Due Date, the Respondent must describe the circumstances of such change and indicate when the change is likely to occur.

12. Whether the Respondent or its parent (including other managed care subsidiaries of the parent) had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues and the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem(s) that may have led to the termination or non-renewal.

13. Whether the Respondent has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation status, and if it has or is, indicate:
   • its current NCQA or URAC accreditation status;
   • if NCQA or URAC accredited, its accreditation term effective dates; and
   • if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Contractor.

14. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Respondent, including any that the Respondent may have contracted to be run by another entity. If the Respondent has a parent, then also provide the same for the parent, and any parent(s) of the parent. If none exist, provide a clear and definitive statement to that effect.

4.2.3 Section 3 – Corporate Background and Experience

(no page limit)

1. Provide the following information on all publicly-funded managed care contracts (if the Respondent does not have publicly-funded managed care contracts, it may include information on privately-funded managed care contracts). Include information for all current contracts, as well as work performed in the past three (3) years:
   a. client name and address;
b. name, telephone, and e-mail address of the person HHSC could contact as a reference that can speak to the Respondent’s performance;

c. contract size: average monthly covered lives and annual revenues;

d. whether payments under the contract were capitated or non-capitated;

e. contract start date and duration;

f. whether work was performed as a prime contractor or subcontractor; and

g. a general and brief description of the scope of services provided by the Respondent; including the covered population and services (e.g., Medicaid, CHIP, state-funded program).

2. With respect to the Respondent and its parent (and including other managed care subsidiaries of the parent), briefly describe any regulatory actions, sanctions, and/or fines imposed by any federal or Texas regulatory entity, or a regulatory entity in another state, within the last three (3) years. Include a description of any letters of deficiencies, corrective actions, findings of non-compliance, and/or sanctions. Please indicate which of these actions or fines, if any, were related to Medicaid or CHIP programs. HHSC may, at its option, contact these clients or regulatory agencies and any other individual or organization whether or not identified by the Respondent.

Respondents should not include letters of support or endorsement from any individual, organization, agency, interest group, or other identified entity in this section or other parts of the Proposal.

When evaluating proposals, HHSC may consider a current or past contractor's performance under an agreement with an HHS agency in Texas, including but not limited to any corrective actions or liquidated damages imposed by HHSC or another HHS agency.

### 4.2.3.1 Organizational Chart

(1 page narrative for each organizational chart, excluding organizational chart itself)

Respondents should submit the following:

1. an organizational chart (Chart A), showing the corporate structure and lines of responsibility and authority in the administration of the Respondent’s business as a health plan;

2. an organizational chart (Chart B) showing the Texas organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level. If Chart A represents the entire organizational structure, label the submission as Charts A and B;

3. an organizational chart (Chart C) showing the Management Information System (MIS) staff organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level;

4. if the Respondent is proposing to use one or more Material Subcontractors, the Respondent must include an organizational chart demonstrating how the Material Subcontractor(s) will be managed within the Respondent’s Texas organizational structure, including the primary individuals at the Respondent’s organization and at each Material Subcontractor organization responsible for overseeing such Material Subcontract. This information may be included in Chart B, or in a separate organizational chart(s); and

5. submit a brief narrative explaining the organizational charts submitted, and highlighting the key functional responsibilities and reporting requirements of each organizational unit relating to the Respondent’s proposed management of the MCO Program(s), including its management of any proposed Material Subcontractors.

### 4.2.3.2 Résumés
Identify and describe the Respondent’s and its Subcontractor’s proposed labor skill set, years of experience, and provide résumés of all proposed key personnel. Résumés must demonstrate experience germane to the position proposed. Résumés should include work on projects cited under the respondent’s corporate experience, and the specific functions performed on such projects. Each résumé should include at least three (3) references from recent projects, if the projects were performed for unaffiliated parties. References may not be the Respondent’s or Subcontractor’s employees.

Key personnel include: Executive Director (as defined in Attachment A, Article 4), Medical Director (as defined in Attachment A, Article 4), Member Services Manager, Service Coordination Manager (STAR+PLUS only), Management Information Systems Manager, Claims Processing Manager, Provider Network Development Manager, Benefit Administration and Utilization Management Manager, Quality Improvement Manager, Behavioral Health Services Manager, Financial Functions Manager, and Reporting Manager.

STAR+PLUS Service Coordinators. Please refer to Section 8.3.2.1 for a description of Service Coordinator responsibilities. In addition to the Service Coordinator Manager, please submit the following for each Service Coordinator function:

1. a job description and qualifications; and
2. the anticipated maximum caseload for each Service Coordinator (number of Members per Service Coordinator) and the assumptions the Respondent used in developing the maximum caseload estimate.

4.2.3.3 Financial Capacity

(no page limit)

Submit the following financial documents to demonstrate the Respondent’s financial solvency, and its capacity to comply with Section 6, “Premium Payment, Incentives, and Disincentives;” and Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Contract Terms and Conditions”:

1. Audited Financial Statements covering the two (2) most recent years of the Respondent’s financial results. These statements must include the independent auditor’s report (audit opinion letter to the Board or shareholders), the notes to the financial statements, any written description(s) of legal issues or contingencies, and any management discussion or analysis.

Make sure that the name and address of the firm that audits the Respondent is shown. State the date of the most-recent audit, and whether the Respondent is audited annually or otherwise. State definitively if there has, or has not, been any of the following:

• a “going concern” statement was issued by any auditor in the last three (3) years;
• a qualified opinion was issued by any auditor in the last three (3) years;
• a change of audit firms in the last three (3) years; and
• any significant delay (two (2) months or more) in completing the current audit.

2. The most recent quarterly and annual financial statements filed with the TDI, and if the Respondent is domiciled in another state, the financial statements filed with the state insurance department in its state of domicile. The annual financial statement must include all schedules, attachments, supplements, management discussion, analysis and actuarial opinions.

3. The most recent financial examination report issued by TDI, and also by any state insurance department in states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If any submitted financial examination report is two (2) or more years old, or if Respondent has never had a financial examination report issued, submit the anticipated approximate date of the next issuance of a TDI or state department of insurance financial examination report.
4. The most recent Form B Registration Statement disclosure filed by Respondent with TDI, and any similar form filed with any state insurance department in other states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If Respondent is exempt from the TDI Form B filing requirement, demonstrate this and explain the nature of the exemption.

5. Other related documents, as applicable:
   a. SEC Form 10-K and 10-Q. If Respondent is a publicly-traded (stock-exchange-listed) corporation, then submit the most recent United States Securities and Exchange Commission (SEC) Form 10K Annual Report, and the most-recent 10-Q Quarterly report.
   b. IRS Form 990. If the Respondent is a non-profit entity, then submit the most recent annual Internal Revenue Service (IRS) Form 990 filing, complete with any and all attachments or schedules. If Respondent is a non-profit entity that is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.
   c. If the Respondent is a non-profit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the most recent annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for Respondent, including all attachments, schedules, and supplements.
   d. Bond or debt rating analysis. If Respondent has been, in the last three (3) years, the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most-recent detailed report from each rating entity that has produced such a report.
   e. Annual Report. If Respondent produces any written “annual report” or similar item that is in addition to the above-referenced documents, submit the most recent version. This might be a yearly report or letter to shareholders, the community, regulators, lenders, customers, employees, the Respondent’s owner, or other constituents.
   f. If the Respondent has issued any press releases in the 12 months prior to the submission due date, wherein the press release mentions or discusses financial results, acquisitions, divestitures, new facilities, closures, layoffs, significant contract awards or losses, penalties/fines/sanctions, expansion, new or departing officers or directors, litigation, change of ownership, or other very similar issues, provide a copy of each such press release. HHSC does not wish to receive other types of press releases that are primarily promotional in nature.

With respect to items 5(a) through (e) above, Respondent must also submit a schedule that shows for each of the five (5) categories: whether there is any applicable filing or report; the name(s) of the entity that does the filing or report; and the regular or estimated filing/distribution date(s).

At a minimum, the financial statements and reports submitted hereunder must include:
   1. balance sheet;
   2. statement of income and expense;
   3. statement of cash flows;
   4. statement of changes in financial position (capitol & surplus; equity);
   5. independent auditor’s letter of opinion;
   6. description of organization and operation, including ownership, markets served, type of entity, number of locations and employees, and, dollar amount and type of any Respondent business outside of that with HHSC; and
   7. disclosure of any material contingencies, and any current, recent past, or known potential material litigation, regulatory proceedings, legal matters, or similar issues.
The Respondent must include key non-financial metrics and descriptions, such as facilities, number of covered lives, area of geographic coverage, years in business, material changes in business situation, key risks and prospective issues, etc.

4.2.3.4 Financial Report of Parent Organization and Corporate Guarantee

(no page limit)

If another corporation or entity either substantially or wholly owns the Respondent, submit the most recent detailed financial reports (as required above in Section 4.2.3.3) for the parent organization. If there are one (1) or more intermediate owners between the Respondent and the ultimate owner, this additional requirement is applicable only to the ultimate owner.

The Respondent must also include a statement that the parent organization will unconditionally guarantee performance by the Respondent of each and every obligation, warranty, covenant, term and condition of the Contract. This guarantee is not required for Respondents owned by political subdivisions of the State (i.e., hospital districts).

If HHSC determines that an entity does not have sufficient financial resources to guarantee the Respondent’s performance, HHSC may require the Respondent to obtain another acceptable financial instrument or resource from such entity, or to obtain an acceptable guarantee from another entity with sufficient financial resources to guarantee performance.

4.2.3.5 Bonding

The Respondent must submit a statement that, if selected as a Contractor, the Respondent agrees to:

1. secure and maintain throughout the life of the Contract, fidelity bonds required by the Texas Department of Insurance in compliance with §843.402, Texas Insurance Code; and

2. secure and maintain throughout the life of the Contract, a performance bond in accordance with the Attachment A, “Uniform Managed Care Contract Terms and Conditions” and 28 T.A.C. §11.1805.

4.2.4 Section 4 – Material Subcontractor Information

(no page limit)

See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for contractual definition of Material Subcontractor. Organize this information by Material Subcontractor, and list them in descending order of estimated annual payments. For each Material Subcontractor, the MCO must provide:

1. The Material Subcontractor’s legal name, trade name, acronym, d.b.a., and any other name under which the Material Subcontractor does business.

2. The Respondent’s estimated annual payments to the Material Subcontractor, by MCO Program.

3. The physical address, mailing address, and telephone number of the Material Subcontractor’s headquarters office, and the name of its Chief Executive Officer.

4. Whether the Material Subcontractor is an Affiliate of the Respondent or an unrelated third party (see the “Uniform Managed Care Contract Terms and Conditions” for the definition of “Affiliate.”)

5. If the Material Subcontractor is an Affiliate, then provide:

   a. the name of the Material Subcontractor’s parent organization, and the Material Subcontractor’s relationship to the Respondent;
b. the proportion, if any, of the Material Subcontractor’s total revenues that are received from non-Affiliates. If the Material Subcontractor has significant revenues from non-Affiliates, then also indicate the portion, if any, of those external (non-Affiliate) revenues that are for services similar to those that the Respondent would procure under the proposed Subcontract;

c. a description of the proposed method of pricing under the Subcontract;

d. indicate if the Respondent presently procures, or has ever procured, similar services from a non-Affiliate;

e. the number of employees (staff and management) who are dedicated full-time to the Affiliate’s business;

f. whether the Affiliate’s office facilities are completely separate from the Respondent and the Respondent’s parent. If not, identify the approximate number of square feet of office space that are dedicated solely to the Affiliate’s business;

g. attach an organization chart for the Affiliate, showing head count, Key Personnel names, titles, and locations; and

h. indicate if the staff and management of the Affiliate are directly employed by the Affiliate itself, or are they actually, from a technical legal perspective, employed by a different legal entity (such as a parent corporation). What corporation’s name shows up on the employee’s W2 form?

6. A description of each Material Subcontractor’s corporate background and experience, including its estimated annual revenues from unaffiliated parties, number of employees, location(s), and identification of three (3) major clients.

7. A signed letter of commitment from each Material Subcontractor that states the Material Subcontractor’s willingness to enter into a Subcontractor agreement with the Respondent, and a statement of work for activities to be subcontracted. Letters of Commitment must be provided on the Material Subcontractor’s official company letterhead, signed by an official with the authority to bind the company for the subcontracted work. The Letter of Commitment must state, if applicable, the company’s certified HUB status.

8. The type of ownership [e.g., wholly-owned subsidiary of a publicly-traded corporation; wholly-owned subsidiary of a private (closely-held) stock corporation; subsidiary or component of a non-profit foundation; subsidiary or component of a governmental entity such as a County Hospital District; independently-owned member of an alliance or cooperative network; joint venture (describe owners); etc.] Indicate the name of the ultimate owner (e.g., the name of a publicly-traded corporation or a County Hospital District).

9. Indicate status (any/all that may apply): sole proprietor, partnership, corporation, for-profit, non-profit, privately owned, and/or listed on a stock exchange. If a Subsidiary or Affiliate, name of the direct and ultimate parent organization.

10. The name and address of any sponsoring corporation or others who provide financial support to the Material Subcontractor and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

11. The name and address of any health professional that has at least a five percent (5%) financial interest in the Material Subcontractor and the type of financial interest.

12. The state in which the Material Subcontractor is incorporated, commercially domiciled, and the state(s) in which the organization is licensed to do business.

13. The Material Subcontractor’s federal taxpayer identification number.

14. Whether the Material Subcontractor had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues, the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem that may have lead to the termination.

15. Whether the Material Subcontractor has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation or certification status, and if it has or is, indicate:
• its current NCQA or URAC accreditation or certification status;
• if NCQA or URAC accredited or certified, its accreditation or certification term effective dates; and
• if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Material Subcontractor.

16. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Material Subcontractor, including any websites run by another entity on the Material Subcontractor’s behalf. If the Material Subcontractor has a parent, then also provide the same for the parent organization, and any parent(s) of the parent organization. If none exist, provide a clear and definitive statement to this effect.

4.2.5 Section 5 – Historically Underutilized Business (HUB) Participation

In accordance with Texas Government Code §2162.252, a proposal that does not contain a HUB Subcontracting Plan (HSP) is non-responsive and will be rejected without further evaluation. In addition, if HHSC determines that the HSP was not developed in good faith, it will reject the proposal for failing to comply with material RFP specifications.

4.2.5.1 Introduction

HHSC is committed to promoting full and equal business opportunities for businesses in state contracting in accordance with the goals specified in the State of Texas Disparity Study. HHSC encourages the use of HUBs through race, ethnic and gender-neutral means. HHSC has adopted administrative rules relating to HUBs, and a policy on the Utilization of HUBs, which is located on HHSC’s website.

Pursuant to Texas Government Code §2161.181 and §2161.182, and HHSC’s HUB policy and rules, HHSC is required to make a good faith effort to increase HUB participation in its contracts. HHSC may accomplish the goal of increased HUB participation by contracting directly with HUBs or indirectly through subcontracting opportunities.

4.2.5.2 HHSC’s Administrative Rules

HHSC has adopted the Comptroller of Public Accounts’ (CPA) HUB rules as its own. HHSC’s rules are located in Title 1, Part 15, Chapter 392, Subchapter J of the Texas Administrative Code, and the CPA rules are located in Title 34, Part 1, Chapter 20, Subchapter C. If there are any discrepancies between HHSC’s administrative rules and this RFP, the rules will take priority.

4.2.5.3 HUB Participation Goal

The CPA has established statewide HUB participation goals for different categories of contracts in 34 T.A.C. §20.13. In order to meet or exceed the HUB participation goals, HHSC encourages outreach to certified HUBs. Contractors must make a good faith effort to include certified HUBs in the procurement process.

This contract is classified as an “All Other Services” contract under the CPA rule, and therefore has a HUB Annual Procurement Utilization Goal of 33% per fiscal year. This goal applies to MCO Administrative Services, as defined below.

4.2.5.4 Required HUB Subcontracting Plan

HHSC has determined that subcontracting opportunities are probable for this RFP for MCO Administrative Services. MCO Administrative Services are those services or functions other than the direct delivery of medical Covered Services necessary to manage the delivery of and payment for such services. MCO Administrative Services include but are not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, Management Information System (MIS) operation and reporting. The Respondent must submit an HSP (see the Procurement Library) with its proposal for such MCO Administrative Services. The HSP is required whether or not a Respondent intends to subcontract.
HSP requirements will not apply to Subcontracts with Network Providers (providers who contract directly with the MCO to deliver medical Covered Services to Members). A Respondent therefore should not include Network Providers’ participation in its HSP submissions.

In conjunction with the HSP, a Respondent must indicate whether it is a Texas certified HUB. Being a certified HUB does not exempt a respondent from completing the HSP requirement.

During the good faith effort evaluation, HHSC may, at its discretion, allow clarifications or request additional information to support the Respondent’s good faith effort development of the HSP.

4.2.5.5 CPA Centralized Master Bidders List

Respondents may search for HUB subcontractors in the CPA’s Centralized Master Bidders List (CMBL) HUB Directory, which is located on the CPA’s website at http://www2.cpa.state.tx.us/cmbl/cmblhub.html. For this procurement, HHSC has identified the following class and item codes for potential subcontracting opportunities:

**NIGP Commodity Codes:**

- 948-07: Administration Services, Health
- 958-56: Health Care Management Services (Including Managed Care Services)
- 915-49: High Volume, Telephone Call Answering Services (See 915-05 for Low Volume Services)

Respondents are not required to use, nor limited to using, the class and item codes identified above, and may identify other areas for subcontracting.

HHSC does not endorse, recommend nor attest to the capabilities of any company or individual listed on the CPA’s CMBL. The list of certified HUBs is subject to change, so Respondents are encouraged to refer to the CMBL often to find the most current listing of HUBs.

4.2.5.6 HUB Subcontracting Procedures – If a Respondent Intends to Subcontract

An HSP must demonstrate that the Respondent made a good faith effort to comply with HHSC’s HUB policies and procedures. The following subparts outline the items that HHSC will review in determining whether an HSP meets the good faith effort standard. A Respondent that intends to subcontract must complete the HSP to document its good faith efforts.

For step-by-step audio/video instructions on how to complete the HSP, you may also visit the CPA’s website at: http://www.cpa.state.tx.us/procurement/prog/hub/hub-subcontracting-plan/.

1. Identify Subcontracting Areas and Divide Them into Reasonable Lots

A Respondent should first identify each area of the MCO Administrative Service work it intends to subcontract. Then, to maximize HUB participation, it should divide the MCO Administrative Service work into reasonable lots or portions, to the extent consistent with prudent industry practices.

2. Notify Potential HUB Subcontractors

Respondents must notify three (3) or more certified HUBs of each subcontracting opportunity. For example, if a Respondent intends to subcontract two (2) areas of MCO Administrative Service work, then for each class/item code, the Respondent must notify at least three (3) vendors who provide that type of work.

Respondents must provide written notice to potential HUB subcontractors prior to submitting proposals. The notice must include:

1. a description of the scope of work to be subcontracted;
2. information regarding the location to review project plans or specifications;
3. information about bonding and insurance requirements;
4. required qualifications and other contract requirements; and
5. a description of how the subcontractor can contact the Respondent.

Respondents must give potential HUB subcontractors a reasonable amount of time to respond to the notice, generally no less than five (5) working days from receipt. In rare situations, HHSC will allow a shorter notification period if the Respondent demonstrates: (1) circumstances warranting a shorter notification period, and (2) potential subcontractors still had sufficient time to complete their responses.

Respondents must use the CMBL, the HUB Directory, and Internet resources when searching for HUB subcontractors. Respondents may rely on the services of contractor groups; local, state and federal business assistance offices; and other organizations that provide assistance in identifying qualified applicants for the HUB program. Respondents also must provide written notice to minority or women trade organizations or development centers, which can disseminate notice of subcontracting opportunities to their members/participants. A list of minority and women trade organizations is located on HHSC’s website under the Minority and Women Organization link.

3. Written Justification of the Selection Process

A Respondent must provide written justification of its selection process if it chooses a non-HUB subcontractor. The justification should demonstrate that the Respondent negotiated in good faith with qualified HUB bidders, and did not reject qualified HUBs who were the best value responsive bidders.

4.2.5.7 Alternatives to Good Faith Effort Requirements (Applies Only to Mentor Protégé and Professional Services Contracts)

HHSC will accept a Mentor Protégé Agreement that has been entered into by a Respondent (mentor) and a certified HUB (protégé) in accordance with Texas Government Code §2161.065.

Participation in the Mentor Protégé Program, along with the submission of a protégé as a subcontractor in an HSP, constitutes a good faith effort for the particular area subcontracted to the protégé. If a Respondent proposes to subcontract with a protégé, it does not need to provide notice to three (3) vendors for that subcontracted area. To demonstrate that a Respondent meets the good faith requirement for mentor/protégé arrangements, the HSP should:

1. include a fully executed copy of the Mentor Protégé Agreement, which must be registered with the CPA prior to submission to HHSC; and
2. identify areas of the HSP that will be performed by the protégé.

4.2.5.8 HUB Subcontracting Procedures – If a Respondent Does Not Intend to Subcontract

If the Respondent plans to complete all MCO Administrative Service requirements with its own equipment, supplies, materials and/or employees, it is still required to complete an HSP. The Respondent must complete the “Self Performance Justification” portion of the HSP, and attest that it does not intend to subcontract for any administrative goods or services, including the class and item codes identified in Section 4.2.5.5. In addition, the Respondent must identify the sections of the proposal that describe how it will complete the Scope of Work using its own resources or provide a statement explaining how it will complete the Scope of Work using its own resources. The Respondent must provide the following information regarding self-performance if requested by HHSC:

1. evidence of sufficient Respondent staffing to meet the RFP requirements;
2. monthly payroll records showing the Respondent staff fully dedicated to the contract; and
3. documentation proving employment of qualified personnel holding the necessary licenses and certificates required to perform the Scope of Work.

4.2.5.9 Post-award HSP Requirements

After contract award, HHSC will coordinate a post-award meeting with the successful Respondents to discuss HSP reporting requirements. The MCO must maintain business records documenting compliance with the HSP, and must submit monthly reports to HHSC by completing the HUB “Prime Contractor Progress Assessment Report.” This monthly report is required as a condition for payment. In addition, the MCO must allow periodic onsite reviews of the MCO’s headquarters or work site where services are to be performed if requested by HHSC.

Once accepted, the finalized HSP will become part of the Contract with the successful Respondents. The Uniform Managed Care Manual outlines the procedures for changing the HSP, as well as the HSP compliance and reporting requirements. All changes to the approved HSP require prior HHSC approval. In general, if the MCO decides to subcontract any part of the Contract after the award, it must follow the good faith effort procedures outlined in Section 4.2.5.6 e.g., divide work into reasonable lots, notify at least three (3) vendors per subcontracted area, provide written justification of the selection process, participate in the Mentor Protégé Program, or for professional services contracts meet the 20% goal. For this reason, HHSC encourages Respondents to identify, as part of their HSP, multiple subcontractors who are able to perform the work in each area the Respondent plans to subcontract. Selecting additional subcontractors may help the selected MCO make changes to its original HSP, when needed, and will allow HHSC to approve any necessary changes expeditiously.

Failure to meet the HSP and post-award requirements will constitute a breach of contract, and will be subject to remedial actions. HHSC may also report noncompliance to the CPA in accordance with the CPA’s respondent performance (see 34 T.A.C. §20.108) and debarment program (see 34 T.A.C. §20.105).

4.2.6 Section 6 – Certifications and Other Required Forms

Respondents must submit the following required forms with their proposals:

1. Child Support Certification;
2. Debarment, Suspension, Ineligibility, and Voluntary Exclusion of Covered Contracts;
3. Federal Lobbying Certification;
4. Nondisclosure Statement;
5. Required Certifications; and
6. Respondent Information and Disclosures.

The required forms are located on HHSC’s website, under the “Business Opportunities” link. HHSC encourages Respondents to carefully review all of these forms and submit questions regarding their completion prior to the deadline for submitting questions (see Section 1.2, “Procurement Schedule”).

Respondents should note that the “Respondent Information and Disclosures” form asks Respondents to provide information on certain litigation matters. In addition to the information required on this form, Respondents must provide all of the information described in Uniform Managed Care Manual Chapter 5.8, “Report of Legal and Other Proceedings.” Respondents may include this supplemental information on the “Respondent Information and Disclosures” form, or under a separate submission.

4.3 Part 2 – Programmatic Proposal
Respondents must provide a detailed description of the proposed programmatic solution, which must support all business activities and requirements described in the RFP. The Programmatic Proposal must reflect a clear understanding of the nature of the work undertaken.

Respondents should carefully read the submission requirement instructions for specific questions in this section. For each applicable programmatic submission requirement, the Respondent must indicate, in addition to the information requested in each subsection, the following information if applicable to the Respondent and its Proposal:

**Material Subcontractor:** If the Respondent plans to provide the service or perform the function through a Material Subcontractor, the Respondent must detail the services and/or function to be subcontracted, and how the Respondent and the Material Subcontractor will coordinate such service or function. Respondents should describe any prior working relationships with the Material Subcontractor.

**Action Plan:** This requirement applies to any Respondent who is not currently: (1) providing services or performing functions relating to a specific RFP submission requirement as a current vendor in STAR, STAR+PLUS, and/or CHIP, or (2) meeting the Operations Phase Requirements in Section 8 relating to a specific submission requirement for STAR, STAR+PLUS, and/or CHIP. In the Action Plan, the Respondent must, for each such submission requirement: (1) submit a description of its current comparable experience and abilities, if any; (2) describe how the Respondent will meet the Contract responsibilities, including assigned resources for completing such activities; and (3) and a timeline for completing such activities.

In responding to questions for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement and up to one (1) page may be used to describe each Action Plan. These pages are not included in the page limit instructions for the specific submission requirement.

HHSC understands that some Respondents may not have current experience providing managed care services to STAR, STAR+PLUS, and/or CHIP members in Texas. In responding to questions relating to experience, Respondents should clearly indicate if their experience is in Texas, and if their experience is with STAR, STAR+PLUS, CHIP, or other comparable populations of managed care members. For Respondents proposing to serve STAR+PLUS members, the Proposal should describe the Respondent’s experience with elderly and disabled populations, including persons eligible for Medicare.

The Programmatic Proposal must include a detailed description of the following program components, at a minimum:

1. Section 1 – Proposed Programs, Service Area, and Capacity
2. Section 2 – Experience Providing Covered Services
3. Section 3 – Value-added Services
4. Section 4 – Access to Care
5. Section 5 – Provider Network Provisions
6. Section 6 – Member Services
7. Section 7 – Quality Assessment and Performance Improvement
8. Section 8 – Utilization Management
9. Section 9 – Early Childhood Intervention (ECI)
10. Section 10 – Services for People with Special Health Care Needs
11. Section 11 – Care Management/Service Coordination
12. Section 12 – Disease Management (DM)/Health Home Services
13. Section 13 – Behavioral Health Services and Network
4.3.1 Section 1 – Proposed Programs, Service Area, and Capacity

(3 pages, excluding tables)

The Respondent shall:

1. complete the MCO Program Proposed Service Area and Capacity table found in the Procurement Library, which must include for each proposed Service Area indicated in Table 1 of the Respondent’s Executive Summary, an estimate of the number of HHSC MCO Members the Bidder has the capacity to serve in each MCO Program bid on the Operational Start Date;

2. describe the calculations and assumptions used to arrive at these Service Area capacity projections. In developing these projections, the Respondent should consider the capacity of its Network, including its PCP Network, its Behavioral Health Services Network, its specialty care Network, its Pharmacy Network, and for STAR+PLUS, its home and community-based services Network. Respondents should specify:

   • the anticipated STAR, STAR+PLUS, or CHIP Program enrollment, as applicable;
   • the expected utilization of services, taking into consideration the characteristics and health care needs of specific populations represented in the particular HHSC MCO Program;
   • the numbers and types (in terms of training, experience, and specialization) of providers required to furnish the Covered Services;
   • the numbers of Network Providers and providers with signed contracts, LOAs, or LOIs who are not accepting new patients, by MCO Program;
   • the geographic location of providers and HHSC MCO members, considering travel time, the means of transportation ordinarily used by HHSC MCO members, and whether the location provides physical access for members with disabilities; and
   • generally describe anticipated Service Area capacity changes, if any, for each of the proposed Service Areas over the Initial Contract Period; and

3. generally describe methods that the MCO will use to ensure access to all Covered Services upon potential population growth due to changes in law, including growth resulting from the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010.

4.3.2 Section 2 – Experience Providing Covered Services

(3 pages, plus 1 additional page for each additional MCO Program bid, if any.)

Covered Services are described in Section 8.1.2, “Covered Services;” Section 8.2.2, “Provisions Related to Covered Services for Medicaid Members;” and Attachment B-1, “STAR Covered Services,” Attachment B-1.1, “CHIP Covered Services,” and Attachment B-1.2, “STAR+PLUS Covered Services.”

For all MCO Programs bid, the Respondent must:
1. briefly describe the Respondent’s experience providing, on a capitated basis, Acute Care services, including Behavioral Health Services, equivalent or comparable to Covered Services included in the MCO Programs bid (STAR Covered Services are described in Attachment B-1, CHIP Covered Services are described in Attachment B-1.1, and STAR+PLUS Covered Services are described in Attachment B-1.2). The description should indicate:

   a. the extent to which the Respondent has experience providing such Acute Care services for a managed care population(s) comparable to the population in the MCO Programs bid; and

   b. the Respondent’s experience providing such Acute Care services in Texas, and in the Respondent’s proposed Service Areas, if applicable;

2. indicate which STAR or CHIP Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid or CHIP population;

3. for STAR+PLUS Respondents, briefly describe the Respondent’s experience providing managed Community-based Long-Term Services and Supports and Acute Care services equivalent or comparable to STAR+PLUS Covered Services described in Attachment B-1.2. The description should indicate:

   a. the extent to which the Respondent has experience providing Community-based Long-Term Services and Supports and Acute Care services for a managed care population(s) comparable to the population in STAR+PLUS; and

   b. the Respondent’s experience providing such Community-based Long-Term Services and Supports in Texas, and in the Respondent’s proposed Service Areas, if applicable;

4. indicate which STAR+PLUS Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid population;

5. briefly describe the Respondent’s proposal for providing Covered Services, including any plans for expansions of its Provider Network in any of the proposed Service Areas prior to a Readiness Review. If the Respondent proposes to use a Material Subcontractor to provide or manage Behavioral Health Services, Pharmacy Services, or any other Covered Service, the Respondent must describe its relationship with the Material Subcontractor, as required by Section 4.3;

6. for STAR Respondents for the Medicaid Rural Service Area, describe the Respondent’s experience in providing Medicaid wrap-around services for Dual Eligibles entitled to these benefits. If the Respondent does not have experience in providing these services, indicate how the Respondent intends to meet this requirement; and

7. for STAR+PLUS Respondents, describe the Respondent’s experience in providing Service Coordination for Dual Eligibles. Respondent should specifically describe the processes and procedures used to coordinate Medicare services with Medicaid Community-based Long-Term Services and Supports and related services. If the Respondent does not have experience coordinating these services, indicate how the Respondent intends to meet this requirement.

4.3.3 Section 3 – Value-added Services

(1 page per Value-added Service)

Respondents may propose to offer Value-added Services as described in Section 8.1.2.1. If offered, the Respondent will not receive additional compensation for Value-added Services, and may not report the costs of Value-added Services as allowable medical or administrative costs.

For each MCO Program and Value-added Service proposed, the Respondent must:

1. define and describe the Value-added Service;

2. specify the applicable Service Areas for the proposed Value-added Services;

3. identify the category or group of Members eligible to receive the proposed Value-added Services if it is a type of service that is not appropriate for all Members;
4. note any limitations or restrictions that apply to the Value-added Services;

5. for each Service Area, identify the types of Providers responsible for providing the Value-added Service, including any limitations on Provider capacity if applicable.

6. propose how and when Providers and Members will be notified about the availability of such Value-added Service;

7. describe how a Member may obtain or access the Value-added Service;

8. include a statement that the Respondent will provide any Value-added Service(s) that are approved by HHSC for at least 12 months after the Operational Start Date of the Contract; and

9. describe if, and how, the Respondent will identify the Value-added Service in administrative data (Encounter Data).

The Respondent may propose different Value-added Services for each MCO Program and Service Area bid.

### 4.3.4 Section 4 – Access to Care

Access to Care standards are described in Section 8.1.3.

#### 4.3.4.1 Travel Distances

(no page limit, should only submit applicable tables)

For each proposed Service Area and for each MCO Program bid (if the proposed Provider Network would be different across MCO Programs within a Service Area), submit tables created using GeoAccess, or a comparable software program, to demonstrate the geographic adequacy of the Respondent’s proposed Provider Network compared to the projected population in each proposed Service Area.

Providers in the demonstrated Provider Network must have an executed contract with the Respondent, a letter of intent (LOI), or a letter of agreement (LOA) indicating the provider intends to contract with the Respondent if HHSC awards the Respondent an MCO Contract. Respondents do not need to submit the signed contracts, LOIs, or LOAs with the Proposal, but HHSC may request to review these documents during its evaluation of the Proposal. Providers who have not signed a Network Provider contract or LOI/LOAs may **not** be included in the Respondent’s Network for purposes of responding to this RFP submission requirement.

For each proposed Service Area, the Respondent must generate GeoAccess or comparable tables to display the following information on its proposed Provider Network utilizing the Member Files provided by HHSC. For purposes of Geo Mapping, the distribution method will be to place all members at the center of the zip code.

1. adults with access to PCPs (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which adults have such access;

2. children with access to PCPs:
   a. Percentage and number of child Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which children have such access;
b. Percentage and number of child Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which children have such access;

3. access to cardiologists (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Network cardiologist within 75 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Network cardiologists within 75 miles, and the average number of miles within which adults have such access;

4. access to Acute Care Hospitals:
   a. Percentage and number of Members with access to a Network Acute Care Hospital within 30 miles;

5. access to outpatient Behavioral Health Services Providers (does not apply to the STAR Dallas Service Area, where Behavioral Health services are provided through NorthSTAR):
   a. Percentage and number of Members with access to one (1) Network outpatient Behavioral Health Service Provider within 75 miles, and the average number of miles within which Members have such access;
   b. Percentage and number of Members with access to two (2) Network outpatient Behavioral Health Providers within 75 miles, and the average number of miles within which Members have such access;

6. access to OB/GYNs (does not apply to CHIP Members or CHIP Perinatal Newborn Members – but does apply to CHIP Perinate Members (unborn children)):
   a. Percentage and number of female Members over age 19 with access to one (1) Network OB/GYN within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);
   b. Percentage and number of female Members over age 19 with access to two (2) Network OB/GYNs within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);
   c. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;
   d. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;

7. access to otolaryngologists (STAR and CHIP only):
   a. Percentage and number of child Members with access to one (1) Network otolaryngologist (ENT) within 75 miles, and the average number of miles within which children have such access; and
   b. Percentage and number of child Members with access to two (2) Network otolaryngologists (ENTs) within 75 miles, and the average number of miles within which children have such access; and

8. access to Pharmacies:
a. Percentage and number Members with access to one (1) Network pharmacy within 15 miles, and the average number of miles within which Members have such access;

b. Percentage and number Members with access to two (2) Network pharmacies within 15 miles, and the average number of miles within which Members have such access;

c. Percentage and number Members with access to one (1) 24 hour Network pharmacy within 75 miles, and the average number of miles within which Members have such access; and

d. Percentage and number Members with access to two (2) 24 hour Network pharmacies within 75 miles, and the average number of miles within which Members have such access.

Respondents should submit one (1) set of the above tables for each MCO Program and Service Area bid (e.g., one (1) table for the STAR Tarrant Service Area, one (1) table for the STAR Harris Service Area, etc.). Respondents should report the zip code, the city or town associated with the zip code, the percentage and number of eligible Members residing within the zip code, and the percentage and number of eligible Members residing within a zip code who have access to Network Provider addresses within the HHSC-specified travel distance standard. Each table should be sorted in descending order based on zip code-eligible Member population. In addition, each Service Area table should report the aggregate percentage of eligible Members residing within the Service Area who have access within the HHSC-specified travel standard.

4.3.4.2 Assessing Access to Care

(3 pages, plus one additional page per additional MCO Program bid if the Respondent’s response is different by MCO Program)

1. Identify the process(es) by which the Respondent must measure and regularly verify:
   
a. Network compliance, including pharmacy, regarding travel distance access in Section 8.1.3.2;

b. Provider compliance regarding appointment access standards in Section 8.1.3.1, and

c. PCP compliance with after-hours coverage standards in Section 8.1.4.2.

2. Describe the steps the Respondent has taken in the past when it identified:
   
a. a deficiency in its compliance with plan or state travel distance access standards;

b. a Provider that was not meeting plan or state appointment access standards, and

c. a PCP that was not in compliance with the plan or state after-hours coverage requirements.

If the Respondent has not taken such steps listed in 2a, b, or c above with regularity, describe how it proposes to take such steps in the future.

3. Describe the processes the Respondent implement to accommodate additional Members and to ensure the access standards are met if actual enrollment exceeds projected enrollment.

4.3.5 Section 5 – Provider Network Provisions

Provider Network requirements are primarily described in Section 8.1.4. In addition, the Significant Traditional Provider (STP) requirements applicable to Medicaid MCOs are described in Section 8.2.3.

4.3.5.1 Provider Network

(1 page, excluding Provider listing and tables)
Network Providers must have an executed contract with the Respondent, a letter of intent (LOI) or a letter of agreement (LOA) indicating the Provider intends to contract with the Respondent should HHSC award the Respondent a contract for the applicable MCO Program. Network Providers must be licensed in the State of Texas to provide the contracted Covered Services. As described in Section 8.1.4.4., the MCO must credential Network Providers before they may serve Members. Sample LOI/LOA agreements and sample Network Providers tables can be found in the Procurement Library.

1. For each Service Area in which the Respondent proposes to participate in the STAR, STAR+PLUS, and/or CHIP Program, the Respondent must submit a complete listing of proposed Network Providers for each of the following Acute Care provider types. Such listing must indicate for each provider type: the name, address, and NPI and/or TPI, if applicable, of the Providers with signed contracts, LOIs or LOAs. If the Respondent’s Provider Network is identical across more than one MCO Program within a Service Area, the Respondent may submit one Excel file worksheet for the Service Area that specifies the applicable MCO Programs. The Respondent must include in an Excel file at least the two (2) nearest Providers meeting each of the following provider type descriptions. The Respondent must also include in the Excel file all Providers in the designated provider type within the Service Area. The listing must include separate lists of each provider type in the order listed below and a separate worksheet for each proposed Service Area:

**Acute Care Services**

- a. Acute Care Hospitals, inpatient and outpatient services;
- b. Hospitals providing Level 1 trauma care;
- c. Hospitals providing Level 2 trauma care;
- d. Hospitals designated as transplant centers;
- e. Hospitals designated as Children’s Hospitals by the CMS;
- f. other Hospitals with specialized pediatric services;
- g. Psychiatric Hospitals providing mental health services, inpatient and outpatient;
- h. Other facilities or clinics that provide outpatient mental health services;
- i. Hospitals providing substance abuse services, inpatient and outpatient; and
- j. other facilities or clinics providing outpatient substance abuse services.

2. For STAR+PLUS only, identify a list of Community-based Long-Term Services and Supports Providers with whom the Respondent has a signed contract, LOI or LOA. These Providers should be listed by type, name, and address. Respondent should also list the array of Community-based Long-Term Services and Supports each of these entities provides.

**Community-based Long-Term Services and Supports** (for STAR+PLUS only)

- a. Personal Assistance Services (PAS);
- b. Day Activity and Health Services (DAHS);
- c. adaptive aids and medical supplies;
- d. adult foster care;
- e. assisted living and residential care services;
- f. emergency response services;
g. home delivered meals;

h. in-home skilled nursing care;

i. dental services;

j. minor home modifications;

k. respite care;

l. therapy – occupational;

m. therapy – physical;

n. therapy – speech, hearing, and/or language pathology services;

o. consumer directed services; and

p. transition assistance services.

3. Identify the types of Providers the Respondent allows to be PCPs for adults, PCPs for children, OB/GYNs, and outpatient Behavioral Health Service Providers. The Respondent should identify its contract requirements for these provider types and any exceptions. For example, Respondent should note under what circumstances, if any, an internist is allowed to be a PCP for children, or a family practitioner is allowed to be an OB/GYN.

4.3.5.2 Significant Traditional Providers

(No page limit, Respondents should only submit STP tables, not text, with the exception of bidders not meeting the 50 percent threshold described in Section 5.2. These Respondents should provide clear documentation of any problems in meeting this threshold)

The STP requirements in Section 8.2.3 are applicable as follows:

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs) in STAR and STAR+PLUS. For STAR MCOs, STP requirements for other provider types are limited to the following areas: Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, STP requirements for other provider types apply to Jefferson, El Paso, Lubbock and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette.

HHSC-designated Medicaid Significant Traditional Providers (STPs) can be found in the Procurement Library. The STP list includes, without limitation, SUD, pharmacy, and State Mental Health Hospitals for all MCO Programs. For STAR+PLUS, STPs also include Community-based Long-Term Services and Supports Providers.

For each STP provider type in the MCO Program(s) and Service Area(s) bid, the Respondent must complete the charts provided in the Procurement Library.

4.3.5.3 Provider Network Capacity

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

HHSC has targeted improved Network capacity and improved Member access to Covered Services as a priority for the Initial Contract Period.

1. indicate which, if any, Covered Services are not available from a qualified Provider in the Respondent’s proposed Network in the Service Area and how the Respondent proposes to provide such Covered Services to Members in the Service Area; and
2. briefly describe how deficiencies will be addressed when the Provider Network is unable to provide a Member with appropriate access to Covered Services due to lack of a qualified Network Provider within the travel distance of the Member’s residence specified in Section 8.1.3.2. The description should include, but not be limited to, how the Respondent will address deficiencies in the Network related to:

a. the lack of an age-appropriate Network PCP with an Open-Panel within the required travel distance of the Member’s residence;

b. for female Members, the lack of an Network OB/GYN with an open practice within the travel distance of the Member’s residence;

c. the lack of a Network cardiologist within the travel distance of the Member’s residence (STAR and STAR+PLUS only); and

d. the lack of a Network pharmacy within the travel distance of the Member’s residence.

4.3.5.4 Credentialing and Re-credentialing

(4 pages plus 2 additional pages for Respondents bidding STAR+PLUS)

Provider credentialing and re-credentialing requirements are described in Section 8.1.4.4. For all of the following submission requirements, instead of attaching copies of the Respondent’s credentialing/re-credentialing policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. Describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Acute Care Providers by type of Provider, and demonstrate how the Respondent ensures, or proposes to ensure, that the minimum credentialing requirements are met. Such description must demonstrate compliance with Section 8.1.4.4.

2. Describe the re-credentialing process or process between re-credentialing cycles for Acute Care Providers and how the Respondent will capture and assess the following information:

   a. Member Complaints and Appeals;

   b. results from quality reviews and Provider quality profiling;

   c. utilization management information; and

   d. information from licensing and accreditation agencies.

3. For STAR+PLUS only, describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Providers of Community-based Long-Term Services and Supports by type of Provider, and how Respondent will ensure that the minimum credentialing and licensing requirements are met by any Provider rendering Covered Services.

4. For STAR+PLUS only, describe the re-credentialing process for Providers of Community-based Long-Term Services and Supports. The description of the re-credentialing process should include how the Respondent will capture and assesses the following information:

   a. Member Complaints and Appeals;

   b. results from quality reviews and quality Provider profiling;

   c. utilization management information; and

   d. information from licensing and accreditation agencies.
5. A Respondent currently operating in Texas must separately report the following information for its Texas Network. A Respondent not currently operating in Texas must separately report the same information for a managed care program it operates in another state that is similar to the MCO Program bid:

   a. the percentage of providers in its Network re-credentialed in the past three (3) years, for the following provider types: primary care physician, specialty care provider, and masters-level outpatient Behavioral Health Service providers; and

   b. the number and percentage of providers in its Network who were subjected to the regularly scheduled re-credentialing process over the past 24 months that were denied continued Network status.

4.3.5.5 Provider Hotline

(3 pages, plus 2 additional pages for each additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

Describe the proposed Provider Hotline function and how the Respondent would meet the requirements of Section 8.1.4.7. Such description must include:

1. normal hours of operation of the hotline;
2. staffing for the hotline;
3. training for the hotline staff on Covered Services and HHSC MCO Program requirements;
4. the routing of calls among hotline staff to ensure timely and appropriate response to provider inquiries;
5. responsibilities of hotline staff, if any, in addition to responding to HHSC Provider Hotline calls (e.g., responding to non-Network provider calls and/or HHSC Member Hotline calls);
6. after-hours procedures and available services;
7. provider hotline telephone reports for the most recent four (4) quarters with data that show the monthly call volume, the monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and the monthly trends for the abandonment rate; and

8. Whether the Provider Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the MCO Programs bid must submit the information in #7 above for each provider hotline operated, and identify any proposed changes to provider hotline functions.

A Respondent not currently participating in any of the MCO Programs bid must submit the information in #7 above for a similar managed care program that it operates. If such a Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider hotline telephone report for the same managed care program.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Provider Hotlines, so long it meets the RFP Provider Hotline requirements for all MCO Programs bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Provider Hotline, or if proposing to staff a single Provider Hotline for multiple programs, and should note in its Proposal the differences, if any, in its Provider Hotline and staffing for each MCO Program bid.

4.3.5.6 Provider Training

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)
Provider training requirements are described in **Section 8.1.4.6.**

1. Provide a brief description of the proposed Provider training programs for each MCO Program bid. For STAR+PLUS only, distinguish between training programs for Acute Care Providers and Community-based Long-Term Services and Supports Providers. The description should include:
   
   a. the types of programs to be offered, including the modality of training;
   
   b. what topics will be covered;
   
   c. which Providers will be invited to attend;
   
   d. how the Respondent proposes to maximize Provider participation;
   
   e. how Provider training programs will be evaluated;
   
   f. the frequency of Provider training; and
   
   g. for STAR+PLUS Long Term Services and Supports providers in El Paso, Lubbock, and Hidalgo, who have never submitted traditional claim forms, a brief summary of additional methods to assist these providers.

2. Briefly describe two (2) examples of recent Provider training programs relevant to each of the MCO Programs bid. These examples must include:
   
   a. a description of the training program;
   
   b. a summary of distributed materials (the actual materials are not to be submitted);
   
   c. number and type of attendees; and
   
   d. results of any evaluations from the training.

A Respondent currently participating in any of the MCO Programs bid must submit the above Provider training examples for each such MCO Program. A Respondent may use the same such Provider education example for more than one (1) MCO Program, provided the education program was given to Providers participating in each MCO Program.

A Respondent not currently participating in one (1) or more of the MCO Programs bid must submit the above provider training examples for a similar managed care program. If the Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider education information in this submission requirement.

### 4.3.5.7 Provider Incentives

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Respondent must submit a proposal for a pilot “gain sharing” program. The program should focus on collaborating with Network physicians and Hospitals in order to allow them to share a portion of the Respondent’s savings resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions. The proposal should include mechanisms whereby the Respondent will provide incentive payments to Hospitals and physicians for quality care. The proposal should include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for payment.

### 4.3.6 Section 6 – Member Services

#### 4.3.6.1 Member Services Staffing
The MCO must maintain a Member Services Department to assist Members and Members’ representatives in obtaining Covered Services as described in Section 8.1.5.

1. Provide an organizational chart of the Member Services Department, showing the placement of Member Services within the Respondent’s organization and showing the key staff within the Member Services Department.

2. Explain the functions of the Member Services staff, including brief job descriptions and qualifications.

3. Describe the curriculum for training to be provided to Member Services representatives, including when the training is conducted and how the training addresses:
   a. Covered Services, including Behavioral Health Services and Community-based Long Term Services and Supports;
   b. MCO Program requirements;
   c. Cultural Competency; and
   d. providing assistance to Members with limited English proficiency.

4. Identify the turnover rate for Member Services staff in the past two (2) years. A Respondent operating any HHSC MCO Program must provide the staff turnover rate for each of its MCO Programs. A Respondent not currently operating an HHSC MCO program must provide its Member Services staff turnover rate for a comparable managed care program and identify the managed care program.

5. For STAR+PLUS only, identify the number and professional background of Member Services staff that the Respondent intends to dedicate to the Service Coordination function.

6. Identify the percentage of Member Services staff who will be physically located in the Service Area.

A Respondent submitting a multi-program response must clearly indicate any differences in the Respondent’s Member services approach across each of the MCO Program bid.

4.3.6.2 Member Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

The Member Hotline requirements are described in Section 8.1.5.6.

Describe the proposed Member Hotline function, including:

1. normal hours of operation;

2. number of Member Hotline staff, expressed in the number of full time employees (FTEs) per 1000 Members who are available 8:00 a.m. to 5:00 p.m., local time in the Service Area, Monday through Friday, excluding state-approved holidays;

3. routing of calls among Member Hotline staff to ensure timely and accurate response to Member inquiries;

4. responsibilities of Member Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC Member calls and/or HHSC Provider Hotline or Behavioral Health Hotline calls);

5. after-hours procedures and available services, including those provided to non-English speaking Members in Major Population Groups;
6. the number and percentage of FTE Member Hotline staff who are bilingual in English and Spanish;
7. the number and percentage of FTE Member Hotline staff who are multi-lingual for any additional language, by language spoken;
8. for STAR+PLUS only, the number and percentage of FTE Member Hotline staff dedicated to the Service Coordination function;
9. Member Hotline telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and monthly trends for the abandonment rate; and
10. Whether the Member Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of HHSC’s MCO Programs must submit the information in #9 above for each Member Hotline operated, and identify any proposed changes to hotline functions.

If the Respondent is not currently participating in any of HHSC’s MCO Programs, it should describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Member Hotline described in Section 8.1.5.6. Such a description must include the information listed in items 1 to 10 above.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Member Hotlines, if it meets the RFP Member Hotline requirements for all MCO Program bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Member Hotline, or if proposing to staff a single Member Hotline for multiple programs, and should note the differences, if any, in its Member Hotline and staffing for each MCO Program bid.

### 4.3.6.3 Member Service Scenarios

(5 pages)

Describe the procedures a Member Services representative will follow to respond to the following situations:

1. a Member has received a bill for payment of Covered Services from a Network Provider or Out-of-Network Provider;
2. a Member is unable to reach her PCP after normal business hours;
3. a Member is having difficulty scheduling an appointment for preventive care with her PCP,
4. for STAR+PLUS only, a Member is having difficulty scheduling an appointment for preventive care with her Medicare PCP;
5. for STAR+PLUS only, a Member is in urgent need of meals, adaptive aids, or other Community-Based Long-Term Services and Supports and is unable to reach their Service Coordinator or provider,
6. a Member becomes ill while traveling outside of the Service Area, and
7. a Member has a request for a specific medication that the pharmacy is unable to provide.

### 4.3.6.4 Cultural Competency

(3 pages)
Provide a high-level description of the processes the Respondent will put in place to meet the requirements of the cultural competency requirements as described in Section 8.1.5.8, “Cultural Competency Plan.”

1. Describe how the Respondent will ensure culturally competent services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each.

2. Describe how the Respondent will develop intervention strategies and work with Network Providers to avoid disparities in the delivery of medical services to diverse populations.

4.3.6.5 Member Complaint and Appeal Processes

(3 pages per MCO Program, excluding flow chart)

Medicaid Member Complaint and Appeal Processes are described in Section 8.2.6. CHIP Member Complaint and Appeal Processes are described in Section 8.4.2. For each MCO Program bid, a Respondent’s proposal should describe how it intends to meet the applicable Member Complaint and Appeal requirements. A Respondent should not submit detailed Complaint and Appeal policies and procedures as an attachment.

For each MCO Program bid, the Respondent must:

1. describe the process the Respondent will put in place for the review of Member Complaints and Appeals, including which staff will be involved;

2. provide a flowchart that depicts the process the Respondent will employ, from the receipt of a request through each phase of the review to notification of disposition, including providing notice of access to HHSC Fair Hearings;

3. document the MCO’s average time for resolution over the past 12 months for Member Complaints and Appeals (excluding Expedited Appeals), from date of receipt to date of notification of disposition; and

4. for STAR and STAR+PLUS only, describe the number and job descriptions of Member Advocates, how Members are informed of the availability of Member Advocates, and how Members access Advocates.

4.3.6.6 Marketing Activities and Prohibited Practices

(no page limit)

If the Respondent has been sanctioned or placed under corrective action for prohibited Marketing practices related to managed care products by the CMS, Texas, or by another state:

1. describe the basis for each sanction or corrective action, and

2. explain how the Respondent would ensure that it would not commit any practices prohibited by the CMS or HHSC in its Marketing activities.

A Respondent should have reported whether it has been sanctioned or been placed under corrective action by the federal government, Texas, or any other state in the past three (3) years as part of its Business Specifications submission.

4.3.6.7 Continuity of Care (for STAR and STAR+PLUS only)

(3 pages plus 1 additional page if the Respondent is proposing to participate in both STAR and STAR+PLUS)

Continuity of Care transition requirements for certain new Members with Out-of-Network providers are described in Section 8.2.1.
Describe the proposed Continuity of Care Transition Plan for serving new Members whose current PCP, OB/GYN, specialty care providers (including Behavioral Health Service providers) or Community-based Long-Term Services and Supports are not participants in the Respondent’s Provider Network. Respondents proposing to serve STAR+PLUS Members must also describe the proposed Continuity of Care Transition Plan for serving new Members whose current home health services provider is not a participant in the Respondent’s proposed Provider Network.

If a Respondent is proposing to serve both STAR and STAR+PLUS MCO Members, the Respondent should note the differences, if any, in its Continuity of Care Transition Plan in each MCO Program bid.

4.3.6.8 Objection to Providing Certain Services

(1 page)

In accordance with 42 C.F.R. §438.102, the Respondent may file an objection to provide, reimburse for, or provide coverage of, counseling or referral service for a Covered Service based on moral or religious grounds (see Section 8.2.2.7). HHSC reserves the right to make downward adjustments to Capitation Rates for any Respondent that objects to providing certain services based on moral or religious grounds.

Respondent should indicate objections, if any, to providing a Covered Service based on moral or religious grounds. Identify the specific service(s) to which it objects and describe the basis for its objection on moral or religious grounds.

4.3.6.9 Coordination of Services for Dual Eligibles

(2 pages)

Coordination of Services for STAR+PLUS Dual Eligibles is described in Section 8.3.7.1, and Medicaid wrap-services are described in Section 8.2.3.

As applicable to the Programs bid, please describe the Respondent’s process for coordinating Medicaid and Medicare care for STAR+PLUS Dual Eligibles, and providing Medicaid wrap-around services to Dual Eligibles in STAR+PLUS and STAR (Medicaid Rural Service Area only).

4.3.7 Section 7 – Quality Assessment and Performance Improvement

The Quality Assessment and Performance Improvement (QAPI) requirements of the RFP are described in Section 8.1.7.

4.3.7.1 Clinical Initiatives

(3 pages, plus 2 additional pages per additional MCO Program, excluding QA plan)

1. For each MCO Program bid, describe data-driven clinical initiatives that the Respondent initiated within the past 24 months that have yielded improvement in clinical care for a managed care population comparable to the population bid and document two (2) statistically significant improvements generated by the Respondent’s clinical initiatives.

2. For STAR+PLUS only, propose two (2) clinical initiatives focused on Community-based Long-Term Services and Supports for STAR+PLUS Members, including how Members will be involved in such initiatives and the Respondent’s experience implementing similar initiatives.

3. For each MCO Program bid, describe two (2) new or ongoing Acute Care clinical initiatives that the Respondent proposes to pursue in the first year of the Contract. Document why each topic warrants quality improvement investment, and describe the Respondent’s measurable goals for the initiative.

4. For STAR+PLUS only, describe the planned approach the Respondent will take towards quality assessment and ongoing review of providers with whom it intends to contract, using the following provider types as an example:
a. Adult Day Health Facilities;
b. Personal Assistance Services providers, and
c. Home and Community Support Services Agencies (HCSSAs).

5. For Respondents that already participate in an HHSC MCO Program, provide a copy of the most recent QAPI Plan. For Respondents that do not participate in an HHSC MCO Program, provide a copy of a 2009 quality assurance plan for a comparable managed care population.

6. Many Texas Medicaid and CHIP children reportedly receive their immunizations through Local Health Departments. Discuss the impact this has on creating a Medical Home for child Members, and what steps, if any, the Respondent proposes to take to improve child preventive services delivery.

### 4.3.7.2 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Quality Data

(3 pages, plus 2 additional pages per additional MCO Program bid)

HHSC’s External Quality Review Organization (EQRO) will perform HEDIS and Consumer Assessment of Healthcare Providers and Systems (CAHPS) calculations required by HHSC for MCO Program management. The following questions are designed to solicit information on a Respondent's proposed approach to generating its own clinical indicator information to identify and address opportunities for improvement, as well as the Respondent's approach to acting on clinical indicator data reported by HHSC's EQRO.

For each MCO Program bid, the Respondent must:
1. identify the MCO-level HEDIS and any other statistical clinical indicator measures the Respondent will generate to identify opportunities for clinical quality improvement;
2. document examples of statistical clinical indicator measures previously generated by the Respondent during 2008-2009 for a managed care population comparable to the population in the MCO Program bid;
3. describe efforts that the Respondent has made to assess member satisfaction during 2008-2009 for a managed care population comparable to the population in the MCO Program bid; and
4. describe management interventions implemented in 2008 or 2009 based on member satisfaction measurement findings for a managed care population comparable to the population in the MCO Program bid, and whether these interventions resulted in measurable improvements in later member satisfaction findings.

### 4.3.7.3 Clinical Practice Guidelines

(2 pages per MCO Program bid)

There is significant evidence that medical professionals are often slow to adopt evidence-based clinical practice guidelines.

1. For each MCO Program bid, describe two (2) clinical guidelines that are relevant to the enrolled populations and that the Respondent believes are currently not being adhered to at a satisfactory level.

   2. Describe what steps the Respondent will take to increase compliance with the clinical guidelines noted in its response to question number 1 above.

   3. Provide a general description of the Respondent’s process for developing and updating clinical guidelines, and for disseminating them to participating Providers.

### 4.3.7.4 Provider Profiling

(3 pages, excluding sample profile reports)

1. Describe the Respondent’s practice of profiling the quality of care delivered by Network PCPs, and any other Acute Care Providers (e.g., high volume specialists, Hospitals), including the methodology for determining which and how many Providers will be profiled.
2. For STAR+PLUS, describe the Respondent’s method to ensure the quality of care delivered by Long-Term Services and Supports Providers.

3. Submit sample quality profile reports used by the Respondent, or proposed for future use (identify which).

4. Describe the rationale for selecting the performance measures presented in the sample profile reports.

5. Describe the proposed frequency with which the Respondent will distribute such reports to Network Providers, and identify which Providers will receive such profile reports.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its provider profiling activities and reports for each MCO Program bid.

4.3.7.5 Network Management

(4 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Describe how the Respondent will actively work with Network Providers to ensure accountability and improvement in the quality of care provided by both Acute and Long-Term Services and Supports Providers. The description should include:

1. the steps the Respondent will take with each profiled Provider following the production of each profile report, including a description of how the Respondent will motivate and facilitate improvement in the performance of each profiled Provider;

2. the process and timeline the Respondent proposes for periodically assessing Provider progress on its implementation of strategies to attain improvement goals;

3. how the Respondent will reward Providers who demonstrate continued excellence and/or significant performance improvement over time, through non-financial or financial means, including pay-for-performance;

4. how the Respondent will share “best practice” methods or programs with Providers of similar programs in its Network;

5. how the Respondent will take action with Providers who demonstrate continued unacceptable performance and performance that does not improve over time;

6. the steps the Respondent will take with a Provider that specifically is not meeting HHSC contractual access standards; and

7. the extent to which the Respondent currently operates a Network management program consistent with HHSC requirements in Section 8.1.7.8, and measurable results it has achieved from such Network management efforts.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Network Management activities and reports for each MCO Program bid.

4.3.8 Section 8 – Utilization Management

(3 pages, plus 1 additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Utilization Management (UM) requirements are described generally in Section 8.1.8 and specifically for Behavioral Health Services in Section 8.1.15. A Respondent’s response to this submission requirement should address UM for all Covered Services.

1. Describe the UM guidelines the Respondent plans to employ, including whether and how the guidelines comply with the standards in Sections 8.1.8 and 8.1.15.
2. If the UM guidelines were developed internally, describe the process by which they were developed and when they were developed or last revised.

3. Describe how the UM guidelines will generally be applied to authorize or retrospectively review services for the spectrum of Covered Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its UM activities for each MCO Program bid.

4.3.9 Section 9 – Early Childhood Intervention (ECI)

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

ECI Services are described in Section 8.1.9.

1. Describe the Respondent’s experience with, and general approach to, providing ECI services, including how the Respondent will identify such individuals.

2. Describe procedures and protocols for using the IFSP information to develop a Member Care Plan and authorize services.

3. Describe procedures and protocols for developing and including the interdisciplinary team in the assessment and care planning process.

4. Describe the process by which the Respondent will provide the IFSP and other necessary information to the PCP.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for ECI for each MCO Program bid.

4.3.10 Section 10 – Services for People with Special Health Care Needs

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Services for people with special health care needs are described in Section 8.1.12. Note: All STAR+PLUS Members are considered to be persons with Special Health Care Needs as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

1. Describe the Respondent’s experience with, and general approach to, providing services for adults with Special Health Care Needs (STAR and STAR+PLUS only), including how the Respondent will identify such individuals and the criteria it will use in assessing whether an adult is a Member with Special Health Care Needs (MSHCN).

2. Describe the Respondent’s experience with, and general approach to, providing services for Children with Special Health Care Needs (CSHCN), including how the Respondent will identify such individuals and the criteria it will use in assessing whether a Member is a CSHCN.

3. Describe the process for initially and periodically assessing Members’ needs for services, and identify the staff performing the assessments and their credentials.

4. Describe procedures and protocols for using the assessment information to develop a Member Care Plan and authorize services.

5. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.
6. Describe the process by which the Respondent will allow MSHCN to have:

   a. direct access to a specialist as appropriate for the Member’s condition and identified needs, such as a standing referral to a specialty physician; and

   b. access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. § 11.900 and Section 8.1.3.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for MSHCN for each MCO Program bid.

### 4.3.11 Section 11 – Care Management and/or Service Coordination

(9 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Care Management and/or Service Coordination is described in Sections 8.1.12.2 and 8.1.13. Additional requirements for Service Coordination are described in Section 8.3.2.

1. Describe the Respondent’s experience providing Care Management and/or Service Coordination to members with high-cost catastrophic situations (e.g., recent spinal cord injury) and the Respondent’s proposal for implementing high-cost catastrophic Care Management and/or Service Coordination, including how the Respondent will identify Members for high cost catastrophic Care Management and/or Service Coordination, and the criteria used to identify such Members.

2. Describe the Respondent’s experience providing Care Management and/or Service Coordination services to Members with the following serious health care conditions, as applicable to the MCO Programs bid, and the Respondent’s proposal for offering Care Management and/or Service Coordination services to these Members. Include how Members will be identified for Care Management and/or Service Coordination, and the criteria used to identify such Members:
   
   a. women with high-risk pregnancies (STAR only); and

   b. individuals with mental illness and co-occurring substance abuse.

3. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Care Management and/or Service Coordination initiatives.

4. For STAR+PLUS only, describe the duties and responsibilities of the Service Coordinator to authorize Community-based Long-Term Services and Supports. The Respondent must describe in detail how the Service Coordinator will function in relation to the Member’s PCP for:

   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and

   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

5. For STAR+PLUS only, submit detailed information, including protocols and procedures, for identifying Members requiring Service Coordination, and for providing the Service Coordination function to them. The information should include how the protocols and procedures vary for:

   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and for

   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

6. For STAR+PLUS only, describe the circumstances or conditions when the Member would require a licensed nurse or other allied health care provider as a Service Coordinator.
7. For STAR+PLUS only, submit criteria for identifying and training certain Members and their Member Representative(s) to coordinate and direct the Member’s own care, to the extent the Member is capable of doing so. Criteria should include those used to enable the Member and family to select, train, and supervise providers of Community-based Long-Term Services and Supports.

8. For STAR+PLUS only, describe the criteria and processes for advising Members of, and assisting them to access, the most appropriate, least restrictive home and community-based services as alternatives to institutional care. Additionally, describe how the Respondent will ensure that the Member is given the opportunity to make an informed choice among the options for care settings.

9. For STAR+PLUS only, submit a list of the relevant community organizations in each proposed STAR+PLUS Service Area with which the Respondent will coordinate services for Members and to which it will refer Members for services.

10. For STAR+PLUS only, describe the process for initially and periodically assessing Members’ needs for services.

11. For STAR+PLUS only, describe how the Respondent will identify Members who are at risk of nursing facility placement.

12. For STAR+PLUS only, submit all functional assessment instruments proposed for use and describe how the assessment instrument(s) will be employed to identify the Member’s need for Community-based Long-Term Services and Supports. (Note: If the MCO is allowed to modify a functional assessment instrument required by the State, HHSC must approve the proposed instrument prior to implementation. See Section 8.3.3 for more information.)

13. For STAR+PLUS only, identify who will perform each assessment and specify their credentials.

14. Describe procedures and protocols for using the assessment information to develop a Member Service/Care Plan and authorize services.

15. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

16. For STAR+PLUS only, provide a description of the appropriate staffing ratio of Service Coordinators to Members, and the Respondent’s target ratio of Service Coordinators to Members.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Care Management and/or Service Coordination activities in the applicable MCO Programs.

4.3.12 Section 12 – Disease Management (DM)/Health Home Services

(3 pages, plus 1 additional page for each MCO Program bid)

Disease Management/Health Home Services is described in Section 8.1.14.

1. Describe the Respondent’s experience in implementing Disease Management/Health Home Services programs for populations comparable to the proposed HHSC MCO Program.

2. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Disease Management/Health Home Services initiatives, and briefly describe the analyses used to identify such outcomes and savings.

3. Identify the process by which the Respondent proposes to provide Members with Disease Management/Health Home Services. Describe how the Respondent will identify Members in need of such Disease Management/Health Home Services program, the proposed outreach approach, and the Disease Management/Health Home Services program components for Members of different risk levels.

4. Describe the process by which the Respondent will ensure continuity of care with the Member’s previous Disease Management/Health Home Services program(s), if any.
4.3.13 Section 13 – Behavioral Health Services and Network

The Behavioral Health Services and Network requirements are described in Section 8.1.15. Note: STAR Members in the Dallas Service Area will receive Behavioral Health services through the NorthSTAR Program instead of STAR.

4.3.13.1 Behavioral Health Services Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding telephone reports)

The Behavioral Health Services Hotline requirements are described in Section 8.1.15.3.

Describe the proposed Behavioral Health Services Hotline function, including:

1. verification that it is, or will be, staffed 24 hours per day, 365 days per year;

2. staffing of Behavioral Health Services Hotline staff, including clinical credentials;

3. routing of calls among Behavioral Health Services Hotline staff to ensure timely and accurate response to Member inquiries;

4. the curriculum for training to be provided to Behavioral Health Services Hotline representatives, including when the training will be conducted and how the training will address a) Covered Services; b) HHSC MCO Program requirements; c) Cultural Competency; and d) providing assistance to Members with limited English proficiency.

5. responsibilities of Behavioral Health Services Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC member calls and/or HHSC Provider Hotline or Member Hotline calls);

6. the number and percentage of FTE Behavioral Health Services Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Behavioral Health Services Hotline staff who are multi-lingual for any additional language, by language spoken;

8. Behavioral Health Services telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system), and monthly trends for the abandonment rate; and

9. whether the Behavioral Health Services Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the HHSC MCO Programs bid must submit the information above for each Behavioral Health Services Hotline that it operates, and should provide the monthly call volume for each Service Area by MCO Program. Such a Respondent should also indicate any changes it proposes to its Behavioral Health Services Hotline.

If the Respondent is not currently participating in the STAR, STAR+PLUS, or CHIP MCO Programs, describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Behavioral Health Services Hotline described in Section 8.1.15.3. Such a description must include the information listed in items 1 to 9 above.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Behavioral Health Services Hotline, or if proposing to staff a single Behavioral Health Services Hotline for multiple programs, shall note in its Proposal the differences, if any, in its Behavioral Health Services Hotline and staffing for each applicable MCO Program.
4.3.13.2 Behavioral Health Provider Network Expertise

(no page limit)

1. For each proposed Service Area, identify Behavioral Health Service Providers with expertise in providing services to each of the following populations, as applicable to the Respondent’s Proposal.
   a. substance abusers;
   b. children and adolescents;
   c. persons with a dual diagnosis of mental health and substance abuse; and
   d. services for linguistic and cultural minorities.

2. Indicate the criteria the Respondent will use to determine that such Behavioral Health Providers have the requisite expertise.

4.3.13.3 Coordination of Behavioral Health Care

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

1. Describe the Respondent’s approach to coordinating Behavioral Health Service delivery with primary care services delivered by a Member’s PCP, and vice versa.

2. Describe or propose innovative programs and identify Network Providers contracted to serve special populations through integrated medical/Behavioral Health Service delivery models. Describe the program model services, treatment approach, special considerations, and expected outcomes for the special populations.

3. Describe the process by which the Respondent will ensure the delivery of outpatient Behavioral Health Services within seven (7) days of inpatient discharge for Behavioral Health Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its coordination of Behavioral Health Services in the applicable MCO Programs.

4.3.13.4 Behavioral Health Quality Management

(2 pages per MCO Program bid)

1. Identify the areas Respondent believes to be the greatest opportunities for clinical quality improvement in behavioral health in each MCO Program bid and provide supporting information.

2. Discuss the approaches the Respondent will pursue to realize one such opportunity for each MCO Program bid.

3. Describe how the Respondent proposes to integrate behavioral health into its quality assurance program, as described in Section 8.1.7.5.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in the Respondent’s Behavioral Health quality management activities in each applicable MCO Program.

4.3.13.5 Behavioral Health Emergency Services

(2 pages per MCO Program bid)
For each MCO Program bid, describe the Respondent’s experience with, and plans for, providing Behavioral Health Emergency Services, including, emergency screening services, Emergency Services, and short-term crisis stabilization to Medicaid, CHIP, or other similar populations.

4.3.14 Section 14 – Management Information System (MIS) Requirements

(10 pages plus an additional 6 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program - Page limit excludes system diagrams and process flow charts.)

For each MCO Program bid, the Respondent must:

1. describe the Management Information System (MIS) the Respondent will implement, including how the MIS will comply with Health Insurance Portability and Accountability Act of 1996 (HIPAA). The response must address the requirements of Section 8.1.18. At a minimum, the description should address:
   a. hardware and system architecture specifications;
   b. data and process flows for all key business processes in Section 8.1.18.3; and
   c. attest to the availability of the data elements required to produce required management reports;

2. if claims processing and payment functions are outsourced, provide the above information for the Material Subcontractor;

3. describe how the Respondent would ensure accuracy, timeliness, and completeness of Encounter Data submissions for each of the MCO Programs bid;

4. describe the Respondent’s ability and experience in performing coordination of benefits and Third Party Liability/Third Party Recovery (TPL/TPR);

5. describe the Respondent’s ability and experience in allowing providers to submit claims electronically and its ability and experience in processing electronic claims payments to providers:
   a. if currently processing claims electronically, generally describe the type and volume of provider claims received electronically in the previous year versus paper claims for each claim type;
   b. if currently making claims payments to providers electronically, generally describe the type and volume of provider claims payment processed electronically;
   c. does the MCO provide a no-cost alternative for providers to allow billing without the use of a clearinghouse? If so please describe; and
   d. does the MCO include attendant care payments as part of the regular claims payment process (for STAR+PLUS only)? If so please describe;

6. describe the Respondent’s experience and capability to comply with the Internet website requirements of Section 8.1.5.5, and briefly describe any additional website capabilities that the Respondent proposes to offer to Members or Providers;

7. provide acknowledgment and verification that the Respondent’s proposed systems are 5010 compliant by submitting a copy of the 5010 compliancy plan, and proposed timeline for meeting the deadlines for being 5010 compliant; and

8. describe the Respondent’s capability to pay providers via direct deposit and its experience in doing so, including the percentage, number, and types of providers paid via direct deposit in the most recent 12 month period for which the Respondent has such statistics. If the Respondent operates in Texas, the Respondent must provide this information related to its experience in Texas. If the Respondent does not currently operate in Texas, the Respondent must provide this information for a state in which the Respondent currently operates a managed care program similar to the MCO Programs bid.
4.3.15 Section 15 – Fraud and Abuse

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Fraud and Abuse requirements of the RFP are described in Section 8.1.19. The Respondent must describe how it will implement a Fraud and Abuse Plan that will comply with state and federal law and this RFP, including the requirements of §531.113, Texas Government Code. The Respondent must:

1. include detail about what parts of the organization and which key staff will have responsibilities in implementing and carrying out the Fraud and Abuse program; and

2. identify which officer or director of the Respondent organization will have overall responsibility and authority for carrying out the Fraud and Abuse Program provisions.

4.3.16 Section 16 – Pharmacy Services

(8 pages plus an additional 2 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Pharmacy Services requirements are described in Section 8.1.21. For all of the following submission requirements, instead of attaching copies of the Respondent’s policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. The Respondent must describe the processes it will use to manage the pharmacy benefit under both of the following scenarios:
   a. HHSC requires the MCO to implement the Medicaid and CHIP formularies and preferred drug lists (PDLs);
   and
   b. the MCO is allowed to establish its own formularies and PDLs.

2. The Respondent must describe the policies and procedures for how mail-order pharmacies will be available to Members.

3. The Respondent must identify the rationale for requiring prior authorizations, identify the types of drugs that normally require prior authorization, and describe the policies and procedures for the prior authorization process.

4. The Respondent must describe how rebates will be negotiated (if HHSC determines that the MCO will perform this service), identified, and reported.

5. The Respondent must describe the policies and procedures for drug utilization reviews, including ensuring prospective reviews take place at the dispensing pharmacy’s point of sale (POS).

6. The Respondent must describe its policies and procedures for targeted interventions for Network Providers over-utilizing certain drugs.

4.3.17 Section 17 – Transition Plan

(4 pages per MCO Program bid)

The Transition Plan Requirements are described in Section 7.

1. Briefly describe the Respondent’s experience establishing and maintaining electronic interfaces with other contractors responsible for portions of Medicaid and CHIP operations. A Respondent with experience participating in one or more MCO Programs must clearly note its experience in establishing and maintaining such interfaces in Texas. A Respondent without experience establishing and maintaining electronic interfaces with other contractors responsible for Medicaid or CHIP operations must note its experience in establishing and maintaining similar electronic interfaces with similar contractors.
2. A Respondent that is proposing to participate in an HHSC MCO Program in a Service Area for the first time must, for each MCO Program bid, briefly describe its Transition Plan for all proposed Service Areas, including major activities related to the System Readiness Review and the Operational Readiness Review, including Network development, internal system testing, and proposed schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO and any differences in its transition approach by Service Area.

3. A Respondent that is currently a contractor for an HHSC MCO Program must, for each such MCO Program, briefly describe its Transition Plan, including major activities related to the System Readiness Review and the Operational Readiness Review, such as Network Development, internal system testing, and schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO, and any differences in its transition approach by Service Area.

4.3.18 Section 18 – Additional Requirements Regarding Dual Eligibles (for STAR+PLUS only)

The additional provisions regarding certain categories of Dual Eligibles are described in Section 8.3.7.

1. Submit evidence of Respondent’s MA Dual SNP contract with CMS if any, including the contract number and counties/zip codes served, or submit documentation showing that an application for such a contract has or will be submitted to CMS. For Respondents that do not already have an MA Dual SNP contract and who intend to obtain one, describe the plans for submitting an application and obtaining such a contract. The description should include the timeline for submitting the application and the proposed counties/zip codes for coverage.

2. Describe the Respondent’s experience in providing Medicare encounter data in HIPAA-compliant formats to federal or state authorities.

3. Describe how the Respondent intends to coordinate care for Dual Eligible Members, including:
   a. How the Respondent will identify Long-Term Services and Supports providers in the relevant Service Areas.
   b. The processes and procedures Respondent will use to coordinate the delivery of Community-based Long-Term Services and Supports with Medicare benefits for Dual Eligible Members.
   c. The training Respondent will provide to staff and providers regarding Community-based Long-Term Services and Supports and the coordination of those services with Medicare benefits.

4. Describe how the Respondent will work with the State to share information regarding Medicare and Medicaid participating providers, Member complaints, and HEDIS data.

5. Evaluation Process and Criteria

5.1 Overview of Evaluation Process

HHSC will use a formal evaluation process to select the successful Respondent. HHSC will consider capabilities or advantages that are clearly described in the proposal, which may be confirmed by oral presentations, site visits, demonstrations, and/or references contacted by HHSC. HHSC reserves the right to contact individuals, entities, or organizations that have had dealings with the Respondent or proposed staff, whether or not identified in the proposal.

HHSC will more favorably evaluate proposals that offer no or few exceptions, reservations, or limitations to the terms and conditions of the RFP, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”
5.2 Evaluation Criteria

HHSC will evaluate proposals based on the following best value criteria, listed in order of precedence:

- The extent to which the Respondent’s proposal demonstrates an ability to accomplish the missions and objectives for this procurement, including:
  - the extent to which the proposal meets HHSC’s needs, and the MCO Program clients’ needs for high quality and accessible medical care;
  - The degree to which the proposal demonstrates program innovation, adaptability, and exceptional customer service; and
  - the extent to which the Respondent accepts without reservation or exception the RFP’s terms and conditions, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”
- Indicators of probable performance under the Contract, including past performance in Texas or comparable experience; financial resources and solvency, including the impact on the Respondent’s and its Subcontractors’ ability to perform, and relevant organizational experience.
- Effect of the acquisition on agency productivity; including the level of effort and resources required to monitor the Respondent’s performance and maintain a good working relationship with the Respondent.

Proposals for the STAR Medicaid Rural Service Area that include all three (3) regions will be given preference over proposals that do not include all three (3) regions.

If all other considerations are equal, HHSC will give preference to:

1. proposals from Texas institutions providing graduate medical education;

2. proposals that include substantial participation by Network providers who are Significant Traditional Providers (STP). HHSC defines “substantial participation” as proposals that include at least 50 percent of the STPs in a Service Area. The Respondent must either have a Network Provider agreement in place with the STP, or a Letter of Intent/Letter of Agreement to participate in the Network. A listing of STPs for the new Service Areas can be found in the Procurement Library; and

3. proposals that ensure continuity of coverage for Medicaid Members for at least three (3) months beyond the period of Medicaid eligibility. For purposes of this provision, HHSC defines “continuity of coverage” as providing the full set of Covered Services.

NOTE: Respondents who are licensed as health maintenance organizations pursuant to Chapter 843 of the Texas Insurance Code, and believe they meet the requirements for mandatory contracting under Texas Government Code §533.004, must provide written notice to HHSC’s Point of Contact (see RFP Section 1.1) no later than April 28, 2011. The notice must provide a clear description of why the Respondent believes it is entitled to a mandatory contract under the Texas Government Code.

5.3 Initial Compliance Screening

HHSC will perform an initial screening of all proposals received. Unsigned proposals and proposals that do not include all required forms and sections are subject to rejection without further evaluation.

In accordance with Section 3.11, “Modification or Withdrawal of Proposal,” HHSC reserves the right to waive minor informalities in a proposal and award contracts that are in the best interest of the State of Texas.

5.4 Competitive Field Determinations

HHSC may determine that certain proposals are within the field of competition for admission to discussions. The field of competition consists of the proposals that receive the highest or most satisfactory evaluations. HHSC may, in the interest of administrative efficiency, place reasonable limits on the number of proposals admitted to the field of competition.
5.5 Oral Presentations and Site Visits

HHSC may, at its sole discretion, request oral presentations, site visits, and/or demonstrations from one or more Respondents admitted to the field of competition. HHSC will notify selected Respondents of the time and location for these activities, and may supply agendas or topics for discussion. HHSC reserves the right to ask additional questions during oral presentations, site visits, and/or demonstrations to clarify the scope and content of the written proposal.

The Respondent’s oral presentation, site visit, and/or demonstration must substantially represent material included in the written proposal, and should not introduce new concepts or offers unless specifically requested by HHSC.

5.6 Best and Final Offer

Respondents will not submit cost proposals for this RFP. HHSC will establish the Capitation Rates for each Program and Service Area in accordance with the methodology described in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms and Conditions of Payment.” HHSC may, but is not required to, permit Respondents to prepare one or more revised offers for services. For this reason, Respondents are encouraged to treat their original proposals, and any revised offers requested by HHSC, as best and final offers of services.

5.7 Discussions with Respondents

HHSC may, but is not required to, conduct discussions with all, some, or none of the Respondents admitted to the field of competition for the purpose of obtaining the best value for the State of Texas. It may conduct discussions for the purpose of:

- obtaining clarification of proposal ambiguities;
- requesting modifications to a proposal; and/or
- obtaining a best and final offer of services.

HHSC may make an award prior to the completion of discussions with all Respondents admitted to the field of competition if HHSC determines that the award represents best value to the State of Texas.

5.8 Contract Awards

Respondents are allowed to select which MCO Programs and Services Areas to include in their Proposals. It is possible that a Respondent submitting a Proposal for more than one MCO Program in a Service Area could be awarded a Contract for some, but not all, of the MCO Programs. Similarly, a Respondent could be awarded a Contract for some, but not all, of its proposed Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.
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<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION3</th>
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<td>Baseline</td>
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<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
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<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, &quot;Incentives &amp; Disincentives.&quot;</td>
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<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Section 6.3.2.1 is modified to change &quot;Rate Period 1&quot; to &quot;FSR Reporting Period 12/13.”</td>
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<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 6.3.2.5 is modified to remove auto-assignment default methodology.</td>
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<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, &quot;Incentives &amp; Disincentives.&quot;</td>
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<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Section 6.2.1 is modified to remove the reference to Bariatric Supplemental Payments. Section 6.3.1.2 is modified to provide HHSC more flexibility to implement reward-based assignment methodologies. Section 6.3.2.2 is modified to add the word “Program” to the section title. Section 6.3.2.3 is renamed “Performance-Incentive Program”. Subsection 6.3.2.3.1 “Quality Challenge Award” is renamed “Quality Challenge Award Program” and to add clarifying language. Subsection 6.3.2.3.2 State-MCO Shared Savings Program is added.</td>
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<tr>
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<td>September 1, 2013</td>
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<tr>
<td>Revision</td>
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<td>January 1, 2014</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, &quot;Incentives &amp; Disincentives.&quot;</td>
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Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.

Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.

Brief description of the changes to the document made in the revision.

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6. Premium Payment, Incentives, and Disincentives

This section describes performance incentives and disincentives related to HHSC’s value-based purchasing approach. For further information, MCOs should refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

Under the MCO Contracts, health care coverage for Members will be provided on a fully insured basis. The MCO must provide the Services and Deliverables, including Covered Services, to enrolled Members in exchange for the monthly Capitation Payments. Section 8, “Operations Phase Requirements” includes the MCO’s financial responsibilities regarding Out-of-Network Emergency Services and Medically Necessary Covered Services that are not available through Network Providers.

6.1 Capitation Rate Development

Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms & Conditions of Payment” for information concerning Capitation Rate development.


HHSC will pay the MCO monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Member Months times the applicable monthly Capitation Rate by Member Rate Cell.

The MCO must understand and expressly assume the risks associated with the performance of the duties and responsibilities under the Contract, including the failure, termination, or suspension of funding to HHSC, delays or denials of required approvals, cost of claims incorrectly paid by the MCO, and cost overruns not reasonably attributable to HHSC. The MCO must further agree that no other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services or Deliverables due under the Contract.

6.2.1 Capitation Payments
The MCO must refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions" for information and Contract requirements on the:
1. time and Manner of Payment,
2. adjustments to Capitation Payments,
3. Delivery Supplemental Payment, and
4. Experience Rebate.

6.3 Performance Incentives and Disincentives

HHSC has included several financial and non-financial performance incentives and disincentives on this Contract. These incentives and disincentives are subject to change by HHSC over the course of the Contract. The MCO is prohibited from passing down financial disincentives and/or sanctions imposed on the MCO to health care providers, except on an individual basis and related to the individual provider’s inadequate performance.

6.3.1 Non-financial Incentives

6.3.1.1 Performance Profiling

HHSC intends to distribute information on key performance indicators to MCOs on a regular basis, identifying an MCO’s performance, and comparing that performance to other MCOs and to HHSC standards and/or external Benchmarks. HHSC may recognize MCOs that attain superior performance and/or improvement by publicizing their achievements. For example, HHSC may post information concerning exceptional performance on its website, where it will be available to both stakeholders and members of the public. Likewise, HHSC may post its final determination regarding poor performance or MCO peer group performance comparisons on its website, where it will be available to both stakeholders and members of the public.

6.3.1.2 Auto-assignment Methodology for Medicaid MCOs

HHSC may revise its auto-assignment methodology during the Contract Period for enrollees who do not select an MCO. The new assignment methodology may reward those MCOs that demonstrate superior performance or improvement on one or more key dimensions of performance (see 1 Tex. Admin. Code § 353.403(d)(3)(B) for Medicaid).

HHSC will invite MCO comments on potential approaches prior to implementation of a performance-based auto-assignment algorithm.

6.3.2 Financial Incentives and Disincentives

6.3.2.1 Experience Rebate Reward

The standard Experience Rebate (see Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10.11, “STAR and CHIP Experience Rebate”) provides for an MCO to retain 100 percent of pre-tax income (as costs and income are defined by the Uniform Managed Care Manual), when such income is three percent (3%) (or less) of revenues, and further provides for a graduated scale of rebating to HHSC a portion of relevant MCO income in excess of three percent (3%) of revenues (subject to loss carry-forwards and other stipulations). As a financial incentive for demonstrated superior performance with respect to HHSC-specified performance indicators, the HHSC may raise the three percent (3%) threshold that commences rebates to three and one-half percent (3.5%). In consultation with the MCOs, HHSC will develop the methodology for determining the level of performance necessary for an MCO to earn the Experience Rebate Reward. The finalized methodology will be added to the Uniform Managed Care Manual.

HHSC will calculate whether a MCO is eligible for the Experience Rebate Reward, if applicable, prior to the 90-day Financial Statistical Report (FSR) filing.
HHSC anticipates that it will not implement the Experience Rebate Reward incentive for FSR Reporting Period 12/13 of the Contract. HHSC will invite MCO comments on potential approaches prior to implementation of the new performance-based Experience Rebate Reward.

6.3.2.2 Performance-Based Capitation Rate (5%-at-risk)

HHSC will place each MCO at risk for 5% of the Capitation Payment. HHSC retains the right to reduce the percentage of the Capitation Payment placed at risk in a given FSR Reporting Period.

During the FSR Reporting Period, HHSC will pay the MCO the full monthly Capitation Payments as described in Section 6.2. Then, at the end of each FSR Reporting Period, HHSC will evaluate if the MCO has demonstrated that it has fully met the performance expectations for which the MCO is at risk. If the MCO falls short on some or all of the performance expectations,

HHSC will adjust a future monthly Capitation Payment in accordance with Uniform Managed Care Manual Chapter 6.2, Financial Incentive Methodology, by an appropriate portion of the aggregate at-risk amount. HHSC's objective is that all MCOs achieve performance levels that enable them to retain the full at-risk amount.

HHSC will determine the extent to which the MCO has met the performance expectations by assessing the MCO's performance for each applicable MCO Program relative to performance targets for the FSR Reporting Period. HHSC will conduct separate accounting for each MCO Program's at-risk Capitation Payment amount.

HHSC will identify no more than 10 at-risk performance indicators for each MCO Program. Some of the performance indicators will be standard across all Programs while others may apply to only one (1) Program.

Specific contractual requirements are set forth in the Uniform Managed Care Manual, Chapter 6.2, Financial Incentive Methodology.

Failure to timely provide HHSC with necessary data related to the calculation of the performance indicators will result in HHSC's assignment of a zero percent (0%) performance rate for each related performance indicator.

MCOs will report actual Capitation Payments received on the Financial Statistical Report (FSR) during the FSR Reporting Period that is at risk (i.e., the MCO will not report Revenues at a level equivalent to 95% of the payments received, leaving five percent (5%) as contingent). Actual Capitation Payments received include all of the at-risk Capitation Payment paid to the MCO. Any loss of the at-risk amount that may be realized in a subsequent FSR Reporting Period, via reduction to a monthly payment, will not be reported in the FSR as a reduced amount of capitation revenue, but will instead be reported below the income line, as an informational item, as described in the Uniform Managed Care Manual, Chapter 5.3.1, "Financial Statistical Report and Instructions." Any performance assessment based on performance for a FSR Reporting Period will appear on the final (334-day) FSR for that FSR Reporting Period.

HHSC will evaluate the performance-based Capitation Rate methodology annually in consultation with MCOs. HHSC may then modify the methodology as it deems necessary and appropriate, in order to motivate, recognize, and reward MCOs for superior performance. The methodologies for all FSR Reporting Periods will be included in Uniform Managed Care Manual Chapter 6.2, "Financial Incentive Methodology."

6.3.2.3 Performance Based Incentive Program

HHSC, at its discretion, may implement one or both of the following financial incentive programs in conjunction with provisions listed in 6.3.2.2.

6.3.2.3.1 Quality Challenge Award Program

Should one or more MCOs be unable to earn the full amount of the performance-based at-risk portion of the Capitation Rate, HHSC may reallocate the funds through the MCO Program's Quality Challenge Award. Under this program, HHSC may use these funds to reward MCOs that demonstrate superior clinical quality, service delivery, access to care, or Member satisfaction. HHSC will determine the number of MCOs that will receive Quality Challenge Award funds annually based on the amount of the funds to be reallocated. Separate Quality Challenge Award payments will be made for each of the MCO Programs.
As with the performance-based Capitation Rate, each MCO will be evaluated separately for each MCO Program. HHSC may evaluate MCO performance annually on some combination of performance indicators in order to determine which MCOs demonstrate superior performance. In no event will a distribution from the Quality Challenge Award, plus any other incentive payments made in accordance with the MCO Contract, when combined with the Capitation Rate payments, exceed 105% of the Capitation Rate payments to an MCO. Measures utilized for the Quality Challenge Program may be the same as those used in the Performance-Based Capitation Rate Program, or may be different than those selected for the Performance-Based Capitation Rate Program.

Information about the data collection period to be used and each indicator that will be considered for any specific time period can be found in Uniform Managed Care Manual Chapter 6.2.6, "Quality Challenge Award Performance Indicators."

Failure to provide timely and accurate information may result in HHSC's assignment of a 0% performance rate for each applicable Quality Challenge Award indicator.

HHSC may evaluate the Quality Challenge Award methodology annually in consultation with MCOs. HHSC may make methodology modifications annually as it deems necessary and appropriate to motivate, recognize, and reward MCOs for superior performance based on available Quality Challenge Award funds and/or other performance incentives applicable to the award. HHSC may include the Quality Challenge Award methodology and risk adjustment factors, or any other modifications in Uniform Managed Care Manual Chapter 6.2.6, "Quality Challenge Award Performance Indicators."

6.3.2.3.2 State-MCO Shared Savings Program

HHSC may implement a process to enable MCOs to share in a percentage of year-over-year savings achieved by the MCO related to targeted performance measures. Opportunities for shared savings will be contingent on whether performance measures were met as described in Section 6.3.2.2. Shared savings amounts will be subject to the percentage identified by HHSC (e.g., 50%/50%, 25%/75%) and will only pertain to state general revenue funds.

Programs identified in 6.3.2.3.1 and 6.3.2.3.2 could be operated concurrently, at HHSC’s discretion.

6.3.2.4 Remedies and Liquidated Damages

All areas of responsibility and all requirements in the Contract will be subject to performance evaluation by HHSC. Any and all responsibilities or requirements not fulfilled will be subject to contractual remedies, including without limitation liquidated damages. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix” for performance standards that carry liquidated damage values.

6.3.2.5 Frew Incentives and Disincentives

As required by the "Frew vs. Janek Corrective Action Order: Managed Care," this Contract includes a system of incentives and disincentives associated with the Medicaid Managed Care Texas Health Steps Medical Checkups Reports and Children of Migrant Farm Workers Reports. These incentives and disincentives apply to Medicaid MCOs.

The incentives and disincentives and corresponding methodology are set forth in the Uniform Managed Care Manual, Chapter 12 “Frew.”

6.3.2.6 Nursing Facility Utilization Disincentive

HHSC has developed the nursing facility utilization disincentive to prevent inappropriate admission to nursing facilities. The rate of nursing facility admissions for Medicaid-only STAR+PLUS Members will be part of the Performance Indicator Dashboard (see Section 6.3.2.2).

6.3.2.7 Additional Incentives and Disincentives
HHSC will evaluate all performance-based incentives and disincentive methodologies annually and in consultation with the MCOs. HHSC may then modify the methodologies as needed, as funds become available, or as mandated by court decree, statute, or rule, in an effort to motivate, recognize, and reward MCOs for performance.

Information about the data collection period to be used, performance indicators selected or developed, or MCO ranking methodologies used for any specific time period will be found in the Uniform Managed Care Manual.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 7

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<td>Initial version of Attachment B-1, RFP Section 7, “Transition Phase Requirements.”</td>
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<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 7.1 is modified to add termination of the contract to the list of remedies for failure to timely satisfy Readiness Review requirements.</td>
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<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Section 7, &quot;Transition Phase Requirements.&quot;</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions

2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.

3 Brief description of the changes to the document made in the revision.

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7. Transition Phase Requirements

7.1 Introduction

This Section presents the scope of work for the Transition Phase of the Contract, which includes those activities that must take place between the time of Contract award and the Operational Start Date.

The Transition Phase will include all activities that must be completed successfully prior to a MCO’s Operational Start Date for each applicable MCO Program and Service Area, including all Readiness Review activities. HHSC will conduct Readiness Reviews to determine whether the MCO has implemented all systems and processes necessary to begin serving Members. MCOs must satisfy all Readiness Review requirements no later than 60 days prior to the Operational Start Date for each applicable MCO Program and Service Area, with the exception of HHSC’s review of the Service Coordination function. HHSC may, at its discretion, terminate the contract, postpone the MCO’s Operational Start Date(s) and assess contractual remedies if an MCO fails to timely satisfy all Readiness Review requirements. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions” and the Attachment B-3, “Deliverables/Liquidated Damages Matrix” for additional information.

The MCO is required to promptly provide a Corrective Action Plan and/or Risk Mitigation Plan as requested by HHSC in response to Transition Phase deficiencies identified by the MCO, HHSC, or its agent. The MCO must promptly alert HHSC of deficiencies, and must correct a deficiency or provide a Corrective Action Plan and/or Risk Mitigation Plan no later than ten (10) calendar days after HHSC’s notification of deficiencies. If the MCO documents to HHSC’s satisfaction that the deficiency has been corrected within ten (10) calendar days of such deficiency notification by HHSC, no Corrective Action Plan is required.

7.2 Transition Phase Schedule and Tasks

The MCO has overall responsibility for the timely and successful completion of each of the Transition Phase tasks. The MCO is responsible for clearly specifying and requesting information needed from HHSC, other HHSC contractors, and Providers in a manner that does not delay the schedule or work to be performed.

7.2.1 Contract Start-Up and Planning

HHSC and the MCO will work together during the initial Contract start-up phase to:

• define project management and reporting standards;

• establish communication protocols between HHSC and the MCO;
• establish contacts with other HHSC contractors;
• establish a schedule for key activities and milestones; and
• clarify expectations for the content and format of Contract Deliverables.

The MCO will be responsible for developing a written work plan, referred to as the “Transition/Implementation Plan,” which will be used to monitor progress throughout the Transition Phase. The MCO must update the Transition/Implementation Plan provided with its proposal no later than 30 days after the Contract’s Effective Date, then provide monthly implementation progress reports through the sixth month of MCO Program operations. HHSC may require more frequent reporting as it determines necessary.

7.2.2 Administration and Key MCO Personnel

No later than the Effective Date of the Contract, the MCO must designate and identify Key MCO Personnel that meet the requirements in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 4, “Contract Administration and Management.” The MCO will supply HHSC with resumes of each Key MCO Personnel as well as any organizational information that has changed relative to the MCO’s Proposal, such as updated job descriptions and updated organizational charts (including updated Management Information System (MIS) job descriptions and an updated MIS staff organizational chart), if applicable. If the MCO is using a Material Subcontractors, the MCO must also provide the organizational chart for these Material Subcontractors.

7.2.3 Organizational Readiness Review

In order to complete an organizational review and assess the most current corporate environment, the MCO must submit an Organization Update Report no later than 60 days prior to the Operational Start Date that updates the organizational information submitted in its proposal (see Section 4.2, “Business Proposal”). For each of the numbered items below, the report must describe whether the information provided in MCO’s proposal has changed. If so, the report must include relevant portions of the proposal with changes highlighted.

1. Respondent identification and information, Section 4.2.2.

2. Corporate background and experience:
   a. Item #1, concerning publicly-funded managed care contracts, under Section 4.2.3;
   b. Item # 2, concerning regulatory actions, sanctions, and/or fines, under Section 4.2.3;
   c. Section 4.2.3.1, concerning organizational charts; and
   d. Section 4.2.3.2, concerning resumes; and

3. Material Subcontractor information, Section 4.2.4.

7.2.4 Financial Readiness Review

To complete a financial review, the MCO must submit a Financial Update Report no later than 60 days prior to the Operational Start Date. At a minimum, the report must include the following:

1. Material change in financial condition.

   For both the MCO and its ultimate parent, the report must identify whether either entity has experienced any material financial deterioration following proposal submission. The report must identify and briefly describe any changes to the financial statements, including changes to net worth; cash flow; loss of contracts; credit, audit, regulatory, and/or legal issues; major contingencies, etc. The report must also describe any known potential issues, and any issues with respect to change of ownership or control.

2. Updated financial statements.
The report must include the most recently updated financial statements, which should be more current than those provided in the proposal. The updated financial statements should include the most recent quarterly (or monthly) internal financial statements, the most-recently completed annual statements, and the most-recently audited statements. The statements should generally include the notes, management discussion, and where appropriate, the audit letter. Internal most-recent-month statements are not expected to include these items.

The report must include any of the following new or updated reports (as referenced under Sections 4.2.3.3 and 4.2.3.4) that have become available since proposal submission: TDI financial examination report (or similar report from another state); Form B Registration statement filing; IRS Form 990; and bond or debt rating analysis. It is not necessary to submit updated SEC 10-K or 10-Q filings with the report.

In addition to the Financial Update Report, the MCO must submit documentation demonstrating it has secured all required bonds in accordance with TDI requirements, Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Terms and Conditions,” Article 17. Such documentation is due no later than ten (10) business days after the Contract Effective Date.

7.2.4.1 Employee Bonus and/or Incentive Payment Plan

If the MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan during the Operations Phase, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must conform with the Uniform Managed Care Manual, Chapter 6.1, “Cost Principles for Expenses.”

7.2.5 System Testing and Transfer of Data

The MCO must have hardware, software, network and communications systems with the capability and capacity to handle and operate all MIS systems and subsystems identified in Section 8.1.18, “Management Information System Requirements.” For example, the MCO’s MIS system must comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as indicated in Section 8.1.18.4, “HIPAA Compliance.”

During this Readiness Review task, the MCO will accept into its system any and all necessary data files and information available from HHSC or its contractors. The MCO will install and test all hardware, software, and telecommunications required to support the Contract. The MCO will define and test modifications to the MCO’s systems required to support the business functions of the Contract.

The MCO will produce data extracts and receive all electronic data transfers and transmissions.

If any errors or deficiencies are evident, the MCO will develop resolution procedures to address problems identified. The MCO will provide HHSC, or a designated vendor, with test data files for systems and interface testing for all external interfaces. This includes testing of the required telephone lines for Providers and Members and any necessary connections to the HHSC Administrative Services Contractor. The HHSC Administrative Services Contractor will provide enrollment test files to new MCOs that do not have previous HHSC enrollment files. The MCO will demonstrate its system capabilities and adherence to Contract specifications during Readiness Review.

7.2.6 System Readiness Review
The MCO must assure that systems services are not disrupted or interrupted during the Operations Phase of the Contract. The MCO must coordinate with HHSC and other contractors to ensure the business and systems continuity for the processing of all health care claims and data as required under this contract.

The MCO must submit descriptions of interface and data and process flow for each key business processes described in Section 8.1.18.3, “System-wide Functions.”

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day systems activities. No later than 90 days prior to the Operational Start Date, new MCOs must develop and incumbent MCOs must update the following plans:

1. Disaster Recovery Plan;*
2. Business Continuity Plan*;
3. Security Plan;
4. Joint Interface Plan;
5. Risk Management Plan; and

*The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

7.2.7 Demonstration and Assessment of System Readiness

The MCO must provide documentation on systems and facility security and provide evidence or demonstrate that it is compliant with HIPAA. The MCO must also provide HHSC with a summary of all recent external audit reports, including findings and corrective actions, relating to the MCO’s proposed systems, including any SAS70 audits that have been conducted in the past three (3) years. The MCO must promptly make additional information on the detail of such system audits available to HHSC upon request.

In addition, HHSC will provide to the MCO a test plan that will outline the activities that need to be performed by the MCO prior to the Operational Start Date(s). The MCO must be prepared to assure and demonstrate system readiness. The MCO must execute system readiness test cycles to include all external data interfaces, including those with the MCO’s Pharmacy Benefits Manager (PBM) and other Material Subcontractors.

HHSC, or its agents, may independently test whether the MCO’s MIS has the capacity to administer the STAR, STAR+PLUS, and/or CHIP business. This Readiness Review may include a desk review and/or an onsite review. HHSC may request additional documentation to support the provision of STAR, STAR+PLUS, and/or CHIP MCO Services. Based in part on the MCO’s assurances of systems readiness, information contained in the Proposal, additional documentation submitted by the MCO, and any review conducted by HHSC or its agents, HHSC will assess the MCO’s understanding of its responsibilities and the MCO’s capability to assume the MIS functions required under the Contract.

7.2.8 Operations Readiness

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day business activities related to the provision of STAR, STAR+PLUS, and/or CHIP MCO Services, including coordination with Subcontractors and HHSC’s contractors. The MCO will be responsible for developing and documenting its approach to quality assurance.

7.2.8.1 Readiness Review
Readiness Review includes all activities that the MCO must complete prior to the Operational Start Date. At a minimum, the MCO must, for each MCO Program:

1. Develop new, or revise existing, operations procedures and associated documentation to support the MCO's proposed approach to conducting operations activities in compliance with the contracted Scope of Work.

2. Submit a comprehensive plan for Network adequacy that includes a list of all contracted and credentialed Providers, in an HHSC-approved format. At a minimum, the list must include the acute care and long-term care Provider types identified in Texas Government Code § 533.005(20)(A). The plan must include a description of additional contracting and credentialing activities scheduled to be completed before the Operational Start Date. The MCO must submit a listing of all contracted and credentialed providers to be included in the first Provider Directory 90 days prior to the first enrollment kit mail out, or as otherwise directed by HHSC.

3. Inform all Network Providers about the information required to submit a claim: (1) at least 30 days prior to the Operational Start Date, and (2) as a provision within the Network Provider agreement.

4. Prepare and implement a Member Services staff training curriculum and a Provider training curriculum.

5. Prepare a Coordination Plan documenting how the MCO will coordinate its business activities with those activities performed by HHSC's contractors, the MCO's PBM and other Material Subcontractors, if any. The Coordination Plan will include identification of coordinated activities and protocols for the Transition Phase.

6. Develop and submit the following draft materials: Member Handbook, Provider Manual, Provider Directory, and Member Identification Card for HHSC's. The materials must at a minimum meet the requirements specified in Section 8.1.5, "Member Services" and include the Critical Elements defined in Uniform Managed Care Manual Chapter 3, "Critical Elements."

7. Develop and submit the MCO's proposed Member Complaint and Appeals processes for STAR, STAR+PLUS, and CHIP, as applicable to the MCO.

8. Provide sufficient copies of the final Provider Directory to the HHSC Administrative Services Contractor in sufficient time to meet the enrollment schedule.

9. Demonstrate toll-free telephone systems and reporting capabilities for the Member Services Hotline, the Behavioral Health Hotline, and the Provider Services Hotline.

10. Submit a written plan for providing pharmacy services, including proposed policies and procedures for:

   - routinely updating formulary data following receipt of HHSC's daily files (no less frequently than weekly, and off-cycle upon HHSC's request);
   - prior authorization of drugs, including how HHSC's preferred drug lists (PDLs) will be incorporated into prior authorization systems and processes. The MCO must adopt HHSC's prior authorization policies unless HHSC grants a written exception, and HHSC's approval is required for all Clinical Edit policies;
   - implementing drug utilization review;
   - overriding standard drug utilization review criteria and clinical edits when Medically Necessary based on the individual Member's circumstances (e.g., overriding quantity limitations, drug-drug interactions, refill too soon, etc.);
   - call center operations, including how the MCO will ensure that staff for all appropriate hotlines are trained to respond to prior authorization inquiries and other inquiries regarding pharmacy services, and
   - monitoring the PBM Subcontractor.

The plan must also include a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information.

Additionally, the MCO must include a written attestation by the PBM Subcontractor in the plan stating, in the three (3) years preceding the Contract's Effective Date, the PBM Subcontractor has not been: (1) convicted of an offense involving a material misrepresentation or any act of fraud or of another violation of state or federal criminal law; (2) adjudicated to have committed a breach of contract, or (3) assessed a penalty or fine of
$500,000 or more in a state or federal administrative proceeding. If the PMB Subcontractor cannot affirmatively attest to any of these items, then it must provide a comprehensive description of the matter and all related corrective actions.

11. Between the date of Contract award and the Operational Start date, the MCO must identify a list of Pharmacy Providers with whom the MCO's PBM has successfully contracted and credentialed for inclusion in the first Provider Directory. These providers should be listed by name and address with an indicator for pharmacies that are open 24-hours.

12. No later than 30 days after the Contract Effective Date, new MCOs must develop and incumbent MCOs must update their written Fraud and Abuse Compliance Plans. See Section 8.1.19, Fraud and Abuse for the requirements of the plan, including new requirements for special investigation units. As part of the Fraud and Abuse Compliance Plan, the MCO must:

- Designate executive and essential personnel to attend mandatory training in fraud and abuse detection, prevention and reporting. Executive and essential fraud and abuse personnel means MCO staff persons who: (1) are directly involved in the decision-making and administration of the fraud and abuse detection program within the MCO, and (2) who supervise staff in the following areas: data collection, Provider enrollment or disenrollment, Encounter Data, claims processing, Utilization Review, Appeals or Grievances, quality assurance and marketing. The training will be conducted by the Office of Inspector General, Health and Human Services Commission, and will be provided free of charge. The MCO must schedule and complete training no later than 90 days after the Contract’s Effective Date.

- Designate an officer or director within the organization responsible for carrying out the provisions of the Fraud and Abuse Compliance Plan.

- For STAR+PLUS MCOs, complete hiring and training of Service Coordination staff no later than 45 days prior to the Operational Start Date.

If this function is subcontracted to another entity, the Subcontractor also meets all the requirements in this section and the Fraud and Abuse section as stated in Section 8, "Operations Phase Requirements."

13. The MCO must submit a copy of each Material Subcontract in accordance with the timeframes identified in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08, "Subcontractors."

14. No later than ten (10) days after the Contract Effective Date, the MCO must submit documentation demonstrating that it has secured all required insurance, in accordance with TDI requirements and Section 8, "Operations Phase Requirements," and Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 17.

HHSC may require the MCO to resubmit one or more of the above items if the MCO begins providing a new service or benefit, expands into a new Program or Service Area, or implements a major systems change after the Contract's Effective Date.

During the Readiness Review, HHSC may request additional information, including more detailed or updated information regarding the MCO's operating procedures and documentation. HHSC will assess the MCO's understanding of its responsibilities and the MCO's capability to assume the functions required under the Contract, based in part on the MCO's assurances of operational readiness, information contained in the Proposal, and in Transition Phase documentation submitted by the MCO.

7.2.8.2 Value-Added Services

The MCO must use HHSC’s template for submitting proposed Value-added Services. (See Uniform Managed Care Manual Chapter 4.4) Once approved by HHSC, this document is incorporated by reference into the Contract.

During the Transition Phase, HHSC will offer a one-time opportunity for the MCO to propose two (2) additional Value-added Services to its list of current, approved Value-added Services HHSC will establish the requirements and the timeframes for submitting the two (2) additional proposed Value-added Services.
During this HHSC-designated opportunity, the MCO may propose either to add new Value-added Services or to enhance its approved Value-added Services. The MCO may propose two (2) additional Value-added Services per MCO Program, which will be effective on the Operational Start Date. The services do not have to be the same for each Program. The Contract will be amended to include any additional Value-added Services approved by HHSC.

The MCO does not have to add Value-added Services during the HHSC-designated opportunity, but this will be the only time during the Transition Phase for the MCO to add Value-added Services. At no time during the Transition Phase will the MCO be allowed to delete, limit or restrict any of its approved Value-added Services.

7.2.9 Assurance of System and Operational Readiness

In addition to successfully providing the Deliverables described in the preceding sections, the MCO must assure HHSC that all processes, MIS systems, and staffed functions are ready and able to successfully assume responsibilities for operations prior to the Operational Start Date. In particular, the MCO must assure that Key MCO Personnel, Member Services staff, Provider Services staff, and MIS staff are hired and trained, MIS systems and interfaces are in place and functioning properly, communications procedures are in place, Provider Manuals have been distributed, and that Provider training sessions have occurred according to an HHSC-approved schedule.

7.2.10 TDI and Centers for Medicare and Medicaid Services (CMS) Licensure, Certification or Approval

The MCO must receive TDI licensure, certification or approval (as applicable) for all zip codes in the awarded Service Areas no later than 60 days after HHSC executes the Contract. In addition, HHSC encourages STAR+PLUS MCO to contract with the CMS to provide a Medicare Advantage Special Needs Plan for Dual Eligibles in the most populous counties in the STAR+PLUS Service Area(s) no later than January 1, 2013.

7.2.11 Post-Transition

The MCO will work with HHSC, Providers, and Members to promptly identify and resolve problems identified after the Operational Start Date and to communicate to HHSC, Providers, and Members, as applicable, the steps the MCO is taking to resolve the problems.
## DOCUMENT HISTORY LOG

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<td>Section 8.1.17 is modified to remove the requirement to submit an accounting policy manual.</td>
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<td>Section 8.1.17.1 “Financial Disclosure Report” is renamed “MCO Disclosure Statement” and the submission date is updated.</td>
<td></td>
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<td>Section 8.1.18.1 is modified to require MCOs to submit pharmacy encounter data no later than 25 calendar days after the date of adjudication.</td>
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<tr>
<td>Section 8.1.18.4 is modified to clarify claims transaction formats for pharmacy claims.</td>
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<td>Section 8.1.18.5 is modified to require MCOs to maintain a mechanism to receive claims in addition to the HHSC claims portal.</td>
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<tr>
<td>Section 8.1.19 is modified to require MCOs to designate a primary and secondary contact for all OIG requests and to outline the process and timeframes for responding to the OIG, to change the 60 day timeline for submitting the annual plan to 90 days, and to require MCOs to ensure their subcontractors receiving or making annual Medicaid payments of at least $5 million comply with 1902(a)(68)(A) of the Social Security Act.</td>
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<tr>
<td>Section 8.1.20.2 is modified to add DUR reporting requirements.</td>
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<tr>
<td>Section 8.1.21 is revised to delete MCO developed PDLs and to clarify the reimbursement process.</td>
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<tr>
<td>Section 8.1.21.1 is revised to clarify legal references and Clinical Edit requirements, and to add requirements regarding 340B drugs.</td>
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<tr>
<td>Section 8.1.21.4 is modified to add requirements for the rebate dispute resolution process.</td>
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<tr>
<td>Section 8.1.21.5 is modified to clarify that HHSC will provide up to 1 year of medication history to the MCOs for new Members with previous Medicaid eligibility.</td>
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<tr>
<td>Section 8.1.21.9 is modified to clarify requirements for contracting with specialty pharmacies.</td>
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</tr>
</tbody>
</table>
Section 8.1.21.10 is deleted in its entirety.

Section 8.1.23.1 is modified that copayment amounts are capped at the MCO’s cost and that CHIP copayments do not apply to preventive services or pregnancy-related services.

Section 8.1.24 is modified to clarify that MCOs must notify Medicaid and CHIP Providers of availability of vaccines through Texas Vaccines for Children Program and work with HHSC and Providers to improve the reporting of immunizations to the state-wide ImmTrac Registry.

Section 8.2.2.3.4 is modified to require MCOs to use standard Texas Health Steps language in their Member Materials as provided in the UMCM.

Section 8.2.2.8 is amended to clarify the requirements regarding non-capitated dental services and to add “Texas Health Steps environmental lead investigation (ELI)”. Remainder of list is renumbered.

Section 8.2.4.2 is modified to add a reference to Gov’t Code §533.005(a)(19).

Section 8.2.8 is modified to add the phrase “unless an exception applies under federal law” to the first sentence.

Section 8.2.13 is modified to specify that MCOs may be required to provide other wrap-around services at a date to be determined by HHSC.

Section 8.3.2 is modified to require the MCO to consider the availability of the PACE program when considering whether to refer a member to a nursing facility or other long-term care facility.

Section 8.3.7.1 is modified to clarify the MA Dual SNP requirements.

Section 8.4.3 is modified to correct a cross-reference.

Section 8.1.21 is modified to add pharmaceutical delivery requirements.
<table>
<thead>
<tr>
<th>Revision</th>
<th>2.3</th>
<th>September 1, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 8.1.1.1 is modified to conform to the timelines in the UMCM.</td>
<td></td>
<td></td>
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<tr>
<td>Section 8.1.3 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
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<tr>
<td>Section 8.1.3.2 is modified to clarify language regarding additional benchmark performance standards.</td>
<td></td>
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<tr>
<td>Section 8.1.4 is modified to correct reference to TMPPM.</td>
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<tr>
<td>Section 8.1.4.6 is modified to require HHSC review of all provider materials relating to Medicaid managed care or CHIP.</td>
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<tr>
<td>Section 8.1.4.8 is modified to clarify the applicable federal regulations.</td>
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<tr>
<td>Section 8.1.5.1 is modified to prohibit the MCOs from including any language in their member materials which limits the members’ ability to contest or appeal denial of a benefit.</td>
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<tr>
<td>Section 8.1.5.2 is modified to clarify that PCP name is not required for Dual Eligible STAR+PLUS Members or CHIP Perinates.</td>
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<tr>
<td>Section 8.1.5.7 is modified to remove the acronym “CPW”.</td>
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<tr>
<td>Section 8.1.9 is modified to clarify the requirements regarding IFSPs.</td>
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<tr>
<td>Section 8.1.12.2 is modified to remove the acronym “CPW”.</td>
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<tr>
<td>Section 8.1.14 is renamed and modified to remove all references to Health Home Services.</td>
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<tr>
<td>Section 8.1.14.1 is renamed and modified to remove all references to Health Home Services.</td>
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<tr>
<td>Section 8.1.14.2 is renamed and modified to remove all references to Health Home Services.</td>
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<tr>
<td>Section 8.1.19 is modified to update the time frames for responding to the OIG and to add language regarding Credible Allegation of Fraud notices.</td>
<td></td>
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<tr>
<td>Section 8.1.20.2 items (j) and (l) are modified to correct UMCM references. Items (n) and (o) are modified to include pharmacy providers. Item (s) “Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports” is added.</td>
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<tr>
<td>Section 8.1.20.2 is modified to add STAR+PLUS LTSS Utilization reporting requirements.</td>
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<tr>
<td>Section 8.1.24 is modified to change the Texas Health Steps Periodicity Schedule to ACIP Immunization Schedule. Section 8.1.25 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
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<tr>
<td>Section 8.1.26 Health Home Services is added.</td>
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<td>Section 8.1.26.1 Health Home Services and Participating Providers is added.</td>
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<tr>
<td>Section 8.1.26.2 MCO Health Home Services Evaluation is added</td>
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<tr>
<td>Section 8.2.2.3.2 is modified to correct the acronym for Oral Evaluation and Fluoride Varnish.</td>
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<td>Section 8.2.2.3.3 is modified to clarify statutory authority.</td>
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<tr>
<td>Section 8.2.2.3.5 is modified to add training requirements for pharmacy and DME.</td>
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<tr>
<td>Section 8.2.2.8 is modified to remove the acronym “CPW”.</td>
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<tr>
<td>Section 8.2.2.11 is modified to replace the acronym CPW with “Case Management for Children and Pregnant Women” and the acronym THSteps with “Texas Health Steps”.</td>
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<tr>
<td>Section 8.2.7.1 is modified to correct URL for UM guidelines.</td>
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<tr>
<td>Section 8.2.8 is modified to clarify the pay and chase requirements for prenatal and preventative care, and recoveries in the context of state child support enforcement actions (SSA §1902(a)(25)(E) and (F); and to correct contract cross reference.</td>
<td></td>
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<tr>
<td>Section 8.2.10 is modified to remove the acronym “CPW” and to replace it with Case Management for Children and Pregnant Women.</td>
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<td>Section 8.3.1.1 is modified to clarify eligibility for DAHS.</td>
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<tr>
<td>Section 8.3.1.2 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver” and to add DAHS to the list of Community Based LTSS under the HCBS STAR+PLUS Waiver.</td>
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<tr>
<td>Section 8.3.2.6 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
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<tr>
<td>Section 8.3.2.8 is modified to update the MAO reference.</td>
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<tr>
<td>Section 8.3.3 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
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<td>Section 8.3.4 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver” and to increase the cost of care threshold from 200% to 202%.</td>
<td></td>
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<tr>
<td>Section 8.3.4.1 is modified to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.</td>
<td></td>
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<tr>
<td>Section 8.3.4.2 is modified to change the section name from “For Medical Assistance Only (MAO) Non-Member Applicants” to “For 217-Like Group Applicants’ and to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.</td>
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<tr>
<td>Section 8.3.4.3 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
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<td>Section 8.3.5 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
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<tr>
<td>Section 8.3.6.4 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver.</td>
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<td>Section 8.4.3 is modified for consistency with the Medicaid pay and chase requirements.</td>
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<td>June 1, 2013</td>
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<td>September 1, 2013</td>
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<tr>
<td>Section</td>
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<tr>
<td>8.1.4.8</td>
<td>is modified to clarify the MCO's obligations for payment and Network Provider agreements and to comply with requirements of SB 7, 83R.</td>
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<td>8.1.4.8.1</td>
<td>is modified to correct “Provider Preventable Conditions” to “Potentially Preventable Complications”.</td>
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<td>8.1.4.8.2</td>
<td>is modified to clarify provider incentives.</td>
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<td>8.1.10</td>
<td>is modified for clarification and to comply with requirements of SB 1401, 83R.</td>
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<td>8.1.12</td>
<td>Provider Protection Plan is added as required by SB 1150, 83R.</td>
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<td>8.1.5.5</td>
<td>is modified to allow MCOs to offer provider search functionality on their websites instead of PDF versions of the Provider Directory. In addition, duplicative language is removed.</td>
<td></td>
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<tr>
<td>8.1.5.6</td>
<td>is modified to require the MCO's Member Services representatives to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program.</td>
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<tr>
<td>8.1.5.6.1</td>
<td>is modified to require the MCO's nurseline staff to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program.</td>
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<tr>
<td>8.1.5.7</td>
<td>is modified to allow MCOs to use certified community health workers/promotoras to conduct outreach and member education activities.</td>
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<td>8.1.5.9</td>
<td>is modified to correct cross references.</td>
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<tr>
<td>8.1.8</td>
<td>is modified to update the URL for UM guidelines.</td>
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<td>8.1.8.1</td>
<td>“Compliance with State and Federal Prior Authorization Requirements” is added as required by SB8, SB 644, and SB1216, 83R.</td>
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<td>8.1.9</td>
<td>is modified to update the T.A.C. references and to align the age reference with the definition.</td>
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<td>8.1.14</td>
<td>is modified to add a new Subsection 8.1.14.1 Special Populations. Subsequent subsections are renumbered.</td>
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<td>8.1.14.3</td>
<td>is modified to add requirements for special populations.</td>
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<tr>
<td>8.1.15</td>
<td>is modified to clarify which DSM edition is referenced.</td>
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<tr>
<td>8.1.15.7</td>
<td>is modified to delete the duplicative definition. The term “Court-Ordered Commitment” is defined in Attachment A.</td>
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<td>8.1.18.1</td>
<td>is modified to require MCO Provider Agreements to comply with TexasGov't. Code regarding reimbursement of claims based on orders or referrals by supervising providers.</td>
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<td>8.1.18.5</td>
<td>is modified for clarification, for consistency with Section 1213.005 of the Insurance Code, and to comply with requirements of House Bill 15, 83R</td>
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<td>8.1.19</td>
<td>HHSC-OIG Lock-in Program</td>
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<td>8.1.20</td>
<td>Records must be provided “at no cost.”</td>
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<td>8.1.20.1</td>
<td>HEDIS acronym</td>
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<tr>
<td>8.1.20.2</td>
<td>Service Coordination reporting requirements</td>
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<tr>
<td>8.1.21</td>
<td>Pharmacy Services reorganized and added requirements as required by SB 644, HB 1358, 83R</td>
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<tr>
<td>8.1.21.1</td>
<td>Formulary and Preferred Drug List (PDL) added</td>
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<td>8.1.21.2</td>
<td>Prior Authorization for Prescription Drugs modified</td>
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<td>8.1.21.3</td>
<td>Coverage Exclusions modified for clarity</td>
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<td>8.1.21.5</td>
<td>Pharmacy Rebate Program modified to require MCOs to include NDCs on all encounters</td>
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<td>8.1.21.6</td>
<td>Drug Utilization Review (DUR) Program modified</td>
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<td>8.1.21.7</td>
<td>Pharmacy Benefit Manager (PBM) modified</td>
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<tr>
<td>8.1.21.8</td>
<td>Financial Disclosures for Pharmacy Services modified for clarity</td>
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<td>8.1.21.9</td>
<td>Limitations Regarding Registered Sex Offenders modified for clarity</td>
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<td>8.1.21.10</td>
<td>Specialty Drugs modified as required by SB 644, HB 1358, 83R</td>
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<td>8.1.21.11</td>
<td>Maximum Allowable Cost (MAC) Requirements added</td>
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<td>8.1.21.12</td>
<td>Mail-order and Delivery added</td>
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<td>8.1.21.13</td>
<td>Health Resources and Services Administration 340B Discount Drug Program added</td>
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<td>8.1.21.14</td>
<td>Pharmacy Claims and File Processing added</td>
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<td>8.1.21.15</td>
<td>Pharmacy Audits added</td>
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<td>8.1.21.16</td>
<td>E-prescribing added</td>
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<tr>
<td>8.1.22</td>
<td>FQHC/RHC payments modified</td>
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<td>8.2.2.4</td>
<td>Education and care coordination for Members at high risk for pre-term labor added</td>
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<td>Changes</td>
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<tr>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Section 8.2.16 “Supplemental Payments for Qualified Providers” is added. Additional detail regarding the process, including payment and reporting requirements will be added to the UMCM.</td>
</tr>
<tr>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Section 8.1.4.4 is modified to clarify the timeframes for completing the credentialing process.</td>
</tr>
</tbody>
</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

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8. OPERATIONS PHASE REQUIREMENTS

This Section describes Scope of Work requirements for the Operations Phase of the Contract.

Section 8.1 includes the general Scope of Work that applies to all MCO Programs (STAR, STAR+PLUS, and CHIP).

Section 8.2 includes the additional Medicaid Scope of Work that applies only to the STAR and STAR+PLUS MCOs.

Section 8.3 includes the additional Scope of Work that applies only to STAR+PLUS MCOs.

Section 8.4 includes the additional CHIP Scope of Work that applies only to CHIP MCOs.

The CHIP Perinatal Program is a CHIP subprogram. CHIP Program requirements apply to the CHIP Perinatal Program, unless the Contract otherwise indicates.

Additional information regarding the STAR, STAR+PLUS, and CHIP Program requirements, such as reporting timeframes and formats is included in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and the Uniform Managed Care Manual. HHSC reserves the right to modify these documents as it deems necessary using the procedures set forth in the Attachment A, "Uniform Managed Care Contract Terms and Conditions."

8.1 General Scope of Work

In each MCO Program and Service Area, HHSC will select MCOs to provide Health Care Services and prescription drug benefits to Members. The MCO must have approval from the Texas Department of Insurance (TDI) to operate as an HMO, ANHC, and/or an EPO in all zip codes in the respective Service Area(s).

Coverage for benefits will be available to enrolled Members effective on the Operational Start Date. The Operational Start Date is March 1, 2012, for all MCO Programs and Service Areas.

8.1.1 Administration and Contract Management

The MCO must comply, to the satisfaction of HHSC, with: (1) all provisions set forth in this Contract, and (2) all applicable provisions of state and federal laws, rules, regulations, and waiver agreements with the Centers for Medicare and Medicaid Services (CMS).

8.1.1.1 Performance Evaluation

On an annual basis, HHSC will provide the MCO with two Performance Improvement Project (PIP) topics per Program. The MCO must develop one per topic. If directed by HHSC, the MCO must conduct one PIP in collaboration with other MCOs in the Service Area. The PIP projects are due to HHSC no later than August 30 each year. PIPs will follow CMS protocol, as described below. The purpose of health care quality PIPs is to assess and improve processes, and thereby outcomes, of care. In order for such projects to achieve real improvements in care and for interested parties to have confidence in the reported improvements, PIPs must be designed, conducted, and reported in a methodologically sound manner.

MCOs must use the following ten (10) step CMS protocol when conducting PIPs:

1. select the study topic(s);
2. define the study question(s);
3. select the study indicator(s);
4. use a representative and generalizable study population;
5. use sound sampling techniques (if sampling is used);
6. collect reliable data;
7. implement intervention and improvement strategies;
8. analyze data and interpret study results;
9. plan for real improvement; and
10. achieve sustained improvement.

(See Uniform Managed Care Manual Chapter 10.2.4, Performance Improvement Project Submission Instructions and 10.2.5, Performance Improvement Project Template).

The MCO must participate in semi-annual Contract Status Meetings (CSMs) with HHSC for the primary purpose of reviewing progress toward the achievement of annual PIPs and Contract requirements. HHSC may request additional CSMs as it deems necessary to address areas of noncompliance. HHSC will provide the MCO with reasonable advance notice of additional CSMs, generally at least five (5) Business Days.

The MCO must provide to HHSC, no later than 14 Business Days prior to each semi-annual CSM, an electronic report detailing the MCO's progress toward and any barriers in meeting the annual PIPs.

HHSC will track MCO performance on PIPs. It will also track other key facets of MCO performance through the use of a Performance Indicator Dashboard for Quality Measures (see Uniform Managed Care Manual Chapter 10.1.7). HHSC will compile the Performance Indicator Dashboard based on MCO submissions, data from the External Quality Review Organization (EQRO), and other data available to HHSC. HHSC will share the Performance Indicator Dashboard with the MCO on an annual basis.

8.1.1.2 Additional Readiness Reviews and Monitoring Efforts

During the Operations Phase, HHSC may conduct desk and/or onsite reviews as part of its normal Contract monitoring efforts. Additionally, an MCO that chooses to make a change to any operational system or undergo any major transition may be subject to an additional Readiness Review(s). HHSC will determine whether the proposed changes will require a desk review and/or an onsite review. The MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent for onsite reviews conducted as part of Readiness Review or HHSC’s normal Contract monitoring efforts. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.18, “Management Information System Requirements,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions,” Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.2 Covered Services

The MCO is responsible for authorizing, arranging, coordinating, and providing Covered Services in accordance with the requirements of the Contract. The MCO must provide Medically Necessary Covered Services to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. The MCO must not impose any pre-existing condition limitations or exclusions or require Evidence of Insurability to provide coverage to any Member.

The MCO must provide full coverage for Medically Necessary Covered Services to all Members and, for STAR+PLUS Members, Functionally Necessary Community Long-term Services and Supports, without regard to the Member’s:

1. previous coverage, if any, or the reason for termination of such coverage;
2. health status;
3. confinement in a health care facility; or
4. for any other reason.

The MCO must not practice discriminatory selection, or encourage segregation among the total group of eligible Members by excluding, seeking to exclude, or otherwise discriminating against any group or class of individuals.

Covered Services for all Medicaid MCO Members are listed in Attachments B-2, “STAR Covered Services,” and B-2.2, “STAR+PLUS Covered Services.” Medicaid MCOs are responsible for providing all services and benefits available to clients of the Medicaid Fee-for-Service Program to the MCO’s Medicaid Members, with the exception of Non-Capitated Services (Section 8.2.2.8). Medicaid MCOs must provide the services and benefits described in the most recent Texas Medicaid Provider Procedures Manual and any updates to the Manual provided through Texas Medicaid Bulletins. A description of CHIP Covered Services and exclusions is provided in Attachment B-2.1, “CHIP Covered Services.” Covered Services are subject to change due to changes in federal and state law; changes in Medicaid, CHIP or CHIP Perinatal Program policy; and changes in medical practice, clinical protocols, or technology.

8.1.2.1 Value-added Services

MCOs may propose additional services for coverage. These are referred to as "Value-added Services." Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improved health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

The MCO generally must offer Value-added Services to all MCO Program Members in a Service Area. For Medicaid Acute Care services, the MCO may distinguish between the Dual Eligible and non-Dual Eligible populations. The MCO is not required to offer the same Value-added Services to CHIP Perinate Members as traditional CHIP Members and CHIP Perinate Newborn Members. Value-added Services do not need to be consistent across more than one (1) MCO Program or across more than one (1) Service Area. Value-added Services that are approved by HHSC during the contracting process will be included in the Contract's scope of services.

Any Value-added Services that a MCO elects to provide must be provided at no additional cost to HHSC. The costs of Value-added Services are not reportable as allowable medical or administrative expenses, and therefore are not factored into the rate setting process. In addition, the MCO must not pass on the cost of the Value-added Services to Members or Providers.

The MCO may offer discounts on non-covered benefits to Members as Value-added Services, provided that the MCO complies with Texas Insurance Code § 1451.155 and § 1451.2065. The MCO must ensure that Providers do not charge Members for any other cost-sharing for a Value-added Service (including copayments or deductibles).

The MCO must specify the conditions and parameters regarding the delivery of the Value-added Services in the MCO's Marketing Materials and Member Handbook, and must clearly describe any limitations or conditions specific to the Value-added Services.

During the Operations Phase, Value-added Services can be added or removed only by written amendment of the Contract. MCOs will be given the opportunity to add or enhance Value-added Services twice per State Fiscal Year, with changes to be effective September 1 and March 1. MCOs will also be given the opportunity to delete or reduce Value-added Services once per State Fiscal Year, with changes to be effective September 1. HHSC may allow additional modifications to Value-added Services if Covered Services are amended by HHSC during a State Fiscal Year. This approach allows HHSC to coordinate biannual revisions to HHSC's MCO Comparison Charts for Members. A MCO's request to add, enhance, delete, or reduce a Value-added Service must be submitted to HHSC by April 1 of each year to be effective September 1 for the following contract period. The MCOs cannot reduce or delete any Value-added Services until September 1 of the next SFY. A second request to add or enhance Value-added Services must be submitted to HHSC by October 1 each year to be effective March 1. (See Uniform Managed Care Manual Chapter 4.5 "Physical and Behavioral Health Value-Added Services Template.")

A MCO's request to add a Value-added Service must:

a. define and describe the proposed Value-added Service;

b. specify the Service Areas and MCO Programs for the proposed Value-added Service;
c. identify the category or group of Members eligible to receive the Value-added Service if it is a type of service that is not appropriate for all mandatory Members;
d. note any limits or restrictions that apply to the Value-added Service;
e. identify the Providers responsible for providing the Value-added Service;
f. describe how the MCO will identify the Value-added Service in administrative data (Encounter Data);
g. propose how and when the MCO will notify Providers and Members about the availability of such Value-added Service;
h. describe how a Member may obtain or access the Value-added Service; and
i. include a statement that the MCO will provide such Value-added Service for at least 12 months from the September 1 effective date.

A MCO cannot include a Value-added Service in any material distributed to Members or prospective Members until the Parties have amended the Contract to include that Value-added Service. If a Value-added Service is deleted by amendment, the MCO must notify each Member that the service is no longer available through the MCO. The MCO must also revise all materials distributed to prospective Members to reflect the change in Value-added Services.

8.1.2.2 Case-by-Case Added Services

Except as provided below, the MCO may offer additional benefits that are outside the scope of services to individual Members on a case-by-case basis. Case-by-case services may be based on Medical Necessity, cost-effectiveness, the wishes of the Member/Member’s family, the potential for improved health status of the Member, and for STAR+PLUS Members based on Functional Necessity.

Section 8.1.2.2, “Case-by-Case Added Services,” does not apply to the CHIP Perinate Members (unborn children).

8.1.3 Access to Care

All Covered Services must be available to Members on a timely basis in accordance with the Contract's requirements and medically appropriate guidelines, and consistent with generally accepted practice parameters. The MCO must comply with the access requirements as established by the Texas Department of Insurance (TDI) for all MCOs doing business in Texas, except as otherwise required by this Contract. Medicaid MCOs must be responsive to the possibility of increased Members due to the phase-out of the PCCM model in Service Areas where HHSC has determined that adequate MCO coverage exists.

The MCO must provide coverage for Emergency Services to Members 24 hours a day and seven (7) days a week, without regard to prior authorization or the Emergency Service provider's contractual relationship with the MCO. The MCO's policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws and regulations, whether the provider is Network or Out-of-Network. A MCO is not responsible for payment for unauthorized non-emergency services provided to a Member by Out-of-Network providers.

The MCO must also have a toll-free emergency and crisis Behavioral Health Services Hotline available 24 hours a day, seven (7) days a week. The Behavioral Health Services Hotline must meet the requirements described in Section 8.1.15.3. For Medicaid Members, a MCO must provide coverage for Emergency Services in compliance with 42 C.F.R. §438.114, and as described in more detail in Section 8.2.2.1. The MCO may arrange Emergency Services and crisis Behavioral Health Services through mobile crisis teams.

For CHIP Members, Emergency Covered Services, including emergency Behavioral Health Services, must be provided in accordance with the requirements of the Texas Insurance Code and TDI regulations.

MCO must require, and make best efforts to ensure, that PCPs are accessible to STAR, STAR+PLUS, CHIP, and CHIP Perinate Newborn Members 24 hours a day, seven (7) days a week and that its Network Primary Care Providers (PCPs) have after-hours telephone availability that is consistent with Section 8.1.4. The MCO must ensure that Network Providers offer office hours to Members that are at least equal to those offered to the MCO's commercial lines of business or Medicaid fee-for-service participants, if the provider accepts only Medicaid patients.

CHIP MCOs are not required to establish PCP Networks for CHIP Perinates (Unborn Child).

The MCO must provide that if Medically Necessary Covered Services are not available through Network Providers, the MCO must, upon the request of a Network Provider, allow a referral to a non-network physician or provider within the time
appropriate to the circumstances relating to the delivery of the services and the condition of the patient, but in no event to exceed five (5) Business Days after receipt of reasonably requested documentation. The MCO must fully reimburse the non-network provider in accordance with the Out-of-Network methodology for Medicaid as defined by HHSC in 1 T.A.C. §353.4, and for CHIP, at the usual and customary rate defined by TDI in 28 T.A.C. Section 11.506.

The Member will not be responsible for any payment for Medically Necessary Covered Services, including Functionally Necessary Covered Services, other than:

1. HHSC-specified copayments for CHIP Members, where applicable;
2. HHSC-specified copayments for Medicaid Members, where applicable (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract); and
3. STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services and enter a 24-hour setting will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC. If the MCO provides Members who do not qualify for the HCBS STAR+PLUS Waiver services in a 24-hour setting as an alternative to nursing facility or Hospitalization, the Member will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC.

8.1.3.1 Waiting Times for Appointments

Through its Provider Network composition and management, the MCO must ensure that the following standards are met. In all cases below, "day" is defined as a calendar day, and the standards are measured from the date of presentation or request, whichever occurs first.

1. Emergency Services must be provided upon Member presentation at the service delivery site, including at non-network and out-of-area facilities;
2. urgent care, including urgent specialty care, must be provided within 24 hours;
3. routine primary care must be provided within 14 days;
4. initial outpatient behavioral health visits must be provided within 14 days;
5. PCPs must make referrals for specialty care on a timely basis, based on the urgency of the Member's medical condition, but no later than 30 days;
6. pre-natal care must be provided within 14 days, except for high-risk pregnancies or new Members in the third trimester, for whom an appointment must be offered within five days, or immediately, if an emergency exists;
7. preventive health services for adults must be offered within 90 days; and
8. preventive health services for children, including well-child checkups should be offered to CHIP Members in accordance with the American Academy of Pediatrics (AAP) periodicity schedule. Medicaid MCOs should utilize the Texas Health Steps periodicity schedule. For a New Member birth through age 20, overdue or upcoming well-child checkups, including Texas Health Steps medical checkups, should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. The Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due on the child's birthday. The annual medical checkup is considered timely if it occurs no later than 364 calendar days after the child's birthday. For purposes of this requirement, the terms "New Member" and "Existing Member" are defined in Chapter 12.4 of the Uniform Managed Care Manual.

8.1.3.2 Access to Network Providers

The MCO's Network must include all of the provider types described in this section in sufficient numbers, and with sufficient capacity, to provide timely access to all Covered Services in accordance with the waiting times for appointments in Section 8.1.3.1. The MCO's Network must provide timely access to regular and preventive care to all Members, and Texas Health Steps services to all child Members in Medicaid.

This section includes distance standards for each provider type. For each provider type, the MCO must provide access to at least 90 percent of members in each Program and Service Area within the prescribed distance standard for each State Fiscal Quarter. This 90-percent benchmark does not apply to pharmacy providers (refer to the "Pharmacy Access" heading for applicable benchmarks).
HHSC will consider requests for exceptions to the distance standards for all provider types under limited circumstances. Each exception request must be supported by information and documentation as specified in HHSC's exception request template.

**Medicaid PCP Access**: At a minimum, the MCO must ensure that all adult Members have access to one age-appropriate Network PCP with an Open Panel within 30 miles of the Member's residence. Child Members must have access to two age-appropriate Network PCPs with an Open Panel within 30 miles of the Member's residence.

**CHIP PCP Access**: At a minimum, the MCO must ensure that all Members have access to one age-appropriate PCP in the Provider Network with an Open Panel within 30 miles of the Member's residence. This provision does not apply to CHIP Perinates, but it does apply to CHIP Perinate Newborns.

For the purpose of assessing compliance with the Medicaid and CHIP PCP access requirements, an internist who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20, and a pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

As described above, the MCO can request a special exception if no appropriate provider types are located within the mileage standards.

**OB/GYN Access**: STAR, STAR+PLUS and CHIP Program Networks: with the following exception, STAR, STAR+PLUS and CHIP MCOs must ensure that all female Members have access to an OB/GYN in the Provider Network within 75 miles of the Member's residence. CHIP MCOs must ensure that CHIP Perinate Members (unborn children) in rural areas have access to Network OB/GYNs within 125 miles of the Member's residence.

If an OB/GYN is acting as the Member's PCP, the MCO must follow the access requirements for the PCP (within 30 miles of the Member's residence).

The MCO must allow female Members to select an OB/GYN within its Provider Network. A female Member who selects an OB/GYN must be allowed direct access to the OB/GYN's Health Care Services without a referral from the Member's PCP or a prior authorization. The MCO must allow pregnant Member who is past the 24th week of pregnancy to remain under the Member's current OB/GYN care though the Member's post-partum checkup, even if the OB/GYN provider is, or becomes, Out-of-Network.

**Outpatient Behavioral Health Service Provider Access**: At a minimum, the MCO must ensure that all Members have access to a covered outpatient Behavioral Health Service Provider in the Network within 75 miles of the Member's residence. Outpatient Behavioral Health Service Providers must include Masters and Doctorate-level trained practitioners practicing independently or at community mental health centers, other clinics or at outpatient Hospital departments. A Qualified Mental Health Provider - Community Services (QMHP-CS) is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C. §412.303(48). QMHP-CSs must be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs must be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services.

**Other Specialist Physician Access**: At a minimum, the MCO must ensure that all Members have access to a Network specialist physician for all covered services within 75 miles of the Member's residence for common medical specialties. For adult Members, common medical specialties must include general surgery, cardiology, orthopedics, urology, and ophthalmology. For child Members, common medical specialties must include orthopedics and otorhinolaryngology. In addition, all Members must be allowed to: 1) select a Network ophthalmologist or therapeutic optometrist to provide eye Health Care Services, other than surgery, and 2) have access without a PCP referral to eye Health Care Services from a Network specialist who is an ophthalmologist or therapeutic optometrist for non-surgical services.

**Hospital Access**: The MCO must ensure that all Members have access to an Acute Care Hospital in the Provider Network within 30 miles of the Member's residence. For MCOs participating in the CHIP Program, exceptions to this access standard must be approved by HHSC on a case-by-case basis for Perinate Members (unborn children). MCOs participating in the Medicaid Rural Service Area may also request exceptions on a case-by-case basis.
**Pharmacy Access:** Effective March 1, 2012, the MCO must meet the following minimum requirements. The MCO must ensure that all Members have access to at least one (1) Network Pharmacy within 15 miles of the Member's residence, and access to at least one (1) pharmacy with 24-hour coverage within 75 miles of the Member's residence. MCOs may request exceptions to this requirement on a case-by-case basis.

Effective September 1, 2012, HHSC will apply additional benchmark performance standards. For purposes of this requirement only, the terms urban, suburban, and rural counties have the following meaning:

**Urban** - Counties that have been designated as metropolitan by the Office of Management and Budget (OMB), and that contain the most populated city within a metropolitan area, also known as Metropolitan Statistical Area. HHSC Strategic Decision Support (SDS) classifies these counties as Metro Central City counties. A county meets the definition of metropolitan if it has a central city, or pair of twin cities in it, with a minimum population of 50,000.

**Suburban** - Counties that have been designated as metropolitan by the OMB, and that are adjacent (share a boundary) to a Metro Central City county. The SDS classifies these counties as Metro Suburban counties.

**Rural** - Non-metropolitan counties of the state, regardless of whether they are adjacent or non-adjacent to a metropolitan county.

For counties included in the Medicaid Rural Service Area, the following standard applies to STAR effective September 1, 2012:

- In urban counties, at least 75 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
- In suburban counties, at least 55 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence;
- In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

For all other counties and Programs, the following standard applies effective September 1, 2012:

- In urban counties, at least 80 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
- In suburban counties, at least 75 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence;
- In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

Note: MCOs may request exceptions to these requirements on a case-by-case basis. Mail order pharmacies, including specialty pharmacies that only mail prescriptions, will not be included when calculating these percentages. However, MCOs will be required to report on the number of prescriptions filled and number of clients served through mail order/specialty pharmacies by MCO Program and Service Area.

**All other Covered Services, except for services provided in the Member's residence:** At a minimum, the MCO must ensure that all Members have access to at least one (1) Network Provider for each of the remaining Covered Services described in Attachments B-2, “STAR Covered Services,” B-2.1 “CHIP Covered Services,” and B-2.2, “STAR+PLUS Covered Services,” within 75 miles of the Member's residence. This access requirement includes, but is not limited to, specialists, specialty Hospitals, psychiatric Hospitals, diagnostic and therapeutic services, and single or limited service health care physicians or Providers, as applicable to the MCO Program.

The MCO is not precluded from making arrangements with physicians or providers outside the MCO's Service Area for Members to receive a higher level of skill or specialty than the level available within the Service Area, including but not limited to, treatment of cancer, burns, and cardiac diseases. HHSC may consider exceptions to the above access-related requirements when an MCO has established, through utilization data provided to HHSC, that a normal pattern for securing Health Care
Services within an area does not meet these standards, or when an MCO is providing care of a higher skill level or specialty than the level which is available within the Service Area.

### 8.1.3.3 Monitoring Access

The MCO is required to systematically and regularly verify that Covered Services furnished by Network Providers are available and accessible to Members in compliance with the standards described in Sections 8.1.3.1 and 8.1.3.2, and for Covered Services furnished by PCPs, the standards described in Section 8.1.4.2.

The MCO must enforce access and other Network standards required by the Contract and take appropriate action with noncompliant Providers.

### 8.1.4 Provider Network

The MCO must enter into written contracts with properly credentialed Providers as described in this Section. The Provider contracts must comply with the Uniform Managed Care Manual's requirements, and include reasonable administrative and professional terms.

The MCO must maintain a Provider Network sufficient to provide all Members with access to the full range of Covered Services required under the Contract. The MCO must ensure its Providers and Subcontractors meet all current and future state and federal eligibility criteria, reporting requirements, and any other applicable rules and/or regulations related to the Contract.

The Provider Network must be responsive to the linguistic, cultural, and other unique needs of any minority, elderly, or disabled individuals, or other special populations served by the MCO. This includes the capacity to communicate with Members in languages other than English, when necessary, as well as with those who are deaf or hearing impaired.

The MCO must seek to obtain the participation in its Provider Network of qualified providers currently serving the Medicaid and CHIP Members in the MCO's proposed Service Area(s). Medicaid MCOs utilizing Out-of-Network providers to render services to their Members must not exceed the utilization standards established in 1 T.A.C. §353.4. HHSC may modify this requirement for Medicaid MCOs that demonstrate good cause for noncompliance, as set forth in §353.4(e)(3).

The MCO must seek participation in the Provider Network from the following types of entities that may serve American Indian and Alaskan Native children:

1. health clinics operated by a federally-recognized tribe in the Service Area;
2. Federally Qualified Health Centers (FQHC) operated by a federally-recognized tribe in the Service Area; and
3. Urban Indian organizations in the Service Area.

**All Providers:** Except as provided in Section 8.1.4.10, all Providers must be licensed in the State of Texas to provide the Covered Services for which the MCO is contracting with the Provider, and not be under sanction or exclusion from the Medicaid program. All Acute Care Providers serving Medicaid Members must be enrolled as Medicaid providers and have a Texas Provider Identification Number (TPIN). All Pharmacy Providers must be enrolled with HHSC's Vendor Drug Program. Long-term Services and Supports Providers are not required to have a TPIN but must have a LTSS Provider number. Providers must also have a National Provider Identifier (NPI) in accordance with the timelines established in 45 C.F.R. Part 162, Subpart D.

**Inpatient Hospital and medical services:** The MCO must ensure access to Acute Care Hospitals and Specialty Hospitals in the MCO's Network. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. The MCO must enter into a Network Provider Agreement with any willing State Hospital that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

**Children's Hospitals/Hospitals with specialized pediatric services:** The MCO must ensure Members access to Hospitals designated as Children's Hospitals by Medicare and Hospitals with specialized pediatric services, such as teaching Hospitals and Hospitals with designated children's wings. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. If the MCO does not have a designated Children's Hospital and/or Hospital with specialized pediatric services in proximity to the Member's residence in its Network, the MCO must enter into written arrangements for services with Out-of-Network Hospitals. Provider Directories, Member Materials, and Marketing Materials
must clearly distinguish between Hospitals designated as Children's Hospitals and Hospitals that have designated children's units.

**Trauma:** The MCO must ensure Members access to Texas Department of State Health Services (TDSHS)-designated Level I and Level II trauma centers within the State, or Hospitals meeting the equivalent level of trauma care in the MCO's Service Area or in close proximity to such Service Area. The MCO must make written Out-of-Network reimbursement arrangements with the DSHS-designated Level I and Level II trauma centers or Hospitals meeting equivalent levels of trauma care if the MCO does not include such a trauma center in its Network.

**Transplant centers:** The MCO must ensure Member access to HHSC-designated transplant centers or centers meeting equivalent levels of care. A list of HHSC-designated transplant centers can be found in the **Procurement Library**. If the MCO's Network does not include a designated transplant center or center meeting equivalent levels of care in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.

**Hemophilia centers:** The MCO must ensure Member access to hemophilia centers supported by the Centers for Disease Control (CDC). A list of these hemophilia centers can be found at [http://www.cdc.gov/ncbddd/hemophilia/HTC.html](http://www.cdc.gov/ncbddd/hemophilia/HTC.html). If the MCO's Network does not include CDC-supported hemophilia centers in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.

**Physician services:** The MCO must ensure that Primary Care Providers are available and accessible 24 hours per day, seven (7) days per week, within the Provider Network. The MCO must contract with a sufficient number of participating physicians and specialists within each Service Area to comply with **Section 8.1.3**'s access requirements and meet Members' needs for all Covered Services.

The MCO must ensure that an adequate number of participating physicians have admitting privileges at one (1) or more participating Acute Care Hospitals in the Provider Network to ensure that necessary admissions are made. In no case may there be less than one Network PCP with admitting privileges available and accessible 24 hours per day, seven (7) days per week for each Acute Care Hospital in the Provider Network.

The MCO must ensure that an adequate number of participating specialty physicians have admitting privileges at one or more participating Hospitals in the MCO's Provider Network to ensure necessary admissions are made. The MCO must require that all physicians who admit to Hospitals maintain Hospital access for their patients through appropriate call coverage.

**Urgent Care Clinics:** The MCO must ensure that Urgent Care Clinics, including multi-specialty clinics serving in this capacity, are included within the Provider Network.

**Laboratory services:** The MCO must ensure that Network reference laboratory services are of sufficient size and scope to meet Members' non-emergency and emergency needs and the access requirements in **Section 8.1.3**. Reference laboratory specimen procurement services must facilitate the provision of clinical diagnostic services for physicians, Providers, and Members through the use of convenient reference satellite labs in each Service Area, strategically located specimen collection areas in each Service Area, and the use of a courier system under the management of the reference lab. For Medicaid Members, Texas Health Steps requires Providers to use the DSHS Laboratory Services for specimens obtained as part of a Texas Health Steps medical checkup, including Texas Health Steps newborn screens; blood lead testing; hemoglobin electrophoresis; and total hemoglobin tests that are processed at the Austin Laboratory; and Pap Smear, gonorrhea and chlamydia screening processed at the Women's Health Laboratories in San Antonio. Providers may submit specimens for glucose, cholesterol, HDL, lipid profile, HIV and RPR to the DSHS Laboratory or to a laboratory of the provider's choice. Hematocrit may be performed at the provider's clinic if the provider needs an immediate result for anemia screening. Providers should refer to the Texas Health Steps Online Provider Training Modules referencing specimen collection on the DSHS website and the Texas Medicaid Provider Procedures Manual, Children's Services Handbook for the most current information and any updates.

**Pharmacy Providers:** The MCO must ensure that all Pharmacy Network Providers meet all requirements under 1 Tex. Admin. Code § 353.909. Providers must not be under sanction or exclusion from the Medicaid or CHIP Programs. The MCO must enter into a Network Provider Agreement with any willing pharmacy provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms. However, the MCO may enter into selective contracts for specialty pharmacy services with one or more pharmacy provider, subject to the following conditions. These arrangements must comply with Texas Government Code § 533.005(a)(23)(G) and 1 Tex. Admin. Code § 353.905, § 354.1853, and § 370.701.

**Diagnostic imaging:** The MCO must ensure that diagnostic imaging services are available and accessible to all Members in each Service Area in accordance with the access standards in **Section 8.1.3**. The MCO must ensure that diagnostic imaging
procedures that require the injection or ingestion of radiopaque chemicals are performed only under the direction of physicians qualified to perform those procedures.

**Home health services**: All Members living within the MCO's Service Area must have access to at least one (1) Network Provider of home health Covered Services. (These services are provided as part of the Acute Care Covered Services, not the Community Long Term Services and Supports.)

**Community Long Term Services and Supports**: All Members living within a STAR+PLUS MCO's Service Area must have access to Medically Necessary and Functionally Necessary Covered Services.

**Ambulance providers**: The MCO must enter into a Network Provider Agreement with any willing ambulance provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

### 8.1.4.1 Provider Contract Requirements

The MCO is prohibited from requiring a provider or provider group to enter into an exclusive contracting arrangement with the MCO as a condition for Network participation.

The MCO’s contract with health care Providers must be in writing, must be in compliance with applicable federal and state laws and regulations, and must include minimum requirements specified in **Attachment A**, "Uniform Managed Care Contract Terms and Conditions," and **Uniform Managed Care Manual** Chapter 8.1 “Provider Contract Checklist.”

As described in Section 7, the MCO must submit model Provider contracts to HHSC for review during Readiness Review. The MCO must resubmit the model Provider contracts any time it makes substantive modifications to such agreements. HHSC retains the right to reject or require changes to any Provider contract that does not comply with MCO Program requirements or the HHSC-MCO Contract.

### 8.1.4.2 Primary Care Providers

The MCO's PCP Network may include Providers from any of the following practice areas: General Practice; Family Practice; Internal Medicine; Pediatrics; Obstetrics/Gynecology (OB/GYN); Advanced Practice Registered Nurses (APRNs) and Physician Assistants (PAs) (when APRNs and PAs are practicing under the supervision of a physician specializing in Family Practice, Internal Medicine, Pediatrics or Obstetrics/Gynecology who also qualifies as a PCP under this contract); Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and similar community clinics; and specialist physicians who are willing to provide a Medical Home to selected Members with special needs and conditions. Texas Government Code Section 533.005(a)(13) and Texas Health and Safety Code Section 62.1551 require the MCO to use advance practice registered nurses (APRNs) and physician assistants (PAs) practicing under the supervision of a Network physician. The MCO must treat APRNs and PAs in the same manner as other Network PCPs with regard to: (1) selection and assignment as PCPs, (2) inclusion as PCPs in the MCO's Provider Network, and (3) inclusion as a PCP in any Provider Directory maintained by the MCO.

An internist or other Provider who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20. An internist or other Provider who provides primary care to adults and children may be a PCP for children if:

1. the Provider assumes all MCO PCP responsibilities for such child Members in a specific age range from birth through age 20,
2. the Provider has a history of practicing as a PCP for the specified age range, as evidenced by the Provider's primary care practice including an established patient population within the specified age range, and
3. the Provider has admitting privileges to a local Hospital that includes admissions to pediatric units.

A pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

The PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions may be a specialist physician who agrees to provide PCP services to the Member. The specialty physician must agree to perform all PCP duties required in the Contract, and PCP duties must be within the scope of the specialist's license. Any interested person may initiate the request through the MCO for a specialist to serve as a PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions. The MCO must handle such requests in accordance with 28 T.A.C. Part 1, Chapter 11, Subchapter J.
PCPs who provide Covered Services for STAR and CHIP newborns must either have admitting privileges at a Hospital that is part of the MCO's Provider Network, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital. STAR+PLUS PCPs must either have admitting privileges at a Network Hospital, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital.

The MCO must require, through contract provisions, that PCPs are accessible to Members 24 hours a day, seven (7) days a week. The MCO is encouraged to enter into Network Provider agreements with sites that offer primary care services during evening and weekend hours. The following are acceptable and unacceptable telephone arrangements for contacting PCPs after their normal business hours.

**Acceptable after-hours coverage:**

1. the office telephone is answered after-hours by an answering service that meets language requirements of the Major Population Groups and that can contact the PCP or another designated medical practitioner. All calls answered by an answering service must be returned within 30 minutes;
2. the office telephone is answered after normal business hours by a recording in the language of each of the Major Population Groups served, directing the patient to call another number to reach the PCP or another provider designated by the PCP. Someone must be available to answer the designated provider's telephone. Another recording is not acceptable; and
3. the office telephone is transferred after office hours to another location where someone will answer the telephone and be able to contact the PCP, or another designated medical provider, who can return the call within 30 minutes.

**Unacceptable after-hours coverage:**

1. the office telephone is only answered during office hours;
2. the office telephone is answered after-hours by a recording that tells patients to leave a message;
3. the office telephone is answered after-hours by a recording that directs patients to go to an Emergency Room for any services needed; and
4. returning after-hours calls outside of 30 minutes.

The CHIP MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the AAP recommendations. Medicaid MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the Texas Health Steps periodicity schedule. The MCO must require PCPs, through contract provisions, to provide adults with preventive services in accordance with the U.S. Preventive Services Task Force requirements. The MCO must make best efforts to ensure that PCPs follow these periodicity requirements for children and adult Members. Best efforts must include, but not be limited to, Provider education, Provider profiling, monitoring, and feedback activities.

The MCO must require PCPs, through contract provisions, to assess the medical needs of Members for referral to specialty care providers and provide referrals as needed. PCPs must coordinate Members' care with specialty care providers after referral. The MCO must make best efforts to ensure that PCPs assess Member needs for referrals and make such referrals. Best efforts must include, but not be limited to, Provider education activities and review of Provider referral patterns.

### 8.1.4.3 PCP Notification

The MCO must furnish each PCP with a current list of Members enrolled or assigned to that Provider no later than five (5) Business Days after the MCO receives the Enrollment File from the HHSC Administrative Services Contractor each month. The MCO may offer and provide such enrollment information in alternative formats, such as through access to a secure Internet site, when such format is acceptable to the PCP.

### 8.1.4.4 Provider Credentialing and Re-credentialing

The MCO must review, approve, and periodically recertify the credentials of all participating physician Providers and all other licensed Providers who participate in the MCO’s Network. The MCO may subcontract with another entity to which it delegates credentialing activities if the delegated credentialing is maintained in accordance with the National Committee for Quality Assurance (NCQA) delegated credentialing requirements and any comparable requirements defined by HHSC.
At a minimum, the scope and structure of an MCO’s credentialing and re-credentialing processes must be consistent with recognized MCO industry standards, such as those provided by NCQA, or URAC and relevant state and federal regulations including 28 Tex. Admin. Code §§ 11.1902 and 11.1402(c), relating to provider credentialing and notice. Medicaid MCOs must also comply with 42 C.F.R. § 438.12 and 42 C.F.R. § 438.214(b). The re-credentialing process must occur at least every three years.

The MCO may not discriminate for the participation, reimbursement, or indemnification of any provider who is acting within the scope of his or her license or certification under applicable State law, solely on the basis of that license or certification. Additionally, if the MCO declines to include individual or groups of providers in its Network, it must give the affected providers written notice of the reasons for its decision.

The re-credentialing process must take into consideration Provider performance data including Member Complaints and Appeals, quality of care, and utilization management.

MCOs must comply with the requirements of Texas Insurance Code Chapter 1452, Subchapters C, D, and E, regarding expedited credentialing and payment of physicians, podiatrists, and therapeutic optometrists who have joined established medical groups or professional practices that are already contracted with the MCO. Additionally, the MCO must comply with the Subchapters’ hold harmless requirements for Members.

The MCO must complete the credentialing process for a new provider and its claim systems must be able to recognize the provider as a Network Provider no later than 90 calendar days after receipt of a complete application. If an application does not include required information, the MCO must provide the provider written notice of all missing information no later than 5 Business Days after receipt.

Additionally, if a provider qualifies for expedited credentialing, the MCO’s claims system must be able to process claims from the provider as if the Provider was a Network Provider no later than 30 calendar days after receipt of a complete application, even if the MCO has not yet completed the credentialing process.

### 8.1.4.5 Board Certification Status

The MCO must maintain a policy with respect to board certification for PCPs and specialty physicians that encourages participation of board certified PCPs and specialty physicians in the Provider Network. The MCO must make information on the percentage of board-certified PCPs in the Provider Network and the percentage of board-certified specialty physicians, by specialty, available to HHSC upon request.

### 8.1.4.6 Provider Relations Including Manual, Materials and Training

The MCO must maintain a provider relations presence in each Service Area or, for the Medicaid Rural Service Area, in regions as approved by HHSC.

The MCO must prepare and issue Provider Manual(s) to all Network Providers, including any necessary specialty manuals (e.g., behavioral health). For newly contracted Providers, the MCO must issue copies of the Provider Manual(s) no later than five (5) Business Days after inclusion in the Network. The Provider Manual must contain sections relating to special requirements of the MCO Program(s) and the enrolled populations in compliance with the requirements of this Contract, including Uniform Managed Care Manual Chapter 3.3.

HHSC or its designee must approve the Provider Manual, and any substantive revisions to the Provider Manual, prior to publication and distribution to Providers. The Provider Manual must contain the critical elements defined in Uniform Managed Care Manual Chapter 3, Critical Elements. HHSC’s initial review of the Provider Manual is part of the Operational Readiness Review described in Section 7, Transition Phase Requirements.

The MCO must provide training to all Providers and their staff regarding the requirements of the Contract and special needs of Members. The MCO’s STAR, STAR+PLUS, CHIP and/or CHIP Perinatal Program training must be completed within 30 days of placing a newly contracted Provider on active status. The MCO must provide ongoing training to new and existing Providers as required by the MCO, or as required by HHSC to comply with the Contract. The MCO must maintain and make available upon request enrollment or attendance rosters dated and signed by each attendee, or other written evidence of training of each Provider and his or her staff.

The MCO must establish ongoing Provider training that includes, but is not limited to, the following issues:
1. Covered Services and the Provider's responsibilities for providing and/or coordinating such services. Special emphasis must be placed on areas that vary from commercial coverage rules (e.g., Early Childhood Intervention services, therapies and DME/Medical Supplies); pharmacy services and processes, including information regarding outpatient drug benefits, HHSC's drug formulary, preferred drugs, prior authorization processes, and 72 hour emergency supplies of prescription drugs; and for Medicaid, making referrals and coordination with Non-capitated Services;

2. relevant requirements of the Contract;

3. The MCO's quality assurance and performance improvement program and the Provider's role in such a program;

4. the MCO's policies and procedures, especially regarding Network and Out-of-Network referrals;

5. Member cost-sharing obligations, benefit limitations, Value-added Services, and prohibitions on balance-billing Members for Covered Services;

6. Cultural Competency Training;

7. Texas Health Steps benefits, periodicity, and required elements of a checkup;

8. Medical Transportation Program services available to Medicaid members such as rides to services by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, and meals and lodging when away from home;

9. the importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;

10. information about the MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;

11. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit;

12. For STAR in the Medicaid Rural Service Area, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process;

13. administrative issues such as claims filing and services available to Members; and


Provider Materials must comply with state and federal laws; Attachment A, Uniform Managed Care Contract Terms and Conditions; and Uniform Managed Care Manual Chapter 3, Critical Elements.

As described above, HHSC must approve the MCO's Provider Manual and all revisions. Additionally, the MCO must submit, for HHSC's review, all other Provider Materials relating to Medicaid or CHIP prior to use or mailing. If HHSC has not responded to MCO's request for review within 15 Business Days, the MCO may use the submitted materials. HHSC reserves the right to require discontinuation or correction of any Provider Materials that are not in compliance with State and Federal laws or the Contract's requirements.

8.1.4.7 Provider Hotline

The MCO must operate a toll-free telephone line for Provider inquiries from 8 a.m. to 5 p.m. local time for the Service Area, Monday through Friday, except for State-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html. The Provider Hotline must be staffed with personnel who are knowledgeable about Covered Services, each applicable MCO Program, and for Medicaid, about Non-capitated Services.

The MCO must ensure that after regular business hours the line is answered by an automated system with the capability to provide callers with operating hours information and instructions on how to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition. The MCO must have a process in place to handle after-hours inquiries from Providers seeking to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition, provided, however, that the MCO and its Providers must not require such verification prior to providing Emergency Services.

The MCO must ensure that the Provider Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system is used;

2. no more than one percent (1%) of incoming calls receive a busy signal;

3. the average hold time is two (2) minutes or less; and
4. the call abandonment rate is seven percent (7%) or less.

The MCO must conduct ongoing call quality assurance to ensure these standards are met. The Provider Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO’s Programs. The Provider Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor Provider Hotline performance and submit reports summarizing call center performance as required by Section 8.1.20. If the MCO subcontracts with a Behavioral Health Organization (BHO) that is responsible for Provider Hotline functions related to Behavioral Health Services, the BHO’s Provider Hotline must meet the requirements in Section 8.1.4.7.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Provider Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

**8.1.4.8 Provider Reimbursement**

The MCO must pay for all Medically Necessary Covered Services provided to Members. A STAR+PLUS MCO must also pay for all Functionally Necessary Covered Services provided to Members. The MCO's Network Provider Agreement must include a complete description of the payment methodology or amount, as described in Uniform Managed Care Manual Chapter 8.1.

The MCO must ensure claims payment is timely and accurate as described in Section 8.1.18.5, “Claims Processing Requirements,” and UMCM Chapters 2.0 through 2.2. The MCO must require tax identification numbers from all participating Providers. The MCO is required to do back-up withholding from all payments to Providers who fail to give tax identification numbers or who give incorrect numbers.

Provider payments must comply with all applicable state and federal laws, rules, and regulations, including the following sections of the Patient Protection and Affordable Care Act (PPACA) and, upon implementation, corresponding federal regulations:

- Section 2702 of PPACA, entitled "Payment Adjustment for Health Care-Acquired Conditions;"
- Section 6505 of PPACA, entitled "Prohibition on Payments to Institutions or Entities Located Outside of the United States;" and
- Section 1202 of the Health Care and Education Reconciliation Act as amended by PPACA, entitled "Payments to Primary Care Physicians."

As required by Texas Government Code § 533.005(a)(25), the MCO cannot implement across-the-board Provider reimbursement rate reductions unless: (1) it receives HHSC's prior approval, or (2) the reductions are based on changes to the Medicaid fee schedule or cost containment initiatives implemented by HHSC. For purposes of this requirement an across-the-board rate reduction is a reduction that applies to all similarly-situated providers or types of providers.

The MCO must submit a request for an across-the-board rate reduction to HHSC's Director of Program Operations, if the reduction is not based on a change in the Medicaid fee schedule or cost containment initiative implemented by HHSC. The MCO must submit the request at least 90 days prior to the planned effective date of the reduction, and provide a copy to the Health Plan Manager. If HHSC does not issue a written statement of disapproval within 45 days of receipt, then the MCO may move forward with the reduction on the planned effective date.

**8.1.4.8.1 Potentially Preventable Complications**

STAR and STAR+PLUS MCOs must identify Present on Admission (POA) indicators as required in the Uniform Managed Care Manual, and STAR and STAR+PLUS MCOs must reduce or deny payments for Potentially Preventable Complications that were not POA using a methodology approved by HHSC in the Uniform Managed Care Manual.

**8.1.4.8.2 Provider Incentives**

The MCO must develop and submit to HHSC a written plan using a form provided by HHSC, for expansion of alternative payment structures with its Providers that encourages innovation and collaboration, as well as increase quality and efficiency.
Payment structures should be focused on incentivizing quality outcomes, shared savings, or both resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions rather than based on volume. The plan will include mechanisms by which the MCO will provide incentive payments to hospitals, physicians and other health care providers for quality care. The plan will include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for incentive payments, shared savings, or both. The MCO must submit its initial plan to HHSC no later than December 1, 2013, and no later than December 1 of each year thereafter. HHSC will evaluate the plan and provide feedback to the MCO. Upon HHSC’s approval of the plan, HHSC will retrospectively evaluate the MCO on its execution of the written plan. Modifications can be made to the plan, but are subject to HHSC review and approval. Plan approval is based on the following criteria: the number of providers, diversity of selected providers, geographic representation, and the methodology of the shared savings, data sharing strategy with providers, and other factors. Each year, the annual plan must show a measurable increase from the previous year.

HHSC’s retrospective review of the execution of the plan may include a review of encounter data, MCO financial statistical reports, and surveys or interviews with MCO representatives or providers. HHSC may ask the MCO to submit additional information upon request. HHSC may delay or reduce payments to the MCO if it does not submit a plan by the required deadline or does not execute a plan as approved.

8.1.4.9 Termination of Provider Contracts

Unless prohibited or limited by applicable law, the MCO must make a good faith effort to give written notice of termination of a Network Provider, within 15 calendar days after receipt or issuance of the termination notice, to each Member who receives his or her primary care from, or who is seen on a regular basis by, the Network Provider. The MCO must send notice to: (1) all Members in a PCP’s panel, and (2) all Members who have had two or more visits with the Network Provider for home-based or office-based care in the past 12 months. The MCO must notify HHSC of provider terminations in accordance with UMCM Chapter 5.4.1.1, “Provider Termination Report.”

The MCO’s process for terminating CHIP Provider contracts must comply with the Texas Insurance Code and TDI regulations.

8.1.4.10 Out-of-State Providers

To participate in Medicaid, the provider must be enrolled with HHSC as a Medicaid provider. The MCO may enroll out-of-state providers in its Medicaid and CHIP Networks in accordance with 1 Tex. Admin. Code § 352.17.

The MCO may enroll out-of-state diagnostic laboratories in its Medicaid and CHIP Networks under the circumstances described in Texas Government Code § 531.066.

8.1.4.11 Provider Advisory Groups

The MCO must establish and conduct quarterly meetings with Network Providers. Membership in the Provider Advisory Group(s) must include, at a minimum, acute, community-based LTSS (STAR+PLUS only), and pharmacy providers. The MCO must maintain a record of Provider Advisory Group meetings, including agendas and minutes, for at least three years.

8.1.4.12 Provider Protection Plan

The MCO must comply with HHSC’s provider protection plan requirements for reducing the administrative burdens placed on Network Providers, and ensuring efficiency in Network enrollment and reimbursement. At a minimum, the plan must comply with the requirements of Texas Government Code § 533.0055, and:

- Provide for timely and accurate claims adjudication and proper claims payment in accordance with UMCM Chapters 2.0 through 2.2.
- Include Network Provider training and education on the requirements for claims submission and appeals, including the MCO's policies and procedures (see also Section 8.1.4.6, “Provider Relations Including Manual, Materials and Training.”)
- Ensure Member access to care, in accordance with Section 8.1.3, "Access to Care," and the UMCM's Geo-Mapping requirements (see UMCM Chapters 5.14.1 through 5.14.4.)
• Ensure prompt credentialing, as required by Section 8.1.4.4, "Provider Credentialing and Re-credentialing."

• Ensure compliance with state and federal standards regarding prior authorizations, as described in Sections 8.1.8, "Utilization Management," and 8.1.21.2, "Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies."

• Include other measures developed by HHSC or a provider protection plan workgroup, or measures developed by the MCO and approved by HHSC.

Additionally, the MCO must participate in HHSC's work group, which will develop recommendations and proposed timelines for other components of the provider protection plan.

### 8.1.5 Member Services

The MCO must maintain a Member Services Department to assist Members and their family members or guardians in obtaining Covered Services for Members. The MCO must maintain employment standards and requirements (e.g., education, training, and experience) for Member Services Department staff and provide a sufficient number of staff for the Member Services Department to meet the requirements of this Section.

#### 8.1.5.1 Member Materials

The MCO must design, print and distribute Member identification (ID) cards and a Member Handbook to Members. Within five (5) Business Days following the receipt of an Enrollment File from the HHSC Administrative Services Contractor, the MCO must mail a Member's ID card and Member Handbook to the Case Head or Account Name for each new Member. When the Case Head or Account Name represents two (2) or more new Members, the MCO is only required to send one (1) Member Handbook. The MCO is responsible for mailing materials only to those households for whom valid address data are contained in the Enrollment File.

The MCO must design, print and deliver Provider Directories to the HHSC Administrative Services Contractor as described in Section 8.1.5.4.

Member Materials must be at or below a 6th grade reading level as measured by the appropriate score on the Flesch reading ease test. Member Materials must be available in English, Spanish, and the languages of other Major Population Groups. HHSC will provide the MCO with reasonable notice when the enrolled population reaches the 10% threshold for a Major Population Group in the MCO's Service Area. All Member Materials must be available in a format accessible to the visually impaired, which may include large print, Braille, and audiotapes.

The MCO must submit member materials to HHSC for approval prior to use or mailing. HHSC will identify any required changes to the Member materials within 15 Business Days. If HHSC has not responded to a request for review by the fifteenth Business Day, the Contractor may proceed to use the submitted materials. HHSC reserves the right to require discontinuation of any Member materials that violate the terms of this Contract, including but not limited to Marketing Policies and Procedures as described in Uniform Managed Care Manual Chapter 4.3, "Uniform Managed Care Marketing Policies and Procedures."

If the MCO distributes HHSC-approved Member Materials groups of Members or all Members (i.e., "mass communications,") it also must post a copy of the materials on its website.

The MCO's Member Materials and other communications cannot contain discretionary clauses, as described in Section 1271.057(b) of the Texas Insurance Code. For CHIP MCOs, this restriction also applies to the MCO's Evidence of Coverage or Certificate of Coverage documents.

#### 8.1.5.2 Member Identification (ID) Card

All Member ID cards must, at a minimum, include the following information:

1. the Member's name;
2. the Member's Medicaid or CHIP Program number;
3. the effective date of the PCP assignment (excluding CHIP Perinates);
4. the PCP's name (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates), address (optional for all products), and telephone number (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates);
5. the name of the MCO;
6. the 24-hour, seven (7) day a week toll-free Member services telephone number and BH Hotline number operated by the MCO; and

7. any other critical elements identified in Uniform Managed Care Manual Chapter 3, Critical Elements.

The MCO must reissue the Member ID card if a Member reports a lost card or name change, if the Member requests a new PCP, or for any other reason that results in a change to the information disclosed on the ID card.

8.1.5.3 Member Handbook

HHSC must approve the Member Handbook, and any substantive revisions, prior to publication and distribution. As described in Section 7, “Transition Phase Requirements,” the MCO must develop and submit to HHSC the draft Member Handbook for approval during the Readiness Review and must submit a final Member Handbook incorporating changes required by HHSC prior to the Operational Start Date.

The Member Handbook for each applicable MCO Program must, at a minimum, meet the Member materials requirements specified by Section 8.1.5.1 and must include critical elements in Uniform Managed Care Manual Chapter 3, “Critical Elements.” CHIP MCOs must issue Member Handbooks to both CHIP Perinates and CHIP Perinates Newborns. The Member Handbook for CHIP Perinate Newborns may be the same as that used for CHIP.

The MCO must produce a revised Member Handbook, or an insert informing Members of changes to Covered Services, upon HHSC notification and at least 30 days prior to the effective date of such change in Covered Services. In addition to modifying the Member Materials for new Members, the MCO must notify all existing Members of the Covered Services change during the timeframe specified in this subsection.

8.1.5.4 Provider Directory

The Provider Directory for each MCO Program, and any substantive revisions, must be approved by HHSC prior to publication and distribution, with the exception of PCP information changes or clerical corrections. The MCO is responsible for submitting draft Provider Directory updates to HHSC for prior review and approval.

As described in Section 7, “Transition Phase Requirements,” during Readiness Review the MCO must develop and submit to HHSC the draft Provider Directory template for approval and must submit a final Provider Directory incorporating changes required by HHSC prior to the Operational Start Date. Such draft and final Provider Directories must be submitted according to the deadlines established in Section 7, “Transition Phase Requirements.”

The Provider Directory for each applicable MCO Program must, at a minimum, meet the Member Materials requirements specified by Section 8.1.5.1 above and must include critical elements in Uniform Managed Care Manual Chapter 3. The Provider Directory must include only Network Providers credentialed by the MCO in accordance with Section 8.1.4.4. If the MCO contracts with limited Provider Networks, the Provider Directory must comply with the requirements of 28 T.A.C. §11.1600(b)(11), relating to the disclosure and notice of limited Provider Networks.

At a minimum, the MCO must update the Provider Directory on a quarterly basis. The MCO must make such updates available to existing Members on request, and must provide such updates to the HHSC Administrative Services Contractor at the beginning of each State Fiscal Quarter. Weight limits for the Provider Directories are included in Uniform Managed Care Manual Chapter 3.1, “MMC Provider Directory” and Chapter 3.2, “CHIP Provider Directory”. HHSC will require MCOs that exceed the weight limits to compensate HHSC for postage fees in excess of the weight limits.

The MCO must send the most recent Provider Directory, including any updates, to Members upon request. The MCO must, at least annually, include written and verbal offers of such Provider Directory in its Member outreach efforts and education materials.

8.1.5.5 Internet Website

The MCO must develop and maintain, consistent with HHSC standards and Texas Insurance Code Section 843.2015 and other applicable state laws, a website to provide general information about the MCO's Program(s), its Provider Network, its customer services, and its Complaints and Appeals process. The website must contain a link to financial literacy information on the Office of Consumer Credit Commissioner's webpage. The MCO may develop a page within its existing website to meet the requirements of this section.
For each Program operated by the MCO, the MCO's website must include either a Provider Directory in text-searchable format, or Network Provider search functionality. This information must be accurate and the MCO must update it at least twice a month. The online Provider Directory or online Provider search functionality must designate PCPs with open versus closed panels. The online Provider Directory or online Provider search functionality must also identify Providers that provide Long-Term Services and Supports (LTSS). The MCO must list Home Health Ancillary providers on its website, with an indicator for pediatric services if provided.

8.1.5.6 Member Hotline

The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week. The Member Hotline must be staffed with personnel who are knowledgeable about its MCO Program(s) and Covered Services between the hours of 8:00 a.m. to 5:00 p.m. local time for the Service Area, Monday through Friday, excluding state-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html.

The MCO must ensure that after hours, on weekends, and on holidays the Member Services Hotline is answered by an automated system with the capability to provide callers with operating hours and instructions on what to do in cases of emergency. All recordings must be in English, Spanish, and the languages of other Major Population Groups in the Service Area. A voice mailbox must be available after hours for callers to leave messages. The MCO's Member Services representatives must return calls received by the automated system from Members or their representatives on the next Business Day.

If the Member Hotline does not have a voice-activated menu system, the MCO must have a menu system that will accommodate Members who cannot access the system through other physical means, such as pushing a button.

The MCO must ensure that its Member Service representatives treat all callers with dignity and respect the callers' need for privacy. At a minimum, the MCO's Member Service representatives must be:

1. knowledgeable about Covered Services;
2. able to answer non-technical questions about the role of the PCP, as applicable;
3. able to answer non-clinical questions about referrals or the process for receiving authorization for procedures or services;
4. able to give information about Providers in a particular area;
5. knowledgeable about Fraud, Abuse, and Waste including the Lock-in Program and the requirements to report any conduct that, if substantiated, may constitute Fraud, Abuse, or Waste;
6. trained regarding Cultural Competency;
7. trained regarding the process used to confirm the status of persons with Special Health Care Needs;
8. for Medicaid Members, able to answer non-clinical questions about accessing Non-capitated Services.

9. for Medicaid Members, trained regarding: a) the emergency prescription process and what steps to take to immediately address problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) how Members in the Lock-in Program can fill prescriptions at a non-designated pharmacy in an emergency situation; and c) DME processes for obtaining services and how to address common problems;
10. for CHIP Members, able to give correct cost-sharing information relating to premiums, co-pays or deductibles, as applicable. (Cost-sharing does not apply to CHIP Perinates (unborn child), CHIP Perinate Newborns, and some Members in the traditional CHIP Program. See Uniform Managed Care Manual Chapter 6.3, for additional information regarding CHIP cost-sharing; and
11. hotlines must meet Cultural Competency requirements and must appropriately handle calls from non-English speaking (and particularly, Spanish-speaking) callers, as well as calls from individuals who are deaf or hard-of-hearing. To meet these requirements, the MCO must employ bilingual Spanish-speaking Member Services representatives and must secure the services of other contractors as necessary to meet these requirements. The MCO must provide such oral interpretation services to all Hotline callers free of charge.

The MCO must process all incoming Member correspondence and telephone inquiries in a timely and responsive manner. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. The MCO must ensure that the toll-free Member Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. at least 80% of calls must be answered by Hotline staff within 30 seconds; measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The Member Services Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO's Medicaid and/or CHIP Programs. The Member Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor its performance regarding HHSC Member Hotline standards and submit performance reports summarizing call center performance for the Member Hotline as indicated in Section 8.1.20 and Uniform Managed Care Manual Chapter 5.4.3, "Hotline Reports."

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO's Member Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, "reasonable travel costs" include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.5.6.1 Nurseline

If the MCO provides a 24-hour nurse hotline, it must train hotline staff about: a) the emergency prescription process and what steps to take to immediately address Medicaid Members’ problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) the HHSC-OIG Lock-in Program pharmacy override process to ensure Member access to Medically Necessary outpatient drugs; and c) DME processes for obtaining services and how to address common problems. The 24-hour Nurse Hotline will attempt to respond immediately to problems concerning emergency medicines by means at its disposal, including explaining the rules to Medicaid Members so that they understand their rights and, if need be, by offering to contact the pharmacy that is refusing to fill the prescription to explain the 72-hour supply policy, Lock-in Program override procedure, and DME processes.

8.1.5.7 Member Education

The MCO must, at a minimum, develop and implement health education initiatives that educate Members about:

1. how the MCO system operates, including the role of the PCP;
2. Covered Services, limitations and any Value-added Services offered by the MCO;
3. the value of screening and preventive care; and
4. how to obtain Covered Services, including:
   a. Emergency Services;
   b. accessing OB/GYN and specialty care;
   c. Behavioral Health Services;
   d. Disease Management programs;
   e. Service Coordination, treatment for pregnant women, Members with Special Health Care Needs, including Children with Special Health Care Needs; and other special populations;
   f. Early Childhood Intervention (ECI) Services;
   g. screening and preventive services, including well-child care (Texas Health Steps medical checkups for Medicaid Members);
   h. for CHIP Members, Member copayments responsibilities (note that copayments do to not apply to CHIP Perinates (unborn child) and CHIP Perinate Newborn Members);
   i. for Medicaid Members, Member copayment responsibilities (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract);
   j. suicide prevention;
   k. identification and health education related to Obesity;
   l. obtaining 72-hour supplies of emergency prescriptions from Network pharmacies;
   m. how Members in the Lock-in Program can receive outpatient drugs in an emergency situation; and
n. Case Management for Children and Pregnant Women; and
5. Medical Transportation Program for Medicaid Members.

The MCO must provide a range of health promotion and wellness information and activities for Members in formats that meet the needs of all Members. The MCO must propose, implement, and assess innovative Member education strategies for wellness care and immunization, as well as general health promotion and prevention. The MCO must conduct wellness promotion programs to improve the health status of its Members. The MCO may cooperatively conduct health education classes with one or more of the contracted MCOs in the Service Area. The MCO must work with its Providers to integrate health education, wellness, and prevention training into each Member's care.

The MCO also must provide condition and disease-specific information and educational materials to Members, including information on its Service Management and Disease Management programs as described in Sections 8.1.13 and 8.1.14. Condition- and disease-specific information must be oriented to various groups of Members, such as children, the elderly, persons with disabilities and non-English speaking Members, as appropriate to the MCO's Medicaid or CHIP Programs.

Per Texas Health and Safety Code § 48.052(c), MCOs may use certified Community Health Workers to conduct outreach and Member education activities.

8.1.5.8 Cultural Competency Plan

The MCO must have a comprehensive written Cultural Competency Plan describing how it will ensure culturally competent services, and provide Linguistic Access and Disability-related Access. The Cultural Competency Plan must describe how the individuals and systems within the MCO will effectively provide services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each. As described in Section 7, “Transition Phase Requirements,” the MCO must submit the Cultural Competency Plan to HHSC during Readiness Review. During the Operations Phase, the MCO must submit modifications and amendments to the Plan to HHSC no later than 30 days prior to implementation of a change. The MCO must also make the Plan available to its Network Providers.

8.1.5.9 Member Complaint and Appeal Process

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Complaints regarding its services, processes, procedures, and staff. The MCO must ensure that Member Complaints are resolved within 30 calendar days after receipt. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of the MCO's receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Appeals regarding the denial or limited authorization of a requested service, including the type or level of service and the denial, in whole or in part, of payment for service. Within this process, the MCO must respond fully and completely to each Appeal and establish a tracking mechanism to document the status and final disposition of each Appeal.

The MCO must ensure that Member Appeals are resolved within 30 calendar days, unless the MCO can document that the Member requested an extension or the MCO shows there is a need for additional information and the delay is in the Member's interest. The MCO is subject to liquidated damages if at least 98 percent of Member Appeals are not resolved within 30 days of the MCO's receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

Medicaid MCOs must follow the Member Complaint and Appeal Process described in Section 8.2.6. CHIP MCOs must comply with the CHIP Complaint and Appeal Process described in Sections 8.4.2.

8.1.5.10 Member Advisory Groups

The MCO must establish and conduct quarterly meetings with Members in each service area in which it operates. Membership in the Member Advisory Group(s) must include at least three Members attending each meeting and allow for member advocates to participate. The MCO must maintain a record of Member Advisory Group meetings, including agendas and minutes, for at least three years.
8.1.6 Marketing and Prohibited Practices

The MCO and its Subcontractors must adhere to the Marketing Policies and Procedures as set forth in Uniform Managed Care Manual Chapter 4.3, “Uniform Managed Care Marketing Policies and Procedures.”

8.1.7 Quality Assessment and Performance Improvement

The MCO must provide for the delivery of quality care with the primary goal of improving the health status of Members and, where the Member’s condition is not amenable to improvement, maintain the Member’s current health status by implementing measures to prevent any further decline in condition or deterioration of health status. The MCO must work in collaboration with Providers to actively improve the quality of care provided to Members, consistent with the Quality Improvement Goals and all other requirements of the Contract. The MCO must provide mechanisms for Members and Providers to offer input into the MCO’s quality improvement activities.

8.1.7.1 QAPI Program Overview

The MCO must develop, maintain, and operate a Quality Assessment and Performance Improvement (QAPI) Program consistent with the Contract and TDI requirements, including 28 T.A.C. §11.1901(a)(5) and §11.1902. Medicaid MCOs must also meet the requirements of 42 C.F.R. §438.240.

The MCO must have on file with HHSC an approved plan describing its QAPI Program, including how the MCO will accomplish the activities required by this section. The MCO must submit a QAPI Program Annual Summary in a format and timeframe specified by HHSC or its designee. The MCO must keep participating physicians and other Network Providers informed about the QAPI Program and related activities. The MCO must include in Provider contracts a requirement securing cooperation with the QAPI.

The MCO must approach all clinical and non-clinical aspects of quality assessment and performance improvement based on principles of Continuous Quality Improvement (CQI)/Total Quality Management (TQM) and must:

1. evaluate performance using objective quality indicators;
2. foster data-driven decision-making;
3. recognize that opportunities for improvement are unlimited;
4. solicit Member and Provider input on performance and QAPI activities;
5. support continuous ongoing measurement of clinical and non-clinical effectiveness and Member satisfaction;
6. support programmatic improvements of clinical and non-clinical processes based on findings from ongoing measurements; and
7. support re-measurement of effectiveness and Member satisfaction, and continued development and implementation of improvement interventions as appropriate.

8.1.7.2 QAPI Program Structure

The MCO must maintain a well-defined QAPI structure that includes a planned systematic approach to improving clinical and non-clinical processes and outcomes. The MCO must designate a senior executive responsible for the QAPI Program and the Medical Director must have substantial involvement in QAPI Program activities. At a minimum, the MCO must ensure that the QAPI Program structure:

1. is organization-wide, with clear lines of accountability within the organization;
2. includes a set of functions, roles, and responsibilities for the oversight of QAPI activities that are clearly defined and assigned to appropriate individuals, including physicians, other clinicians, and non-clinicians;
3. includes annual objectives and/or goals for planned projects or activities including clinical and non-clinical programs or initiatives and measurement activities; and

4. evaluates the effectiveness of clinical and non-clinical initiatives.

8.1.7.3 Clinical Indicators

The MCO must engage in the collection of clinical indicator data. The MCO must use such clinical indicator data in the development, assessment, and modification of its QAPI Program.

8.1.7.4 QAPI Program Subcontracting

If the MCO subcontracts any of the essential functions or reporting requirements contained within the QAPI Program to another entity, the MCO must maintain detailed files documenting work performed by the Subcontractor. The file must be available for review by HHSC or its designee upon request.

8.1.7.5 Behavioral Health Integration into QAPI Program

The MCO must integrate behavioral health into its QAPI Program and include a systematic and ongoing process for monitoring, evaluating, and improving the quality and appropriateness of Behavioral Health Services provided to Members. Except for the Members identified below, the MCO must collect data, and monitor and evaluate for improvements to physical health outcomes resulting from behavioral health integration into the Member’s overall care.

STAR Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program, and Behavioral Health Services are not a covered benefit for CHIP Perinates (unborn children).

8.1.7.6 Clinical Practice Guidelines

The MCO must adopt not less than two (2) evidence-based clinical practice guidelines for each applicable MCO Program. Such practice guidelines must be based on valid and reliable clinical evidence, consider the needs of the MCO’s Members, be adopted in consultation with Network Providers, and be reviewed and updated periodically, as appropriate. The MCO must develop practice guidelines based on the health needs and opportunities for improvement identified as part of the QAPI Program.

The MCO may coordinate the development of clinical practice guidelines with other HHSC MCOs in a Service Area to avoid providers receiving conflicting practice guidelines from different MCOs.

The MCO must disseminate the practice guidelines to all affected Providers and, upon request, to Members and potential Members.

The MCO must take steps to encourage adoption of the guidelines, and to measure compliance with the guidelines, until such point that 90% or more of the Providers are consistently in compliance, based on MCO measurement findings. The MCO must employ substantive Provider motivational incentive strategies, such as financial and non-financial incentives, to improve Provider compliance with clinical practice guidelines. The MCO’s decisions regarding utilization management, Member education, coverage of services, and other areas included in the practice guidelines must be consistent with the MCO’s clinical practice guidelines.

8.1.7.7 Provider Profiling

The MCO must conduct PCP and other Provider profiling activities at least annually. As part of its QAPI Program, the MCO must describe the methodology it uses to identify which and how many Providers to profile and to identify measures to use for profiling such Providers.

Provider profiling activities must include, without limitation:

1. developing PCP and Provider-specific reports that include a multi-dimensional assessment of a PCP or Provider’s performance using clinical, administrative, and Member satisfaction indicators of care that are accurate, measurable, and relevant to the enrolled population;
2. establishing PCP, Provider, group, Service Area or regional Benchmarks for areas profiled, where applicable, including STAR, STAR+PLUS, and CHIP Program-specific Benchmarks, where appropriate; and
3. providing feedback to individual PCPs and Providers regarding the results of their performance and the overall performance of the Provider Network.

8.1.7.8 Network Management

The MCO must:

1. use the results of its Provider profiling activities to identify areas of improvement for individual PCPs and Providers, and/or groups of Providers;

2. establish Provider-specific quality improvement goals for priority areas in which a Provider or Providers do not meet established MCO standards or improvement goals;

3. develop and implement incentives, which may include financial and non-financial incentives, to motivate Providers to improve performance on profiled measures; and

4. at least annually, measure and report to HHSC on the Provider Network and individual Providers’ progress, or lack of progress, towards such improvement goals.

If the MCO implements a physician incentive plan, the plan must comply with the requirements of 42 C.F.R. §438.6(h), §422.208 and §422.210. The MCO cannot make payments under a physician incentive plan if the payments are designed to induce providers to reduce or limit Medically Necessary Covered Services to Members.

If the physician incentive plan places a physician or physician group at a substantial financial risk for services not provided by the physician or physician group, the MCO must ensure adequate stop-loss protection and conduct and submit annual Member surveys no later than five (5) Business Days after the MCO finalizes the survey results (refer to 42 C.F.R. §422.208 for information concerning “substantial financial risk” and “stop-loss protection”).

The MCO must make information regarding physician incentive plans available to Members upon request, in accordance with the Uniform Managed Care Manual’s requirements. The MCO must provide the following information to the Member:

1. whether the Member’s PCP or other Providers are participating in the MCO’s physician incentive plan;

2. whether the MCO uses a physician incentive plan that affects the use of referral services;

3. the type of incentive arrangement; and

4. whether stop-loss protection is provided.

No later than five (5) Business Days prior to implementing or modifying a physician incentive plan, the MCO must provide the following information to HHSC:

1. Whether the physician incentive plan covers services that are not furnished by a physician or physician group. The MCO is only required to report on items 2-4 below if the physician incentive plan covers services that are not furnished by a physician or physician group.

2. The type of incentive arrangement (e.g., withhold, bonus, capitation);

3. The percent of withhold or bonus (if applicable);

4. The panel size, and if patients are pooled, the method used (HHSC approval is required for the method used); and
If the physician or physician group is at substantial financial risk, the MCO must report proof that the physician or group has adequate stop-loss coverage, including the amount and type of stop-loss coverage.

8.1.7.9 Collaboration with the EQRO

The MCO will collaborate with HHSC’s external quality review organization (EQRO) to develop studies, surveys, or other analytical approaches that will be carried out by the EQRO. The purpose of the studies, surveys, or other analytical approaches is to assess the quality of care and service provided to Members and to identify opportunities for MCO improvement. To facilitate this process, the MCO will supply claims data to the EQRO in a format identified by HHSC in consultation with MCOs, and will supply medical records for focused clinical reviews conducted by the EQRO. The MCO must also work collaboratively with HHSC and the EQRO to annually measure selected HEDIS measures that require chart reviews. During the first year of operations, HHSC anticipates that the selected measures will include, at a minimum, well-child visits and immunizations, appropriate use of asthma medications, measures related to Members with diabetes, and control of high blood pressure.

8.1.8 Utilization Management

The MCO must have a written utilization management (UM) program description, which includes, at a minimum:

1. procedures to evaluate the need for Medically Necessary Covered Services;
2. the clinical review criteria used, the information sources, the process used to review and approve the provision of Covered Services;
3. the method for periodically reviewing and amending the UM clinical review criteria; and
4. the staff position functionally responsible for the day-to-day management of the UM function.

The MCO must make best efforts to obtain all necessary information, including pertinent clinical information, and consult with the treating physician as appropriate in making UM determinations. When making UM determinations, the MCO must comply with the requirements of 42 C.F.R. §456.111 (Hospitals) and 42 CFR §456.211 (Mental Hospitals), as applicable.

The MCO must issue coverage determinations, including adverse determinations, according to the following timelines:

1. within three (3) Business Days after receipt of the request for authorization of services;
2. within one (1) Business Day for concurrent Hospitalization decisions; and
3. within one (1) hour for post-stabilization or life-threatening conditions, except that for Emergency Medical Conditions and Emergency Behavioral Health Conditions, the MCO must not require prior authorization.

The MCO's UM Program must include written policies and procedures to ensure:

1. consistent application of review criteria that are compatible with Members' needs and situations;
2. determinations to deny or limit services are made by physicians under the direction of the Medical Director;
3. at the HMO's discretion, pharmacy prior authorization determinations may be made by pharmacists, subject to the limitations described in Attachment A, Section 4.04, "Medical Director;"
4. appropriate personnel are available to respond to utilization review inquiries 8:00 a.m. to 5:00 p.m., Monday through Friday, with a telephone system capable of accepting utilization review inquiries after normal business hours. The MCO must respond to calls within one (1) Business Day;
5. confidentiality of clinical information; and
6. quality is not adversely impacted by financial and reimbursement-related processes and decisions.

For MCOs with preauthorization or concurrent review programs, qualified medical professionals must supervise preauthorization and concurrent review decisions.

The MCO UM Program must include policies and procedures to:

1. routinely assess the effectiveness and the efficiency of the UM Program;
2. evaluate the appropriate use of medical technologies, including medical procedures, drugs and devices;
3. target areas of suspected inappropriate service utilization;
4. detect over- and under-utilization;
5. routinely generate Provider profiles regarding utilization patterns and compliance with utilization review criteria and policies;
6. compare Member and Provider utilization with norms for comparable individuals;
7. routinely monitor inpatient admissions, emergency room use, ancillary, and out-of-area services;
8. ensure that when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by MHMR which are published at: http://www.dshs.state.tx.us/MHSA/UMGUIDELINES/; and
9. refer suspected cases of Network Provider, Out-of-Network provider, or Member Fraud, Abuse, or Waste to the Office of Inspector General (OIG) as required by Section 8.1.19.

**8.1.8.1 Compliance with State and Federal Prior Authorization Requirements**

The MCO must adopt prior authorization (PA) requirements that comply with state and federal laws governing authorization of health care services and prescription drug benefits, including 42 U.S.C. § 1396r-8 and Texas Government Code §§ 531.073 and 533.005(a)(23). In addition, the MCO must comply with Texas Human Resources Code § 32.073 and Texas Insurance Code §§ 1217.004 and 1369.256, which require MCOs to use national standards for electronic prior authorization of prescription drug and health care benefits no later than two years after adoption, and accept PA requests submitted using the Texas Department of Insurance's (TDI's) standard form, once adopted.

**8.1.9 Early Childhood Intervention (ECI)**

The MCO must ensure Network Providers are educated regarding the federal laws on child find and referral procedures (e.g., 20 U.S.C. § 1435 (a)(5); 34 C.F.R. § 303.303). The MCO must require Network Providers to identify and refer any Member under the age of three suspected of having a developmental delay or disability or otherwise meeting eligibility criteria for ECI services in accordance with 40 Tex. Admin. Code Chapter 108 to the designated ECI program for screening and assessment within seven calendar days from the day the Provider identifies the Member. The MCO must use written educational materials developed or approved by the Department of Assistive and Rehabilitative Services- Division for Early Childhood Intervention Services for these child find activities. The local ECI program will determine eligibility for ECI services using the criteria contained in 40 Tex. Admin. Code Chapter 108.

ECI Providers must submit claims for all physical, occupational, speech, and language therapy to the MCO.

ECI Targeted Case Management services and Early Childhood Intervention Specialized Skills Training are Non-capitated Services, as described in Section 8.2.2.8.

The MCO must contract with qualified ECI Providers to provide ECI Covered Services to Members under the age of three who are eligible for ECI services. The MCO must permit Members to self-refer to local ECI Service Providers without requiring a referral from the Member's PCP. The MCO's policies and procedures, including its Provider Manual, must include written policies and procedures for allowing a self-referral to ECI providers.

The MCO will implement the Individual Family Service Plan (IFSP) and other services, including ongoing case management and other Covered Services required by the Member's IFSP. Ongoing case management does not include ECI Targeted Case Management services. The IFSP is an agreement developed by the interdisciplinary team that consists of the MCO, ECI Case Manager/Service Coordinator, the Member/family, and other professionals who participated in the Member's evaluation or are providing direct services to the Member. The interdisciplinary team may include the Member's Primary Care Physician (PCP) with parental consent. The IFSP identifies the Member's present level of development based on assessment, describes the services to be provided to the child to meet the needs of the child and the family, and identifies the person or persons responsible for each service required by the plan. The IFSP must be maintained by the MCO and, with parental consent, provided to the PCP to enhance coordination of the plan of care. The IFSP may be included in the Member's medical record.

The IFSP must be developed within 45 days of the Member's birth or the latest assessment. The MCO must ensure that the IFSP is developed and provided to the Member and the PCP within 45 days of the Member's birth or the latest assessment. The MCO must promptly provide relevant medical records available as needed.
The MCO must require, through contract provisions, that all Medically Necessary health and Behavioral Health Services contained in the Member's IFSP are provided to the Member in the amount, duration, scope and service setting established by the IFSP. The MCO must allow services to be provided by an Out-of-Network provider if a Network Provider is not available to provide the services in the amount, duration, scope and service setting as required by the IFSP. The IFSP will serve as authorization for services and the MCO cannot create unnecessary barriers for the Member to obtain IFSP services, including requiring prior authorization for the ECI assessment or additional authorization for services. For STAR Members in the Dallas Service Area, Behavioral Health Services will be provided through NorthSTAR and will not be included on the IFSP.

8.1.10 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) - Specific Requirements

The MCO must, by contract, require its Providers to coordinate with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to provide medical information necessary for WIC eligibility determinations, such as height, weight, hematocrit or hemoglobin. The MCO must make referrals to WIC for Members who are potentially eligible for WIC. The MCO may use the nutrition education provided by WIC to satisfy certain health education requirements of the Contract.

8.1.11 Coordination with Texas Department of Family and Protective Services

The MCO must cooperate and coordinate with the Texas Department of Family and Protective Services (TDFPS) for the care of a child who is receiving services from or has been placed in the conservatorship of TDFPS.

The MCO must comply with all provisions related to Covered Services, including Behavioral Health Services, in the following documents:

1. a court order (Order) entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS;
2. a TDFPS Service Plan entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS; and
3. a TDFPS Service Plan voluntarily entered into by the parents or person having legal custody of a Member and TDFPS.

The MCO cannot deny, reduce, or controvert the Medical Necessity of any health or Behavioral Health Services included in the above-referenced Orders of TDFPS Service Plans. The MCO may participate in the preparation of the medical and behavioral care plan prior to TDFPS submitting the health care plan to the Court. Any modification or termination of court-ordered services must be presented and approved by the court having jurisdiction over the matter.

A Member or the parent or guardian whose rights are subject to an Order or TDFPS Service Plan cannot use the MCO’s Complaint or Appeal processes, or the HHSC Fair Hearing process to Appeal the necessity of the Covered Services.

The MCO must include information in its Provider Manuals and training materials regarding:

1. providing medical records to TDFPS;
2. scheduling medical and Behavioral Health Services appointments within 14 days unless requested earlier by TDFPS; and
3. recognition of abuse and neglect, and appropriate referral to TDFPS.

The MCO must continue to provide all Covered Services to a Member receiving services from, or in the protective custody of, TDFPS until the Member has been (1) disenrolled from the MCO due to loss of Medicaid managed care eligibility; or (2) enrolled in STAR Health, HHSC’s managed care program for children in foster care.

8.1.12 Services for People with Special Health Care Needs
8.1.12.1 Identification

The MCO must develop and maintain a system and procedures for identifying Members with Special Health Care Needs (MSHCN), including people with disabilities or chronic or complex medical and behavioral health conditions and Children with Special Health Care Needs (CSHCN). The MCO must contact Members pre-screened by the HHSC Administrative Services Contractor as MSHCN to determine whether they meet the MCO’s MSHCN assessment criteria, and to determine whether the Member requires special services described in this section. The MCO must implement mechanisms to assess each Member that has been prescreened by the Administrative Services Contractor, or identified by the MCO as having special health care needs, in order to identify ongoing special conditions requiring a course of treatment or regular care monitoring. The MCO’s assessment mechanisms must use appropriate health care professionals.

The MCO must provide information to the HHSC Administrative Services Contractor that identifies Members who the MCO has assessed to be MSHCN, including any Members pre-screened by the HHSC Administrative Services Contractor and confirmed by the MCO as a MSHCN. The information must be provided in a format and on a timeline as determined by HHSC. The information must be updated with newly identified MSHCN by the 10th day of each month. In the event that a MSHCN changes MCOs, the MCO must provide the receiving MCO information concerning the results of the MCO’s identification and assessment of that Member’s needs to prevent duplication of those activities.

8.1.12.2 Access to Care and Service Management

Once identified, the MCO must have effective systems to ensure the provision of Covered Services to meet the special preventive, primary Acute Care, and specialty health care needs appropriate for treatment of a Member’s condition(s). All STAR+PLUS and Former Foster Care Child (FFCC) Members are considered MSHCN.

The MCO must provide access to identified PCPs and specialty care Providers with experience serving MSHCN. Such Providers must be board-qualified or board-eligible in their specialty. The MCO may request exceptions from HHSC for approval of traditional providers who are not board-qualified or board-eligible but who otherwise meet the MCO’s credentialing requirements.

For services to CSHCN, the MCO must have Network PCPs and specialty care Providers that have demonstrated experience with CSHCN in pediatric specialty centers such as children’s Hospitals, teaching Hospitals, and tertiary care centers.

The MCO is responsible for working with MSHCN, their health care providers, their families and, if applicable, legal guardians to develop a seamless package of care in which primary, Acute Care, and specialty service needs are met through a Service Plan that is understandable to the Member, and his or her representatives.

The Service Plan includes, but is not limited to, the following:

1. the Member’s history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide the services.

The Service Plan should incorporate as a component of the plan the Individual Family Service Plan (IFSP) for members in the Early Childhood Intervention (ECI) Program. The Service Plan may include information regarding non-covered services, such as Non-Capitated Services (see below), community and other resources, and information on how to access affordable, integrated housing.

The MCO is responsible for providing Service Management, developing a Service Plan, and ensuring MSHCN, including CSHCN, have access to treatment by a multidisciplinary team when the Member’s PCP determines the treatment is Medically Necessary, or to avoid separate and fragmented evaluations and service plans. The team must include both physician and non-physician providers that the PCP determines are necessary for the comprehensive treatment of the Member. The team must:

1. participate in Hospital discharge planning;
2. participate in pre-admission Hospital planning for non-emergency Hospitalizations;
3. develop specialty care and support service recommendations to be incorporated into the Service Plan; and
4. provide information to the Member, or when applicable, the Member’s representatives concerning the specialty care recommendations.

MSHCN, their families, legal guardians, or their health providers may request Service Management from the MCO. The MCO must make an assessment of whether Service Management is needed and furnish Service Management when appropriate. The MCO may also recommend to an MSHCN, CSHCN, or their families or legal guardians that Service Management be furnished if the MCO determines that Service Management would benefit the Member.

The MCO must provide information and education in its Member Handbook and Provider Manual about the care and treatment available in the MCO’s plan for Members with Special Health Care Needs, including the availability of Service Management.

The MCO must have a mechanism in place to allow Members with Special Health Care Needs to have direct access to a specialist as appropriate for the Member’s condition and identified needs, such as a standing referral to a specialty physician. The MCO must also provide MSHCN with access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. §11.900, and Section 8.1.4.2, Primary Care Providers.

The MCO must implement a systematic process to coordinate Non-capitated Services, and enlist the involvement of community organizations that may not be providing Covered Services but are otherwise important to the health and wellbeing of Members. The MCO also must make a best effort to establish relationships with State and local programs and community organizations, such as those listed below, in order to make referrals for MSHCN and other Members who need community services:

1. Community Resource Coordination Groups (CRCGs);
2. Early Childhood Intervention (ECI) Program;
3. local school districts (Special Education);
4. Health and Human Services Commission’s Medical Transportation Program (MTP);
5. Texas Department of Assistive and Rehabilitative Services (DARS) Blind Children’s Vocational Discovery and Development Program;
6. Texas Department of State Health (DSHS) services, including community mental health programs, Title V Maternal and Child Health, Children with Special Health Care Needs (CSHCN) Programs;
7. other state and local agencies and programs such as food stamps, and the Women, Infants, and Children’s (WIC) Program, and Case Management for Children and Pregnant Women; and
8. civic and religious organizations and consumer and advocacy groups, such as United Cerebral Palsy, which also work on behalf of the MSHCN population.

8.1.13 Service Management for Certain Populations

The MCO must have service management programs and procedures for the following populations, as applicable to the MCO:

1. high-cost catastrophic cases;
2. women with high-risk pregnancies (STAR and STAR+PLUS Programs only);
3. individuals with mental illness and co-occurring substance abuse;
4. Farmworker Children (FWC) (STAR and STAR+PLUS Programs only); and
5. Former Foster Care Child (FFCC) Members (STAR Program only).

8.1.14 Disease Management (DM)

The MCO must provide or arrange the provision of comprehensive disease management (DM) programs consistent with state and federal statutes and regulations. The program design of these DM programs must focus on the whole person, typically high-risk enrollees with complex chronic or co-morbid conditions rather than traditionally-designed programs with restricted diagnoses or disease silos. These programs must identify enrollees at highest risk of utilization of medical services, tailor
interventions to better meet enrollees' needs, encourage provider input in care plan development, and apply clinical evidence-based practice protocols for individualized care.

MCOs must focus their DM programs on 3 main components:

- client self-management;
- provider practice/delivery system design; and
- technological support.

Under client self-management, a client becomes an informed and active participant in the management of physical and mental health conditions and co-morbidities. Under the provider practice/delivery system design approach, medical home providers take an active role in helping their patients make informed healthcare decisions. Technology, such as the use of predictive modeling, helps identify potential program patients and providers.

8.1.14.1 Special Populations

The MCO is also required to have a specialized program for targeting, outreach, education and intervention for Members who have excessive utilization patterns that indicate typical DM approaches are not effective. For the purposes of this contract, this group of Members is called "super-utilizers." The MCO must have the following infrastructure in place to address super-utilizers' needs, using, at a minimum, the following criteria.

1. Methodology for identification of super-utilizers on an ongoing basis, which can be based on cost, utilization of the ER, and utilization of inpatient or pharmacy, services, etc.
2. Resources dedicated to ongoing targeting and identification of super-utilizers such as staff, specialized analytical tools, etc.
3. Staff resources for effective outreach and education of Providers and super-utilizers.
4. Specialized intervention strategies for super-utilizers. The interventions must include an option for in-person interactions with the Member that occur outside of a standard clinical setting. This in-person intervention may be performed by medical care providers or other non-medical providers that are employed by the MCO or are subcontracted with the MCO.
5. Evaluation process to determine effectiveness of super-utilizer program.

On or before December 1, 2013, the MCO must provide its plan for management of super-utilizers including the criteria listed above. HHSC will evaluate the plan and provide feedback to the MCO. Upon HHSC's approval of the plan, each MCO will be retrospectively evaluated on their execution of the written plan, as described in 8.1.14.3. An MCO may use the same plan from year to year; however, if there are changes to the plan, the MCO must submit them to HHSC.

The disease management requirements do not apply to Dual Eligible Members or CHIP Perinate Members.

8.1.14.2 DM and Participating Providers

At a minimum, the MCO must:

1. implement a system for Providers to request specific DM interventions;
2. give Providers information, including differences between recommended prevention and treatment and actual care received by Members enrolled in a DM program, and information concerning such Members' adherence to a service plan; and
3. for Members enrolled in a DM program, provide reports on changes in a Member's health status to his or her PCP.

8.1.14.3 MCO DM Evaluation

HHSC or its EQRO will evaluate the MCO's DM program.

HHSC or its EQRO will also evaluate DM as it relates to specialized populations identified in 8.1.14.1. These evaluations will be on a retrospective basis, and will include an analysis of MCO Encounter Data and other relevant data (e.g., reports).
Evaluations could also include interviews with MCO staff that oversee the program as well as identified Providers. Based on HHSC’s retrospective evaluation, MCOs may be required to submit a Corrective Action Plan if directed by HHSC.

It is HHSC’s intent to hold quarterly collaborative calls or webinars with MCO medical directors to discuss plan implementation, barriers, successful strategies, etc.

8.1.15 Behavioral Health (BH) Network and Services

The requirements in this subsection pertain to all MCOs except: (1) the STAR MCOs in the Dallas Service Area, whose Members receive Behavioral Health Services through the NorthSTAR Program, and (2) the CHIP Perinatal Program MCOs with respect to their Perinate Members (unborn children).

The MCO must provide, or arrange to have provided, to Members all Medically Necessary Behavioral Health (BH) Services as described in Attachments B-2, "STAR Covered Services," B-2.1, "CHIP Covered Services," and B-2.2, "STAR+PLUS Covered Services," All BH Services must comply with the access standards included in Section 8.1.3. For Medicaid MCOs, BH Services are described in more detail in the Texas Medicaid Provider Procedures Manual. When assessing Members for BH Services, the MCO and its Network Behavioral Health Service Providers must use the DSM multi-axial classification in effect at the time of service. HHSC may require use of other assessment instrument/outcome measures in addition to the DSM. Providers must document DSM and assessment/outcome information in the Member's medical record.

8.1.15.1 BH Provider Network

The MCO must maintain a Behavioral Health Services Provider Network that includes psychiatrists, psychologists, and other Behavioral Health Service Providers. To ensure accessibility and availability of qualified Providers to all Members in the Service Area, the Provider Network must include Behavioral Health Service Providers with experience serving special populations among the MCO Program(s)’ enrolled population, including, as applicable, children and adolescents, persons with disabilities, the elderly, and cultural or linguistic minorities.

8.1.15.2 Member Education and Self-referral for Behavioral Health Services

The MCO must maintain a Member education process to help Members know where and how to obtain Behavioral Health Services.

The MCO must permit Members to self refer to any Network Behavioral Health Services Provider without a referral from the Member’s PCP. The MCOs’ policies and procedures, including its Provider Manual, must include written policies and procedures for allowing such self-referral to Behavioral Health Services.

The MCO must permit Members to participate in the selection of the appropriate behavioral health providers, and must provide the Member with information on accessible Network Providers with relevant experience.

8.1.15.3 Behavioral Health Services Hotline

This Section includes Member Hotline requirements. Requirements for Provider Hotlines are found in Section 8.1.4.7.

The MCO must have an emergency and crisis Behavioral Health Services Hotline staffed by trained personnel 24 hours a day, seven (7) days a week, toll-free throughout the Service Area. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess Behavioral Health emergencies. Emergency and crisis Behavioral Health Services may be arranged through mobile crisis teams. It is not acceptable for an emergency intake line to be answered by an answering machine.

The MCO must operate a toll-free hotline as described in Section 8.1.5.6 to handle Behavioral Health-related calls. The MCO may operate one hotline to handle emergency and crisis calls and routine Member calls. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. Hotline services must meet Cultural Competency requirements and provide linguistic access to all Members, including the interpretive services required for effective communication.
The Behavioral Health Services Hotline may serve multiple MCO Programs if the Hotline staff is knowledgeable about all of the MCO Programs. The Behavioral Health Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all such Service Areas, including the Behavioral Health Provider Network in each Service Area. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no incoming calls receive a busy signal;
3. at least 80% of calls must be answered by toll-free line staff within 30 seconds measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The MCO must monitor the MCO’s performance against the Behavioral Health Services Hotline standards and submit performance reports summarizing call center performance as indicated in Section 8.1.20 and the Uniform Managed Care Manual.

As a component of quality monitoring, HHSC may require the MCO to implement a system where callers are given the option of participating in an automated survey at the end of a call.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Behavioral Health Services Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.15.4 Coordination between the BH Provider and the PCP

The MCO must require, through Provider contract provisions, that PCPs have screening and evaluation procedures for the detection and treatment of, or referral for, any known or suspected Behavioral Health problems and disorders. PCPs may provide any clinically appropriate Behavioral Health Services within the scope of their practice.

The MCO must provide training to Network PCPs on how to screen for and identify behavioral health disorders, the MCO’s referral process for Behavioral Health Services, and clinical coordination requirements for such services. The MCO must include training on coordination and quality of care such as behavioral health screening techniques for PCPs and new models of behavioral health interventions.

The MCO must develop and disseminate policies regarding clinical coordination between Behavioral Health Service Providers and PCPs. The MCO must require that Behavioral Health Service Providers refer Members with known or suspected and untreated physical health problems or disorders to their PCP for examination and treatment, with the Member’s or the Member’s legal guardian’s consent. Behavioral Health Providers may only provide physical Health Care Services if they are licensed to do so. This requirement must be specified in all Provider Manuals.

The MCO must require that behavioral health Providers send initial and quarterly (or more frequently if clinically indicated) summary reports of a Members’ behavioral health status to the PCP, with the Member’s or the Member’s legal guardian’s consent. This requirement must be specified in all Provider Manuals.

8.1.15.5 Follow-up after Hospitalization for Behavioral Health Services

The MCO must require, through Provider contract provisions, that all Members receiving inpatient psychiatric services are scheduled for outpatient follow-up and/or continuing treatment prior to discharge. The outpatient treatment must occur within seven (7) days from the date of discharge. The MCO must ensure that Behavioral Health Service Providers contact Members who have missed appointments within 24 hours to reschedule appointments.
8.1.15.6 Chemical Dependency

The MCO must comply with 28 T.A.C. §3.8001 et seq., regarding utilization review for Chemical Dependency Treatment. Chemical Dependency Treatment must comply with the standards set forth in 28 T.A.C. Part 1, Chapter 3, Subchapter HH.

8.1.15.7 Court-Ordered Services

The MCO must provide inpatient psychiatric services to Members birth through age 20, up to the annual limit, who have been ordered to receive the services by a court of competent jurisdiction under Texas Health and Safety Code Chapters 573 and 574, relating to Court-Ordered Commitments to inpatient mental health facilities. The MCO is not obligated to cover placements as a condition of probation, authorized by the Texas Family Code. These placements are Non-capitated services.

The MCO cannot deny, reduce, or controvert the Medical Necessity of inpatient mental health services provided pursuant to a Court-ordered Commitment for Members birth through age 20. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination.

A Member who has been ordered to receive treatment under Texas Health and Safety Code Chapter 573 or 574 can only Appeal the commitment through the court system.

8.1.15.8 Local Mental Health Authority (LMHA)

The MCO must coordinate with the Local Mental Health Authority (LMHA) and state psychiatric facility regarding admission and discharge planning, treatment objectives and projected length of stay for Members committed by a court of law to the state psychiatric facility.

Medicaid MCOs are required to comply with additional Behavioral Health Services requirements relating to coordination with the LMHA and care for special populations. These Medicaid MCO requirements are described in Section 8.2.8.

8.1.16 Financial Requirements for Covered Services

The MCO must pay for or reimburse Providers for all Medically Necessary Covered Services provided to all Members. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to Members. The MCO is not liable for cost incurred in connection with health care rendered prior to the date of the Member’s Effective Date of Coverage in that MCO.

Coverage under Medicaid and CHIP is secondary to all other insurance coverage. A Member may receive collateral health benefits under a different type of insurance such as workers compensation or personal injury protection under an automobile policy. If a Member is entitled to coverage for specific services payable under another insurance plan and the MCO paid for such Covered Services, the MCO may obtain reimbursement from the responsible insurance entity not to exceed 100% of the value of Covered Services paid. See Sections 8.2.9 and 8.4.5 for additional information regarding coordination of benefits and recoveries from third parties.

8.1.17 Accounting and Financial Reporting Requirements

The MCO’s accounting records and supporting information related to all aspects of the Contract must be accumulated in accordance with Federal Acquisition Regulations (“FAR”), Generally Accepted Accounting Principles (GAAP), Attachment A, ”Uniform Managed Care Contract Terms and Conditions,” and the cost principles contained in the Cost Principles Document in Uniform Managed Care Manual Chapter 6.1. HHSC will not recognize or pay services that cannot be properly substantiated by the MCO and verified by HHSC.

The MCO must:

1. maintain accounting records for each applicable MCO Program separate and apart from other corporate accounting records;
2. maintain records for all claims payments, refunds and adjustment payments to providers, Capitation Payments, interest income and payments for administrative services or functions and must maintain separate records for medical and administrative fees, charges, and payments;

3. ensure and provide access to HHSC and/or its auditors or agents to the detailed records and supporting documentation for all costs incurred by the MCO. The MCO must ensure such access to its Subcontractors, including Affiliates, for any costs billed to or passed to the MCO with respect to an MCO Program;

4. maintain an accounting system that provides an audit trail containing sufficient financial documentation to allow for the reconciliation of billings, reports, and financial statements with all general ledger accounts; and

The MCO agrees to pay for all reasonable costs incurred by HHSC to perform an examination, review or audit of the MCO’s books relating to this Contract.

8.1.17.1 Financial Reporting Requirements

HHSC will require the MCO to provide financial reports by MCO Program and by Service Area to support Contract monitoring as well as State and Federal reporting requirements. All financial information and reports submitted by the MCO become the property of HHSC. HHSC may, at its discretion, release such information and reports to the public at any time and without notice to the MCO. In accordance with state and federal laws regarding Member confidentiality, HHSC will not release any Member-identifying information contained in such reports.

CHIP Perinatal Program data will be integrated into the CHIP Program financial reports. Except for the Financial Statistical Report, no separate CHIP Perinatal Program reports are required. For all other CHIP financial reports, where appropriate, HHSC will designate specific attributes within the CHIP Program financial reports that CHIP MCOs must complete to allow HHSC to extract financial data particular to the CHIP Perinatal Program.

Any data submitted with respect to the required financial reports or filings that is in PDF (or similar file format such as TIF) must be generated in a text-searchable format.

Due dates, content, and formats for the following deliverables and reports may be referenced herein or in Uniform Managed Care Manual Chapter 5.0 “Consolidated Deliverables Matrix.”

(a) Financial-Statistical Report (FSR) – The MCO must file four (4) quarterly and two (2) annual Financial-Statistical Reports (FSR) for each complete State Fiscal Year, in the format and timeframe specified by HHSC. HHSC will include FSR format and directions in Uniform Managed Care Manual Chapter 5.3.1. The MCO must incorporate financial and statistical data of delegated networks (e.g., IPAs, ANHCs, Limited Provider Networks), if any, in its FSR Reports. The FSR is one (1) of the primary financial reports used by HHSC to monitor Contract financial results. It is a modified (HHSC-defined) form of an income statement, with some other elements added. Not all expenses incurred may be included on the FSR.

All amounts reported in the FSRs must be reported in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.” Each FSR must provide amounts by month, with a year-to-date total (based on the SFY, or other Contract period as designated by HHSC). Each successive FSR will show the most current amounts for each month in the SFY; thus, a given month’s amount may change in future FSRs as more claims run-out is experienced for the month. Quarterly FSRs are generally due 30 days after the end of each State Fiscal Quarter. The MCO must transmit these reports electronically, in a locked MS Excel file.

After the 4th Quarter FSR, the first annual FSR for a given SFY (the “90-day FSR”) must reflect claims run-out and accruals through the 90th calendar day after the end of the Contract Year. This report must be filed on or before the 120th calendar day after the end of the Contract Period. If the MCO has made a pre-tax profit in excess of the thresholds as established in the Contract with respect to the Experience Rebate, then a payment for any amounts to be refunded to HHSC is due in conjunction with filing the 90-day FSR. The second annual report for a given SFY (the “334-day FSR”) must reflect data completed through the 334th calendar day after the end of the Contract Period, and must be filed on or before the 365th calendar day following the end of the Contract Period. The 334-day FSR is routinely audited by HHSC and/or its independent auditors.

HHSC will post all or part of an FSR on the HHSC website.

As set forth above, CHIP MCOs are required to submit separate FSRs for the CHIP Perinatal Program, in accordance with Uniform Managed Care Manual Chapters 5.3.1.7 and 5.3.1.8.
(b) **Delivery Supplemental Payment (DSP) Report** - The MCO must submit a monthly DSP Report in accordance with *Uniform Managed Care Manual* Chapter 5.3.5. The Report must include only unduplicated deliveries and only deliveries for which the MCO has made a payment to either a Hospital or other provider.

(c) **Claims Lag Report** - The MCO must submit a Claims Lag Report on a quarterly basis, by the last day of the month following the reporting period. The report must disclose the amount of incurred claims each month and the amount paid each month, on a contract-to-date basis. The report must be submitted in accordance with *Uniform Managed Care Manual* Chapter 5.6.2.

(d) **Third Party Liability and Recovery (TPL/TPR) Report** – The MCO must file TPL/TPR Reports in accordance with *Uniform Managed Care Manual* Chapter 5.3.4. MCOs must submit TPL/TPR reports quarterly, by MCO Program and Service Area. TPL/TPR reports must include total dollars costs avoided, and total dollars recovered from third party payers through the MCO’s coordination of benefits and subrogation efforts during the Quarter.

(e) **Report of Legal and Other Proceedings and Related Events** - The MCO must comply with the *Uniform Managed Care Manual* Chapter 5.8, regarding the disclosure of certain matters involving either the MCO, its Affiliates, and/or its Material Subcontractors. Reports are due both on an as-occurs basis and annually each August 31st. The as-occurs report is due no later than 30 days after the event that triggered the notification requirement.

(f) **Audit Reports** - The MCO must comply with the *Uniform Managed Care Manual* Chapter 5.3.11 regarding notification and/or submission of certain internal and external audit reports.

(g) **Affiliate Report** – The MCO must submit an Affiliate Report on an as-occurs basis and annually by August 31st of each year in accordance with the *Uniform Managed Care Manual*. The “as-occurs” update is due within 30 days of the event that triggered the change. Note that “Affiliate” is a defined term (see Attachment A, "Uniform Managed Care Contract Terms and Conditions").

(h) **MCO Disclosure Statement** - The MCO must file:

1. an updated MCO Disclosure Statement by September 1st of each Contract Year;
   and
2. a “change notification” abbreviated version of the report, no later than 30 days after any of the following events:
   a. entering into, renewing, modifying, or terminating a relationship with an affiliated party;
   b. after any change in control, ownership, or affiliations; or,
   c. after any material change in, or need for addition to, the information previously disclosed.

The MCO Disclosure Statement will include, at a minimum, a listing of the MCO’s control, ownership, and any affiliations, and information regarding Affiliate transactions. This report will replace, and be in lieu of, the former “Section 1318 Financial Disclosure Report” and the “Form CMS 1513,” and will disclose the same information, plus other information as may be required by HHSC and/or CMS Program Integrity requirements. Minor quarterly adjustments in stock holdings for publicly-traded corporations are excluded from the reporting requirements. The reporting format is included in the *Uniform Managed Care Manual*.

(i) **TDI Filings** – The MCO must provide HHSC with a copy of the following information no later than 30 calendar days after the MCO’s submission to TDI:

1. the “Health Annual Statement” and the “Annual Audited Financial Report” including all schedules, attachments, exhibits, supplements, management discussion, supplemental filings, etc., and any other annual financial filings (including any filings that may take the place of the above-named annual financial filings, and any financial filings that occur less frequently than on a quarterly basis);
2. the annual figures for controlled risk-based capital; and
3. the quarterly financial statements.
Additionally, if the MCO is a foreign carrier (i.e., domiciled in another state), copies of any filings with the National Association of Insurance Commissioners (NAIC), as well as the financial statements filed with the state insurance department in its state of domicile, must be submitted to HHSC no later than 30 calendar days after submission to NAIC or the state of domicile.

Notwithstanding the 30 calendar day deadlines described above, the MCO must notify HHSC if it cannot provide the most recent Annual Statements by March 31st each year, and the Annual Audited Financial Report by June 30th each year. The notice should include an expected submission date.

(j) Registration Statement (also known as the “Form B”) –
With the following exceptions, MCOs must submit a complete state insurance department registration statement, also known as Form B, and all annual and other amendments to this form, and any other related or similar information filed by the MCO with the insurance regulatory authority of its domiciliary jurisdiction. The exceptions to this requirement are those MCOs that are either (i) part of a County Hospital District or other governmental entity, or (ii) a stand-alone entity with no parent or other Affiliates. If the MCO is excepted from the TDI Form B filing requirement, the MCO must demonstrate this and explain the nature of the exemption.

The Form B is filed in three (3) forms: (i) the initial registration; (ii) the annual amendment; and (iii) the every-five-years complete restatement of registration. For purposes herein, the MCO must submit:

1. the complete registration restatement that was due to TDI by approximately May 2010;
2. each annual registration amendment form (which is due to TDI within 120 days of the end of the MCO’s parent’s fiscal year), commencing with the most recent one that the MCO has filed after May 2010;
3. future complete five-year registration re-statements (the first of which will be due to TDI by approximately May 2015); and
4. any other registration statement amendments or re-statements that may be submitted to TDI, per TDI regulations.

If the MCO was not yet subject to TDI requirements with respect to the May 2010 registration re-statement, it must submit its initial registration.

If the MCO anticipates that the registration statement annual amendment form will be filed at some other date than approximately 120 days after the end of the parent’s fiscal year, then the MCO must notify HHSC of the anticipated filing date.

All registration statement submission items herein are due to HHSC by the later of: (i) 30 calendar days after the MCO’s submission of the item to TDI, or (ii) the date identified in this section.

(k) TDI Examination Report - The MCO must furnish HHSC with a full and complete copy of any examination report issued by TDI, including the financial, market conduct, target exam, quality of care components, and corrective action plans and responses. The MCO must submit this information to HHSC no later than 30 calendar days after the MCO receives the final version of the examination report from TDI.

The MCO must furnish HHSC with a copy of any similar examination report issued by a state insurance department in any other states where the MCO operates a Medicaid, CHIP, or other managed care product. These reports are also due no later than 30 calendar days after the MCO receives the final version of the examination report.

Each September 1st, the MCO must notify HHSC of the anticipated date of the next issuance of a state department of insurance financial examination report, unless the last submitted financial examination report is less than two (2) years old. This annual notification should include a list of any other states in which the MCO is potentially subject to such examination reports, or a statement that there are no other states.

(l) Employee Bonus and/or Incentive Payment Plan – If a MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the
Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(m) Filings with other entities, and other existing financial reports – The MCO must submit an electronic copy of the following reports or filings pertaining to the MCO, or its parent, or its parent’s parent:

1. SEC Form 10-K. For publicly-traded (stock-exchange-listed) for-profit corporations, submit the most-recent annual SEC Form 10K filing.

2. IRS Form 990. For nonprofit entities, submit the most recent annual IRS Form 990 filing, complete with any and all attachments or schedules. If a nonprofit entity is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.

3. If the MCO is a nonprofit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for the MCO and/or its parent, including all attachments, schedules, and supplements.

4. Annual Report. The MCO must submit this report if it is different than or supplementary to the audited financial statements or Form 10-K required herein, and if it is distributed to either shareholders, customers, employees, owner(s), parent, bank or creditor(s), donors, the community, or to any regulatory body or constituents, or is otherwise externally distributed or posted.

5. Bond or debt rating analysis. If the MCO or its ultimate parent has been the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most recent complete detailed report from each rating entity that has produced such a report.

All of the above such reports or filings are due to HHSC no later than 30 calendar days after such report is filed or otherwise initially distributed. Each report should include all exhibits, attachments, notes, supplemental data, management letters, auditor letters, etc., and any updates, revisions, clarifications, or supplemental filings. If the reporting entity has a regular required due date for any of the above reports, and receives an extension on the filing deadline, then the MCO should notify HHSC of any such extension and the estimated revised filing date.

8.1.18 Management Information System Requirements

The MCO must maintain a Management Information System (MIS) that supports all functions of the MCO’s processes and procedures for the flow and use of MCO data. If the MCO subcontracts a MIS function, the Subcontractor’s MIS must comply with the requirements of this section.

The MCO must have hardware, software, and a network and communications system with the capability and capacity to handle and operate all MIS subsystems for the following operational and administrative areas:

1. Enrollment/Eligibility Subsystem;

2. Provider Subsystem;

3. Encounter/Claims Processing Subsystem;

4. Financial Subsystem;

5. Utilization/Quality Improvement Subsystem;

6. Reporting Subsystem;

7. Interface Subsystem; and
The MIS must enable the MCO to meet the Contract requirements, including all applicable state and federal laws, rules, and regulations. The MIS must have the capacity and capability to capture and utilize various data elements required for MCO administration.

The MCO must have a system that can be adapted to changes in Business Practices/Policies within the timeframes negotiated by the Parties. The MCO is expected to cover the cost of such systems modifications over the life of the Contract.

The MCO is required to participate in the HHSC Systems Work Group.

The MCO must provide HHSC written notice of major systems changes and implementations no later than 180 days prior to the planned change or implementation, including any changes relating to Material Subcontractors, in accordance with the requirements of this Contract and Attachment A, "Uniform Managed Care Contract Terms and Conditions." HHSC retains the right to modify or waive the notification requirement contingent upon the nature of the request from the MCO.

The MCO must provide HHSC any updates to the MCO’s organizational chart relating to MIS and the description of MIS responsibilities at least 30 days prior to the effective date of the change. The MCO must provide HHSC official points of contact for MIS issues on an ongoing basis.

HHSC, or its agent, may conduct a Systems Readiness Review to validate the MCO’s ability to meet the MIS requirements as described in Section 7, “Transition Phase Requirements.” The System Readiness Review may include a desk review and/or an onsite review and must be conducted for the following events:

1. a new plan is brought into the MCO Program;
2. an existing plan begins business in a new Service Area or a Service Area expansion;
3. an existing plan changes location;
4. an existing plan changes its processing system, including changes in Material Subcontractors performing MIS or claims processing functions; and
5. an existing plan in one (1) or two (2) HHSC MCO Programs is initiating a Contract to participate in any additional MCO Programs.

If HHSC determines that it is necessary to conduct an onsite review, the MCO is responsible for all reasonable travel costs associated with such onsite reviews. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking, and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

If for any reason an MCO does not fully meet the MIS requirements, then the MCO must, upon request by HHSC, either correct such deficiency or submit to HHSC a Corrective Action Plan and Risk Mitigation Plan to address such deficiency. Immediately upon identifying a deficiency, HHSC may impose contractual remedies according to the severity of the deficiency. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 12 and Attachment B-3, “Deliverables/Liquidated Damages Matrix,” for additional information regarding remedies and damages. Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.1.2, “Additional Readiness Reviews and Monitoring Efforts,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.18.1 Encounter Data

The MCO must provide complete Encounter Data for all Covered Services, including Value-added Services. Encounter Data must follow the format and data elements as described in the HIPAA-compliant 837 Companion Guides and Encounter Submission Guidelines. HHSC will specify the method of transmission, the submission schedule, and any other requirements in Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix." The MCO must submit Encounter Data transmissions at least monthly, and include all Encounter Data and Encounter Data adjustments processed by the MCO. In
addition, Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments processed by the MCO. Encounter Data quality validation must incorporate assessment standards developed jointly by the MCO and HHSC. The MCO must submit complete and accurate Encounter Data not later than the 30th calendar day after the last day of the month in which the claim was adjudicated. The MCO must make original records available for inspection by HHSC for validation purposes. Encounter Data that does not meet quality standards must be corrected and returned within a time period specified by HHSC.

For reporting claims processed by the MCO and submitted on Encounter 837 and NCPDP format, the MCO must use the procedure codes, diagnosis codes, provider identifiers, and other codes as directed by HHSC. Any exceptions will be considered on a code-by-code basis after HHSC receives written notice from the MCO requesting an exception.

The MCO’s Provider Agreements must require Network Providers to comply with the requirements of Texas Government Code § 531.024161, regarding reimbursement of claims based on orders or referrals by supervising providers.

8.1.18.2 MCO Deliverables related to MIS Requirements

At the beginning of each State Fiscal Year, the MCO must submit the following documents and corresponding checklists for HHSC’s review and approval:

1. Disaster Recovery Plan;*
2. Business Continuity Plan;* and

* The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

Additionally, at the beginning of each State Fiscal Year, if the MCO modifies the following documents, it must submit the revised documents and corresponding checklists for HHSC’s review and approval:

1. Joint Interface Plan;
2. Risk Management Plan; and

The MCO must submit plans and checklists in accordance with the Uniform Managed Care Manual Chapter 5.2, “Information Concerning MIS Deliverables;” Chapter 7, “Management Information Systems;” and Chapter 5.0, “Consolidated Deliverables Matrix.” Additionally, if a Systems Readiness Review is triggered by one of the events described in Section 8.1.18, the MCO must submit all of the deliverables identified in this Section 8.1.18.2 in accordance with an HHSC-approved timeline.

The MCO must follow all applicable Joint Interface Plans (JIPs) and all required file submissions for HHSC’s Administrative Services Contractor, External Quality Review Organization (EQRO), and HHSC Medicaid Claims Administrator. The JIPs can be accessed through Uniform Managed Care Manual Chapter 7.1, “Joint Interface Plans (JIP).”

8.1.18.3 System-wide Functions

The MCO’s MIS system must include key business processing functions and/or features, which must apply across all subsystems as follows:

1. process electronic data transmission or media to add, delete or modify membership records with accurate begin and end dates;
2. track Covered Services received by Members through the system, and accurately and fully maintain those Covered Services as HIPAA-compliant Encounter transactions;
3. transmit or transfer Encounter Data transactions on electronic media in the HIPAA format to the contractor designated by HHSC to receive the Encounter Data;

4. maintain a history of changes and adjustments and audit trails for current and retroactive data;

5. maintain procedures and processes for accumulating, archiving, and restoring data in the event of a system or subsystem failure;

6. employ industry standard medical billing taxonomies (procedure codes, diagnosis codes, NDC codes) to describe services delivered and Encounter transactions produced;

7. accommodate the coordination of benefits;

8. produce standard Explanation of Benefits (EOBs) for providers;

9. Pay financial transactions to Network Providers and Out-of-Network providers in compliance with federal and state laws, rules and regulations;

10. ensure that all financial transactions are auditable according to GAAP guidelines;

11. ensure that Financial Statistical Reports (FSRs) comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” with respect to segregating costs that are allowable for inclusion in HHSC-designed financial reports;

12. relate and extract data elements to produce report formats (provided within the Uniform Managed Care Manual) or otherwise required by HHSC;

13. ensure that written process and procedures manuals document and describe all manual and automated system procedures and processes for the MIS; and

14. maintain and cross-reference all Member-related information with the most current Medicaid, or CHIP Program Provider number.

8.1.18.4 Health Insurance Portability and Accountability Act (HIPAA) Compliance

The MCO’s MIS system must comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to the Health Insurance Portability and Accountability Act (HIPAA) of 1996, P.L. 104-191 (August 21, 1996), as amended or modified. The MCO must comply with HIPAA Electronic Data Interchange (EDI) requirements, including the HIPAA-compliant format version. MCO’s enrollment files must be in the 834 HIPAA-compliant format. Eligibility inquiries must be in the 270/271 HIPAA-compliant format, with the exception of pharmacy services. Pharmacies may submit eligibility inquiries in the NCPDP E1 HIPAA-compliant format. Claim transactions for pharmacy services must be in the NCPDP B1/B2 HIPAA-compliant formats; all others must be in the 837/835 HIPAA-compliant format.

The MCO must also be 5010 compliant by January 2012. The following website includes the final rules for 5010 Compliancy and ICD-10 Compliancy: www.cms.hhs.gov/TransactionCodeSetsStandards/02_TransactionsandCodeSetsRegulations.asp.

The MCO must provide its Members with a privacy notice as required by HIPAA. The MCO must provide HHSC with a copy of its privacy notice during Readiness Review and any changes to the notice prior to distribution.

8.1.18.5 Claims Processing Requirements

The MCO must process and adjudicate all provider claims for Medically Necessary health care Covered Services that are filed within the timeframes specified in Uniform Managed Care Manual Chapter 2.0, "Claims Manual," and pharmacy claims in that are filed in accordance with the timeframes specified in Uniform Managed Care Manual Chapter 2.2, "Pharmacy Claims Manual." The MCO is subject to contractual remedies, including liquidated damages and interest, if the MCO does not process and adjudicate claims in accordance with the procedures and the timeframes listed in Uniform Managed Care Manual Chapters 2.0 and 2.2.
The MCO must administer an effective, accurate, and efficient claims payment process in compliance with federal laws and regulations, applicable state laws and rules, and the Contract, including Uniform Managed Care Manual Chapters 2.0 and 2.2. In addition, a Medicaid MCO must be able to accept and process provider claims in compliance with the Texas Medicaid Provider Procedures Manual. The MCO and its Subcontractors cannot directly or indirectly charge or hold a Member or Provider responsible for claims adjudication or transaction fees.

The MCO must maintain an automated claims processing system that registers the date a claim is received by the MCO the detail of each claim transaction (or action) at the time the transaction occurs, and has the capability to report each claim transaction by date and type to include interest payments. The claims system must maintain information at the claim and line detail level. The claims system must maintain adequate audit trails and report accurate claims performance measures to HHSC.

The MCO's claims system must maintain online and archived files. The MCO must keep online automated claims payment history for the most current 18 months. The MCO must retain other financial information and records, including all original claims forms, for the time period established in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 9.01, "Record Retention and Audit." All claims data must be easily sorted and produced in formats as requested by HHSC.

The MCO must offer its Providers/Subcontractors the option of submitting and receiving claims information through electronic data interchange (EDI) that allows for automated processing and adjudication of claims. EDI processing must be offered as an alternative to the filing of paper claims. Electronic claims must use HIPAA-compliant electronic formats.

HHSC reserves the right to require the MCO to receive initial electronic claims through an HHSC-contracted vendor at a future date. This function will allow Providers to send claims to one location, which will then identify where the claim should be submitted. The MCO will be expected to have an interface that allows receipt of these electronic submissions. If HHSC implements this requirement, then the MCO must maintain a mechanism to receive claims in addition to the HHSC claims portal. Providers must be able to send claims directly to the MCO or its Subcontractor.

The MCO must provide a web portal that supports Batch Processing for Network Providers. Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. Specifically in managed care, batch billing is a technique that allows providers to send billing information all at once in a "batch" rather than in separate individual transactions.

The MCO must make an electronic funds transfer (EFT) payment process (for direct deposit) available to Network Providers.

The MCO may deny a claim submitted by a provider for failure to file in a timely manner as provided for in Uniform Managed Care Manual Chapters 2.0 and 2.2. The MCO must not pay any claim submitted by a provider:

1. excluded or suspended from the Medicare, Medicaid, or CHIP programs for Fraud, Abuse, or Waste;
2. on payment hold under the authority of HHSC or its authorized agent(s);
3. with pending accounts receivable with HHSC;
4. for neonatal services provided on or after September 1, 2017, if submitted by a Hospital that does not have a neonatal level of care designation from HHSC; or
5. for maternal services provided on or after September 1, 2019, if submitted by a Hospital that does not have a maternal level of care designation from HHSC.

In accordance with Texas Health and Safety Code § 241.186, the restrictions on payment identified in items 4-5 above do not apply to emergency services that must be provided or reimbursed under state or federal law.

With the following exceptions, the MCO must complete all audits of a provider claim no later than two years after receipt of a clean claim, regardless of whether the provider participates in the MCO's Network. This limitation does not apply in cases of provider Fraud, Waste, or Abuse that the MCO did not discover within the two-year period following receipt of a claim. In addition, the two-year limitation does not apply when the officials or entities identified in Attachment A, Section 9.02(c), conclude an examination, audit, or inspection of a provider more than two years after the MCO received the claim. Finally, the two-year limitation does not apply when HHSC has recovered a capitation from the MCO based on a Member's ineligibility. If an exception to the two-year limitation applies, then the MCO may recoup related payments from providers.

If an additional payment is due to a provider as a result of an audit, the MCO must make the payment no later than 30 days after it completes the audit. If the audit indicates that the MCO is due a refund from the provider, the MCO must send the
provider written notice of the basis and specific reasons for the recovery no later than 30 days after it completes the audit. If the provider disagrees with the MCO's request, the MCO must give the provider an opportunity to appeal, and may not attempt to recover the payment until the provider has exhausted all appeal rights.

The MCO's provider agreement must specify that program violations arising out of performance of the contract are subject to administrative enforcement by the Health and Human Services Commission Office of Inspector General (OIG) as specified in 1 Tex. Admin. Code, Chapter 371, Subchapter G.

The MCO is subject to the requirements related to coordination of benefits for secondary payors in the Texas Insurance Code Section 843.349(e-f).

The MCO must notify HHSC of major claim system changes in writing no later than 180 days prior to implementation. The MCO must provide an implementation plan and schedule of proposed changes. HHSC reserves the right to require a desk or onsite Readiness Review of the changes.

The MCO must make available to Providers claims coding and processing guidelines for the applicable provider type. Providers must receive 90 days notice prior to the MCO's implementation of changes to claims guidelines.

8.1.18.6 National Correct Coding Initiative

MCOs must comply with the requirements of Section 6507 of the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), regarding “Mandatory State Use of National Correct Coding Initiatives,” including all applicable rules, regulations, and methodologies implemented as a result of this initiative.

8.1.19 Fraud and Abuse

A MCO is subject to all state and federal laws and regulations relating to Fraud, Abuse, and Waste in health care and the Medicaid and CHIP programs. The MCO must cooperate and assist HHSC and any state or federal agency charged with the duty of identifying, investigating, sanctioning or prosecuting suspected Fraud, Abuse or Waste. In order to facilitate cooperation with the Office of Inspector General (OIG) at HHSC, the MCO must have staff available for Special Investigative Unit (SIU) representation located in the state. The MCO must allow access to premises and provide originals and/or copies of all records and information requested free of charge to the Inspector General for the Texas Health and Human Services System, HHSC or its authorized agent(s), the Centers for Medicare and Medicaid Services (CMS), the U.S. Department of Health and Human Services (DHHS), Federal Bureau of Investigation, the Office of the Attorney General, TDI, or other units of state government.

Each MCO must designate one primary and one secondary contact person for all HHSC OIG records requests. HHSC OIG records requests will be sent to the designated MCO contact person(s) in writing via email, fax or regular mail, and will provide the specifics of the information being requested (see below). The MCO will respond to the appropriate HHSC OIG staff member within the timeframe designated in the request. If the MCO is unable to provide all of the requested information with in the designated timeframe, an extension may be granted and must be request in writing (email) by the MCO no less than two (2) Business Days prior to the due date. When a request for data is provided to the MCO, the MCO's response must include data for all data fields, as available. If any data field is left blank, an explanation must accompany the response. The data must be provided in the order and format requested. The MCO must not include any additional data fields in its response. All requested information must be accompanied by a notarized Business Records Affidavit unless indicated otherwise in HHSC OIG's record request.

The most common requests will include:

- 1099 data and other financial information - three (3) Business Days.
- Claims data for sampling - 5 Business Days.
- Urgent claims data requests - three (3) Business Days (with OIG manager's approval).
- Provider education information - 10 Business Days.
- Files associated with an HMO conducted investigation - 15 Business Days.
- Other time-sensitive requests - as needed.
The MCO must submit a written Fraud and Abuse compliance plan to the HHSC OIG for approval each year. The plan must be submitted 90 days prior to the start of the State Fiscal Year. (See Section 7, Transition Phase Requirements, for requirements regarding timeframes for submitting the original plan.) If an MCO has not made any changes to its plan from the previous year, it may notify the HHSC OIG that: (1) no changes have been made to the previously-approved plan, (2) the plan will remain in place for the upcoming State Fiscal Year. The notification must be signed and certified by an officer or director of the MCO that is responsible for carrying out the Fraud and Abuse compliance plan. Upon receipt of a written request from the HHSC OIG, the MCO must submit the complete Fraud and Abuse compliance plan.

The MCO is subject to and must meet all requirements in Section 531.113 of the Texas Government Code, Section 533.012 of the Texas Government Code, Title 1 Texas Administrative Code (TAC), Part 15, Chapter 353, Subchapter F, Rule 353.501-353.505, and Title 1 Texas Administrative Code (TAC), Part 15, Chapter 370, Subchapter F, Rule 370.501-370.505 as well as all laws specified in Attachment A, Section 7.02. Failure to comply with any requirement of 8.1.19 and 8.1.20.2(c) and (d) subjects the MCO to enforcement pursuant to 1 TEX. ADMIN. CODE Chapter 371 Subchapter G in addition to any other legal remedy.

42 C.F.R. § 455.23 requires the State Medicaid agency to suspend all Medicaid payments to a provider after the agency determines there is a credible allegation of fraud for which an investigation is pending under the Medicaid program against an individual or entity unless the agency has good cause to not suspend payments or suspend payment only in part. In Texas, HHSC OIG is responsible for evaluating allegations of fraud and imposing payment suspensions when appropriate. The rules governing payment suspensions based upon pending investigations of credible allegations of fraud apply to Medicaid managed care entities. Managed care capitation payments may be included in a suspension when an individual network provider is under investigation based upon credible allegations of fraud, depending on the allegations at issue.

The MCO is required to cooperate with HHSC OIG when payment suspensions are imposed. When HHSC OIG sends notice that payments to a provider have been suspended, the MCO must also suspend payments to the provider within 1 business day. When such notice is received, the MCO must respond to the notice within 3 business days and inform HHSC OIG of whether the MCO has implemented the suspension.

The MCO must also report all of the following information to HHSC OIG after it suspends payments to the provider: date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, amount of payments held, and, if applicable, the good cause rationale for not suspending payment (for example, the provider is not enrolled in the MCO's network) or imposing a partial payment suspension. If the MCO does not suspend payments to the provider, HHSC may impose contractual or other remedies.

For payment suspensions initiated by the MCO, the MCO must report the following information to HHSC OIG: the nature of the suspected fraud, basis for the suspension, date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, the amount of payments held, and, if applicable, the good cause rationale for imposing a partial payment suspension.

Additional Requirements for STAR and STAR+PLUS MCOs:

In accordance with Section 1902(a)(68) of the Social Security Act, STAR and STAR+PLUS MCOs and their Subcontractors that receive or make annual Medicaid payments of at least $5 million must:

1. Establish written policies for all employees, managers, officers, contractors, Subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information about the False Claims Act, administrative remedies for false claims and statements, any state laws about civil or criminal penalties for false claims, and whistleblower protections under such laws, as described in Section 1902(a)(68)(A).
2. Include as part of such written policies detailed provisions regarding the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.
3. Include in any employee handbook a specific discussion of the laws described in Section 1902(a)(68)(A), the rights of employees to be protected as whistleblowers, and the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.

HHSC OIG's Lock-in Program (OIG-LP) restricts, or locks in, a Medicaid Member to a designated provider or pharmacy if it finds that the Member used Medicaid services, including drugs, at a frequency or amount that is duplicative, excessive, contraindicated, or conflicting; or that the Member's actions indicate abuse, misuse, or fraud. The MCO is required to maintain, and provide to OIG upon request, written policies for all employees, managers, officers, contractors, subcontractors, and agents.
of the MCO or Subcontractor. The policies must provide detailed information related to the "HHSC OIG Lock-in Program MCO Policies and Procedures" about overutilization of prescription medications.

8.1.20 General Reporting Requirements

The MCO must provide and must require its Subcontractors to provide at no cost to the Texas Health and Human Services Commission (HHSC):

1. all information required under the Contract, including but not limited to, the reporting requirements or other information related to the performance of its responsibilities hereunder as reasonably requested by the HHSC; and
2. any information in its possession sufficient to permit HHSC to comply with the Federal Balanced Budget Act of 1997 or other federal or state laws, rules, and regulations. All information must be provided in accordance with the timelines, definitions, formats and instructions as specified by HHSC. Where practicable, HHSC may consult with MCOs to establish timeframes and formats reasonably acceptable to both parties.

Any deliverable or report in Section 8.1.20 without a specified due date is due quarterly on the last day of the month following the end of the reporting period. Where the due date states 30 days, the MCO is to provide the deliverable by the last day of the month following the end of the reporting period. Where the due date states 45 days, the MCO is to provide the deliverable by the 15th day of the second month following the end of the reporting period. (See Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix.")

8.1.20.1 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Statistical Performance Measures

The MCO must provide to HHSC or its designee all information necessary to analyze the MCO's provision of quality care to Members using measures to be determined by HHSC in consultation with the MCO. These measures must be consistent with HEDIS or other externally based measures or measurement sets, and involve collection of information beyond that present in Encounter Data. The Performance Indicator Dashboards, found in Uniform Managed Care Manual Chapter 10.1 provides additional information on the role of the MCO and the EQRO in the collection and calculation of HEDIS, Consumer Assessment of Healthcare Providers and Systems (CAHPS), and other performance measures.

8.1.20.2 Reports

The MCO must provide the following reports, in addition to the Financial Reports described in Section 8.1.17 and the reporting requirements listed elsewhere in the Contract. Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix," includes a list of all required reports, and a description of the format, content, file layout and submission deadlines for each report.

For the following reports, MCO must integrate CHIP Perinatal Program data into CHIP Program reports. With the exception of FSR reporting, separate CHIP Perinatal Program reports generally are not required. Where appropriate, HHSC will designate specific attributes within the CHIP Program reports that the CHIP MCOs must complete to allow HHSC to extract data particular to the CHIP Perinatal population.

(a) Claims Summary Report - The MCO must submit quarterly Claims Summary Reports by MCO Program, Service Area and claim type by the 30th day following the end of the reporting period unless otherwise specified. Claim Types include facility and/or professional services for Acute Care, Behavioral Health, Vision, Pharmacy, and Long Term Services and Supports. Within each claim type, claims data must be reported separately by applicable claim form. The format for the Claims Summary Report is contained in Uniform Managed Care Manual Chapter 5.6.1.

(b) QAPI Program Annual Summary Report - The MCO must submit a QAPI Program Annual Summary in a format and timeframe as specified in Uniform Managed Care Manual Chapter 5.7, "Quality Reports."

(c) Fraudulent Practices Report - Utilizing the HHSC-Office of Inspector General (OIG) fraud referral form, the MCO's assigned officer or director must report and refer all possible acts of Waste, Abuse, or Fraud to the HHSC-OIG within 30 Business Days of receiving the reports of possible acts of Waste, Abuse, or Fraud from the MCO's Special Investigative Unit (SIU). The report and referral must include: an investigative report identifying the allegation, statutes/regulations violated or considered, and the results of the investigation; copies of program rules and regulations violated for the time period in question; copies of any HMO contractual provisions, policies, published HMO program bulletins, policy notification letters, or provider policy or procedure manuals that apply to the alleged conduct for the
time period in question; the estimated overpayment identified; a summary of the interviews conducted; the Encounter Data submitted by the provider for the time in question; and all supporting documentation obtained as the result of the investigation. This requirement applies to all reports of possible acts of Waste, Abuse, and Fraud.

Additional reports required by the Office of the Inspector General relating to Waste, Abuse, or Fraud are listed in Uniform Managed Care Manual Chapter 5.5, "Fraud Deliverable/Report Formats."

(d) Provider Termination Report: (CHIP, STAR, and STAR+PLUS)- MCO must submit a quarterly report that identifies any Providers who cease to participate in MCO's Provider Network, either voluntarily or involuntarily. The report must be submitted in the format specified by HHSC, no later than 30 days after the end of the reporting period.

(e) PCP Network & Capacity Report: (CHIP only) - For the CHIP Program, MCO must submit a quarterly report listing all unduplicated PCPs in the MCO's Provider Network. For the CHIP Perinatal Program, the Perinatal Newborn Members are assigned PCPs that are part of the CHIP PCP Network. Perinate Members are not assigned PCPs. The report must be submitted in the format specified by HHSC no later than 30 days after the end of the reporting period.

(f) Summary Report of Member Complaints and Appeals - The MCO must submit quarterly Member Complaints and Appeals reports. The MCO must include in its reports Complaints and Appeals submitted to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides Member services. The MCO must submit the Complaint and Appeals reports electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified in Uniform Managed Care Manual Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Member Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

(g) Summary Report of Provider Complaints - The MCO must submit Provider complaints reports on a quarterly basis. The MCO must include in its reports complaints submitted by providers to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides provider services. The complaint reports must be submitted electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified by HHSC in Uniform Managed Care Manual Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Provider Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

(h) Hotline Reports - The MCO must submit quarterly status reports of the Member Hotline, the Behavioral Health Services Hotline, and the Provider Hotline performance compared to the performance standards set out in Sections 8.1.4.7, 8.1.5.6, and 8.1.15.3, using the format specified by HHSC in Uniform Managed Care Manual Chapter 5.4.3, "Hotline Reports."

If the MCO is not meeting a hotline performance standard, HHSC may require the MCO to submit monthly hotline performance reports and implement corrective actions until the hotline performance standards are met. If a MCO has a single hotline serving multiple Service Areas, multiple MCO Programs, or multiple hotline functions, (i.e. Member, Provider, Behavioral Health Services hotlines), HHSC may request on an annual basis that the MCO submit certain hotline response information by MCO Program, Service Area, and hotline function, as applicable to the MCO. HHSC may also request additional hotline information if a MCO is not meeting a hotline performance standard.

(i) Historically Underutilized Business (HUB) Reports - Upon contract award, the MCO must attend a post award meeting, which will be scheduled by the HHSC HUB Program Office, to discuss the development and submission of a HUB Subcontracting Plan (HSP) Progress Assessment Report (PAR) for the inclusion of HUBs. The MCO must maintain its original HSP and submit monthly PAR reports documenting the MCO's good faith effort to comply with the originally submitted HSP. The report must be in the format included in Uniform Managed Care Manual Chapter 5.4.4.4 for the HUB monthly reports. The MCO must comply with the HUB Program's HSP and PAR requirements for all Subcontractors.

(j) Medicaid Managed Care Texas Health Steps Medical Checkups Reports - Medicaid MCOs must submit reports identifying the number of New Members and Existing Members receiving Texas Health Steps medical checkups, or refusing to obtain the medical checkups. Medicaid MCOs must also document and report those Members refusing to obtain the medical checkups. The documentation must include the reason the Member refused the checkup or the reason the checkup was not received.
The definitions, timeframe, format, and details of the reports are contained and described in Uniform Managed Care Manual Chapters 12.4, 12.5, and 12.6.

(k) **Children of Migrant Farm Workers Annual Plan** - Medicaid MCOs must submit an annual plan in the timeframe and format described in Uniform Managed Care Manual Chapters 12.1 and 12.2 that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers (FWC).

(l) **Children of Migrant Farm Workers Annual Report (FWC Annual Report)** - Medicaid MCOs must submit an annual report, in the timeframe and format described in Uniform Managed Care Manual Chapters 12.1, 12.3, 12.25, and 12.26 about the identification of and delivery of services to Children of Migrant Farm Workers (FWC).

(m) **Frew Quarterly Monitoring Report** - Each calendar year quarter, HHSC prepares a report for the court that addresses the status of the Consent Decree paragraphs of the Frew v. Janek lawsuit. Medicaid MCOs must prepare responses to questions posed by HHSC on the Frew Quarterly Monitoring Report template. The timeframe, format, and details of the report are set forth in Uniform Managed Care Manual Chapter 12.

(n) **Frew Annual Provider Training Report** - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must compile a summary of the training health care and pharmacy providers receive throughout the year for the October Quarterly Monitoring Report for the court. Medicaid MCOs must report to HHSC health care and pharmacy provider training conducted throughout the year to be included in this report. The training report must include, at a minimum, the number of Medicaid enrolled healthcare and pharmacy providers that received the training and a description of provider feedback received on the subject matter and methodology of the training. The timeframe, format, and details of the report are contained and described in Uniform Managed Care Manual Chapter 12.

(o) **Frew Provider Recognition Report** - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must recognize Medicaid enrolled healthcare and pharmacy providers who complete Frew, Texas Health Steps, and/or pharmacy benefit education training. Medicaid MCOs must collect and track provider training recognition information for all Frew, Texas Health Steps, and/or pharmacy benefit education trainings conducted and report the names of those Medicaid enrolled healthcare and pharmacy providers who consent to being recognized to HHSC quarterly. The timeframe, format, and details of the report are contained and described in Uniform Managed Care Manual Chapter 12.

(p) **Medicaid Disproportionate Share Hospital (DSH) Reports** - Medicaid MCOs must file preliminary and final Medicaid DSH Reports so that HHSC can identify and reimburse Hospitals that qualify for Medicaid DSH funds. The preliminary and final DSH Reports must include the data elements and be submitted in the form and format specified by HHSC in Uniform Managed Care Manual Chapter 5.3.9, "Disproportionate Share Hospital Report." The preliminary DSH Reports are due on or before March 1 of the year following the federal fiscal reporting year. The final DSH Reports are due no later than April 1 of the year following the federal fiscal reporting year.

(q) **Out-of-Network Utilization Reports** - The MCO must file quarterly Out-of-Network Utilization Reports in accordance with Uniform Managed Care Manual Chapter 5.3.8, "Out Of Network (OON) Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(r) **Drug Utilization Review (DUR) Reports** - MCOs must submit the DUR reports in accordance with the requirements of HHSC’s Uniform Managed Care Manual.

(s) **Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports** - For each State Fiscal Quarter, Medicaid MCOs must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups. The time frame, format, and details of the report are contained and described in Uniform Managed Care Manual Chapter 12.

(t) **STAR+PLUS Long Term Services and Supports (LTSS) Utilization Quarterly Reports** - The STAR+PLUS MCO must file quarterly LTSS Utilization Reports in accordance with Uniform Managed Care Manual Chapter 5.4.5.1, "STAR+PLUS LTSS Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(u) **Service Coordination Report** - STAR+PLUS MCOs must submit annual reports regarding the number and types of visits conducted by Service Coordinators, as described in the Uniform Managed Care Manual. The reports are due 30 days after the end of each State Fiscal Year.

8.1.21 Pharmacy Services
The MCO must provide pharmacy-dispensed prescriptions as a Covered Service.

The MCO must submit pharmacy clinical guidelines and prior authorization policies and for review and approval during Readiness Review, then after the Operational Start Date prior to any changes. In determining whether to approve these materials, HHSC will review factors such as the clinical efficacy and Members' needs.

The MCO must allow pharmacies to fill prescriptions for covered drugs ordered by any licensed provider regardless of Network participation and must encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO is responsible for negotiating reasonable pharmacy provider reimbursement rates, including individual MCO maximum allowable cost (MAC) rates, as described in Section 8.1.21.11, "Maximum Allowable Cost Requirements." The MCO must ensure that, as an aggregate, rates comply with 42 C.F.R. Part 50, Subpart E, regarding upper payment limits.

8.1.21.1 Formulary and Preferred Drug List

The MCO must provide access to covered outpatient drugs and biological products through formularies and a preferred drug list (PDL) developed by HHSC. HHSC will maintain separate Medicaid and CHIP formularies, and a Medicaid PDL. The MCO must administer the PDL in a way that allows access to all non-preferred drugs that are on the formulary through a structured PA process.

The MCO must educate Network Providers about how to access HHSC's formularies and the Medicaid PDL on HHSC's website. In addition, no later than November 1, 2013, the MCO must allow Network Providers access to the formularies and Medicaid PDL through a free, point-of-care web-based application accessible on smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs, Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly.

8.1.21.2 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies

The MCO must adopt PA policies and procedures that are consistent with Section 8.1.8.1, "Compliance with State and Federal Prior Authorization Requirements."

The MCO must adhere to HHSC's PDL for Medicaid. Preferred drugs must adjudicate as payable without PA, unless they are subject to Clinical Edits. HHSC will identify Clinical Edits that the MCO must implement on the Vendor Drug Program website, and HHSC approval is required for all other Clinical Edit policies and any revisions. HHSC will respond to Clinical Edit approval requests within 30 calendar days. If a requested drug is subject to more than one edit (e.g., the drug is both non-preferred and subject to a Clinical Edit), the MCO must process all edits concurrently.

HHSC's Medicaid PA, PDL, Clinical Edit, and other policies for the fee-for-service Vendor Drug Program are available on HHSC's Vendor Drug Program website at http://www.txvendordrug.com/index.shtml. HHSC's website also includes exception criteria for each drug class included on HHSC's Medicaid PDL. These exception criteria describe the circumstances under which a non-preferred drug may be dispensed without a PA. If HHSC modifies the policies described above on the Vendor Drug Program website, HHSC will notify MCOs.

The MCO may require a prescriber's office to request a PA as a condition of coverage or pharmacy payment if the PA request is approved or denied within 24 hours of receipt. If a prescription cannot be filled when presented to the pharmacist due to a PA requirement and the prescriber's office cannot be reached, then the MCO must instruct the pharmacy to dispense a 72-hour emergency supply of the prescription. The pharmacy is not required to dispense a 72-hour supply if the dispensing pharmacist determines that taking the prescribed medication would jeopardize the Member's health or safety, and he or she has made good faith efforts to contact the prescriber. The pharmacy may fill consecutive 72-hour supplies if the prescriber's office remains unavailable. The MCO must reimburse the pharmacy for dispensing the temporary supply of medication.

The MCO must provide access to a toll-free call center for prescribers to call to request a PA for non-preferred drugs or drug that are subject to Clinical Edits. If the prescriber's office calls the MCO's PA call center, the MCO must provide a PA approval or denial immediately. For all other PA requests, the MCO must notify the prescriber's office of a PA denial or approval no later than 24 hours after receipt. If the MCO cannot make a timely PA determination, the MCO must allow the Member to receive a sufficient supply (e.g., a 72-hour supply) of the medication pending resolution of the PA request.
The MCO's PA system must accept PA requests from prescribers that are sent electronically, by phone, fax, or mail. The MCO may not charge pharmacies for PA transaction, software, or related costs for processing PA requests.

If the MCO or its PBM operates a separate call center for PA requests, the PA call center must meet the provider hotline performance standards set forth in Section 8.1.4.7, "Provider Hotline." The MCO must train all PA, provider hotline, and pharmacy call center staff on the requirements for dispensing 72-hour emergency supplies of medication.

The MCO may not require a PA for any drug exempted from PA requirements by federal law.

For drug products purchased by a pharmacy through the Health Resources Services Administration (HRSA) 340B discount drug program, the MCO may only impose Clinical Edit PA requirements. These drugs must be exempted from all PDL PA requirements.

A provider may appeal PA denials on a Member's behalf, in accordance with Sections 8.2.6 (Medicaid) and 8.4.2 (CHIP).

If a Member changes Medicaid or CHIP health plans, the MCO must provide the new health plan information about the Member's PA and medication history at no cost and upon request. The MCO, in consultation with HHSC, will develop a standard process and timeline for implementing a standard format for sharing member medication and PA history. HHSC expects the former MCO to respond with the requested information within 72-hours of the new MCO's request.

8.1.21.3 Coverage Exclusions

In accordance with 42 U.S.C. § 1396r-8, the MCO must exclude coverage for any drug marketed by a drug company (or labeler) that does not participate in the federal drug rebate program. The MCO is not permitted to provide coverage for any drug product, brand name or generic, legend or non-legend, sold or distributed by a company that did not sign an agreement with the federal government to provide Medicaid rebates for that product.

8.1.21.4 DESI Drugs

The MCO must not provide coverage under any circumstances for drug products that have been classified as less-than-effective by the Food and Drug Administration (FDA) Drug Efficacy Study Implementation (DESI).

8.1.21.5 Pharmacy Rebate Program

Under the provisions of, 42 U.S.C. §1396r-8, drug companies that wish to have their products covered through the Texas Medicaid Program must sign an agreement with the federal government to provide the pharmacy claims information that is necessary to return federal rebates to the state.

The MCO is not authorized to negotiate rebates with drug companies for preferred pharmaceutical products. HHSC or its designee will negotiate rebate agreements. If the MCO or its PBM has an existing rebate agreement with a manufacturer, all Medicaid and CHIP outpatient drug claims, including provider-administered drugs, must be exempt from such rebate agreements. The MCO must include National Drug Codes (NDCs) on all encounters for outpatient drugs and biological products, including physician-administered drugs.

The MCO must implement a process to timely support HHSC's Medicaid and CHIP rebate dispute resolution processes.

a. The MCO must allow HHSC or its designee to contact Network pharmacy Providers to verify information submitted on claims, and upon HHSC's request, assist with this process.

b. The MCO must establish a single point of contact where HHSC's designee can send information or request clarification.

c. HHSC will notify the MCO of claims submitted with incorrect information. The MCO must correct this information on the next scheduled pharmacy encounter data transmission.

8.1.21.6 Drug Utilization Review Program
The MCO must have a process in place to conduct prospective and retrospective utilization review of prescriptions that is consistent with Medicare Part D drug utilization review standards (see 42 C.F.R. § 423.153). Prospective review should take place at the dispensing pharmacy’s point-of-sale (POS). The prospective review at the POS should compare the prescribed medication against previous drug history for drug-to-drug, interactions, ingredient duplication, therapeutic duplication, age or gender contraindications, drug-allergy contraindications, overutilization or underutilization, incorrect dosage, and high dose situations. The MCO’s retrospective review should monitor prescriber and contracted pharmacies for outlier activities. Retrospective reviews should also determine whether services were delivered as prescribed and consistent with the MCO’s payment policies and procedures. The MCO must provide a summary of the quarterly retrospective reviews, including outcomes, as described in UMCM Chapter 5.13.1, MCO Drug Utilization Review (DUR) Quarterly Report Template.

The MCO’s Drug Utilization Review should specifically assess prescribing patterns for psychotropic medications as defined by Texas Family Code § 266.001(7). If the MCO identifies patterns outside of the MCO’s parameters for psychotropic medications, or if HHSC notifies the MCO of outlier prescribing patterns, then the MCO must conduct a peer-to-peer discussion on the appropriateness of the drug regimen with the prescriber. For children, the MCO must model its parameters on DFPS’s Psychotropic Medication Utilization Parameters for Foster Children. (See DFPS’s website for more information: http://www.dfps.state.tx.us/Child_Protection/Medical_Services/guide-psychotropic.asp). For adults, the MCO must base its parameters for psychotropic medications on approved compendia, such as peer-reviewed academic literature or nationally accepted guidelines.

8.1.21.7 Pharmacy Benefit Manager (PBM)

The MCO must use a PBM to process prescription claims.

The MCO must identify the proposed PBM and the ownership of the proposed PBM. If the PBM is owned wholly or in part by a retail pharmacy provider, chain drug store or pharmaceutical manufacturer, the MCO will submit a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information. The MCO must provide a plan documenting how it will monitor these Subcontractors. These assurances and procedures must be submitted for HHSC’s review during Readiness Review (see Section 7, “Transition Phase Requirements”) then prior to initiating any PBM Subcontract after the Operational Start Date.

The MCO must ensure its subcontracted PBM follows all pharmacy-related Contract, UMCM, state, and federal law requirements related to the provision of pharmacy services.

8.1.21.8 Financial Disclosures for Pharmacy Services

The MCO must disclose all financial terms and arrangements for remuneration of any kind that apply between the MCO and any prescription drug manufacturer or labeler, including formulary management, drug-switch programs, educational support, claims processing, pharmacy network fees, data sales fees, and any other fees. Article 9 of Attachment A, “Uniform Managed Care Contract Terms and Conditions,” provides HHSC with the right to audit this information at any time. HHSC agrees to maintain the confidentiality of information disclosed by the MCO pursuant to this section, to the extent that the information is confidential under state or federal law.

8.1.21.9 Limitations Regarding Registered Sex Offenders

HHSC’s Medicaid and CHIP formularies do not include sexual performance enhancing medications. If these medications are added to the Medicaid or CHIP formulary, then the MCO must comply with the requirements of Texas Government Code §531.089 prohibiting the provision of sexual performance enhancing medication to persons required to register as sex offenders under Chapter 62, Texas Code of Criminal Procedure.

8.1.21.10 Specialty Drugs

The MCO must develop policies and procedures for reclassifying prescription drugs from retail to specialty drugs for purposes of entering into selective contracting arrangements for specialty drugs. The MCO’s policies and procedures must comply with 1 Tex. Admin. Code § 353.905 and § 354.1853 and include processes for notifying Network Pharmacy Providers.

8.1.21.11 Maximum Allowable Cost Requirements
The MCO must develop maximum allowable cost (MAC) prices and lists that comply with state and federal laws, including Texas Government Code § 533.005(a)(23)(K). To place an outpatient drug on a MAC list, the MCO must ensure that:

- the drug is listed as "A" or "B" rated in the most recent version of the United States Food and Drug Administration's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book, has an "NR" or "NA" rating or similar rating by a nationally recognized reference; and
- the drug is generally available for purchase by pharmacies in Texas from national or regional wholesalers and is not obsolete.

The MCO cannot set a MAC on a drug that is both preferred on HHSC's PDL and a brand name drug.

The MCO must provide a Network pharmacy the sources used to determine the MAC pricing at contract execution, renewal, and upon request. When determining MAC prices, the MCO may only compare drugs listed as therapeutically equivalent in the most recent version of the Orange Book to formulate the MAC price.

The MCO must review and update MAC prices at least once every seven days to reflect any modifications of MAC pricing, and establish a process for eliminating products from the MAC list or modifying MAC prices in a timely manner to remain consistent with pricing changes and product availability in the Service Area.

The MCO must implement a process for allowing Network pharmacies to challenge a MAC price no later than September 1, 2013. The MCO must submit the process for HHSC's review and approval prior to implementation and modification. The MCO must respond to a challenge by the 15th day after it is made. If the challenge is successful, the MCO must adjust the drug price, effective on the date the challenge is resolved, and apply the new price to all similarly situated Network pharmacies, as appropriate and determined by the MCO. If the challenge is denied, the MCO must provide the pharmacy the reasons for the denial. The MCO must provide a quarterly report regarding MAC price challenges in the manner and format specified in the UMCM.

No later than March 1, 2014, the MCO must implement a process that allows a Network pharmacy to readily access the pharmacy's MAC price through a website. The MCO must submit the process for HHSC's review and approval prior to implementation and modification. As described in Texas Government Code § 533.005(a-2), a MAC price list that is specific to a Network pharmacy is confidential for all other purposes.

The MCO must inform HHSC no later than 21 days after implementing a MAC price list for drugs dispensed at retail pharmacies but not by mail.

8.1.21.12 Mail-Order and Delivery

The MCO may include mail-order pharmacies in its pharmacy Network, but cannot require Members to use a mail-order pharmacy. The MCO cannot charge a Member who opts to use a mail order pharmacy any fees for using this service, including postage or handling for standard or expedited deliveries.

In Medicaid fee-for-service, the Vendor Drug Program pays qualified community retail pharmacies for pharmaceutical delivery services. The MCO must implement a process to ensure that Medicaid and CHIP Members receive free outpatient pharmaceutical deliveries from community retail pharmacies in their Service Areas, or through other methods approved by HHSC. Mail order delivery is not an appropriate substitute for delivery from a qualified community retail pharmacy unless requested by the Member. The MCO's process must be approved by HHSC, submitted using HHSC's template, and include all qualified community retail pharmacies identified by HHSC.

8.1.21.13 Health Resources and Services Administration 340B Discount Drug Program

The MCO must use a shared-savings approach for reimbursing Network Providers that participate in the federal Health Resources and Services Administration's (HRSA's) 340B discount drug program. The MCO cannot require a Network Provider to submit its actual acquisition cost (AAC) on outpatient drugs and biological products purchased through the 340B program, consistent with UMCM Chapter 2.2, "Pharmacy Claims Manual." In addition, the MCO cannot impose PA requirements based on non-preferred status ("PDL PAs") for these drugs and products.

8.1.21.14 Pharmacy Claims and File Processing
The MCO must process claims in accordance with UMCM Chapter 2.2, Pharmacy Claims Manual, and Texas Insurance Code § 843.339. This law requires the MCO to pay clean claims that are submitted electronically no later than 18 days after adjudication, and no later than 21 days after adjudication if the claim is not submitted electronically. In addition, the MCO must comply with Sections 8.2.1 (Medicaid) and 8.4.3 (CHIP) regarding payment of out-of-network pharmacy claims.

HHSC will provide the MCO or its designee with pharmacy interface files, including formulary, PDL, third party liability, master provider, and drug exception files. Due to the point-of-sale nature of outpatient pharmacy benefits, the MCO must ensure all applicable MIS systems (including pharmacy claims adjudication systems) are updated to include the data provided in the pharmacy interface files. The MCO must update within two business days of the files becoming available through HHSC’s file transfer process, unless clarification is needed or data/file exceptions are identified. If clarification is needed, the MCO must notify HHSC within the same two business days. Additionally, the MCO must be able to perform off-cycle formulary and PDL updates at HHSC’s request.

The MCO must ensure that all daily enrollment and eligibility files in the Joint Interface Plan are loaded into the pharmacy claims adjudication system within two calendar days of receipt.

**8.1.21.15 Pharmacy Audits**

The MCO must comply with the requirements of Texas Insurance Code § 843.3401, regarding audits of pharmacists and pharmacies, including the prohibition on the use of extrapolation.

**8.1.21.16 E-Prescribing**

The MCO must provide the appropriate data to the national e-prescribing network, which at a minimum will support: eligibility confirmation, PDL benefit confirmation, identification of preferred drugs that can be used in place of non-preferred drugs ("alternative drugs"), medication history, and prescription routing.

**8.1.22 Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)**

The MCO must make reasonable efforts to include FQHCs and RHCs (freestanding and Hospital-based) in its Provider Network. If a Member visits an FQHC or RHC (or a Municipal Health Department's public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must pay full encounter rates to FQHCs and RHCs for Medically Necessary Covered Services provided to Medicaid and CHIP Members using the prospective payment methodology described in Sections 1902(bb) and 2107(e)(1) of the Social Security Act. Because the MCO is responsible for the full payment amount in effect on the date of service, HHSC cost settlements (or "wrap payments") will not apply.

**8.1.23 Payment by Members.**

Except as provided in Section 8.1.23.1, MCOs, Network Providers, and Out-of-Network Providers are prohibited from billing or collecting any amount from a Member for Covered Services.

MCOs must inform Members of their responsibility to pay the costs for non-covered services, and must require its Network Providers to:

1. inform Members of costs for non-covered services prior to rendering such services; and
2. obtain a signed private pay form from such Members.

**8.1.23.1 Cost Sharing**
CHIP Network Providers and Out-of-Network Providers may collect copayments authorized in the CHIP State Plan from CHIP Members.

CHIP families that meet the enrollment period cost share limit requirement must report it to the HHSC Administrative Services Contractor. The HHSC Administrative Service Contractor notifies the MCO that a family’s cost share limit has been reached. Upon notification from the HHSC Administrative Services Contractor that a family has reached its cost-sharing limit for the term of coverage, the MCO will generate and mail to the CHIP Member a new Member ID card within five calendar days, showing that the CHIP Member’s cost-sharing obligation for that term of coverage has been met. No cost-sharing may be collected from these CHIP Members for the balance of their term of coverage.

Providers are responsible for collecting all Member copayments at the time of service. Copayments that families must pay vary according to their income level. Copayments do not apply, at any income level, to Covered Services that qualify as well-baby and well-child care services, preventive services, or pregnancy-related services as defined by 42 C.F.R. §457.520 and SSA § 2103(e)(2).

Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the copayments outlined in the CHIP Cost Sharing Table in Uniform Managed Care Manual Chapter 6.3, “CHIP Cost Sharing,” are the only amounts that an MCO may impose and a provider may collect from a CHIP-eligible family. As required by 42 C.F.R. §457.515, this includes, without limitation, Emergency Services that are provided at an Out-of-Network facility. Cost sharing for such Emergency Services is limited to the copayment amounts set forth in the CHIP Cost Sharing Table. If the MCO would have paid a lesser amount than the CHIP copayment in the absence of a CHIP copayment, then the copayment amount will be capped at the lesser amount.

Federal law prohibits charging premiums, deductibles, coinsurance, copayments, or any other cost-sharing to Members of Native Americans or Alaskan Natives. The HHSC Administrative Services Contractor will notify the MCO of Members who are not subject to cost sharing requirements. The MCO is responsible for educating Providers regarding the cost sharing waiver for this population.

An MCO’s monthly Capitation Payment will not be adjusted for a family’s failure to make its CHIP premium payment. There is no relationship between HHSC’s Capitation Payment to the MCO for coverage provided during a month and the family’s payment of its CHIP premium obligation for that month.

Cost sharing does not apply to CHIP Perinatal Program Members. The exemption from cost sharing applies through the end of the enrollment period.

As of the Effective Date of the Contract, cost sharing does not apply to Medicaid Members. If HHSC implements cost-sharing for Medicaid Members after the Effective Date of this Contract, the requirements of this section will apply, and HHSC will amend the Uniform Managed Care Manual to include Medicaid Cost Sharing Tables. Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the Medicaid copayments outlined in the Uniform Managed Care Manual will be the only amounts that an MCO may impose and a provider may collect from a Medicaid-eligible family.

8.1.24 Immunizations

The MCO must educate Providers on the Immunization Standard Requirements set forth in Chapter 161, Health and Safety Code; the standards in the Advisory Committee on Immunization Practices (ACIP) Immunization Schedule; the AAP Periodicity Schedule for CHIP Members; and the ACIP Immunization Schedule for Medicaid Members. The MCO must educate Providers that Medicaid Members birth through age 20 must be immunized during the Texas Health Steps checkup according to the ACIP routine immunization schedule. The MCO shall also educate Providers that the screening provider is responsible for administration of the immunization and should not refer children to Local Health Departments to receive immunizations.

The MCO must educate Providers about, and require Providers to comply with, the requirements of Chapter 161, Health and Safety Code, relating to the Texas Immunization Registry (ImmTrac), to include parental consent on the Vaccine Information Statement.
The MCO must notify Medicaid and CHIP Providers that they may enroll, as applicable, as Texas Vaccines for Children Providers. In addition, the MCO must work with HHSC and Providers to improve the reporting of immunizations to the statewide ImnTrac Registry.

8.1.25 Dental Coverage

The MCO is not responsible for reimbursing dental providers for preventive and therapeutic dental services obtained by Medicaid or CHIP Members, with the exception of the dental services available to STAR+PLUS Members in the enrolled in the HCBS STAR+PLUS Waiver. However, medical and/or Hospital charges, such as anesthesia, that are necessary in order for Medicaid or CHIP Members to access standard therapeutic dental services, are Covered Services for Medicaid or CHIP Members. The MCO must provide access to facilities and physician services that are necessary to support the dentist who is providing dental services to a Medicaid or CHIP Member under general anesthesia or intravenous (IV) sedation.

The MCO must inform Network facilities, anesthesiologists, and PCPs what authorization procedures are required, and how Providers are to be reimbursed for the preoperative evaluations by the PCP and/or anesthesiologist and for the facility services. For dental-related medical Emergency Services, the MCO must reimburse Network and Out-of-Network providers in accordance with federal and state laws, rules, and regulations.

8.1.26 Health Home Services

The MCO must provide Health Home Services. The MCOs must include a designated Provider to serve as the health home. The designated provider must meet the qualifications as established by the U.S. Secretary of Health and Human Services. The designated provider may be a provider operating with a team of health professionals, or a health team selected by the enrollee. The Health Home Services must be part of a person-based approach and holistically address the needs of persons with multiple chronic conditions or a single serious and persistent mental or health condition.

Health Home Services must include:

1. patient self-management education;
2. provider education;
3. evidence-based models and minimum standards of care;
4. standardized protocols and participation criteria;
5. provider-directed or provider-supervised care;
6. a mechanism to incentivize providers for provision of timely and quality care;
7. implementation of interventions that address the continuum of care;
8. mechanisms to modify or change interventions that are not proven effective;
9. mechanisms to monitor the impact of the Health Home Services over time, including both the clinical and the financial impact.
10. comprehensive care management;
11. care coordination and health promotion;
12. comprehensive traditional care, including appropriate follow-up, from inpatient to other settings;
13. patient and family support (including authorized representatives);
14. referral to community and social support services, if relevant, and;
15. use of health information technology to link services, as feasible and appropriate.

The Health Home Services requirements do not apply to Dual Eligible Members unless HHSC enters into a Dual Eligible Demonstration Project with the CMS. Under a demonstration project, STAR+PLUS MCOs will be required to coordinate health home initiatives with their affiliated Medicare Advantage/Special Needs Plans.

8.1.26.1 Health Home Services and Participating Providers

HHSC encourages MCOs to develop provider incentive programs for designated Providers who meet the requirements for patient-centered medical homes found in Texas Government Code §533.0029.

At a minimum, the MCO must:

1. maintain a system to track and monitor all Health Home Services participants for clinical, utilization, and cost measures;
2. implement a system for Providers to request specific Health Home interventions;
3. inform Providers about differences between recommended prevention and treatment and actual care received by Members enrolled in a Health Home Services program and Members' adherence to a service plan; and
4. provide reports on changes in a Member's health status to his or her PCP for Members enrolled in a Health Home Services program.

8.1.26.2 MCO Health Home Services Evaluation

HHSC or its EQRO will evaluate the MCO's Health Home Services program.

8.1.27 Cancellation of Product Orders

If a Network Provider offers delivery services for covered products, such as durable medical equipment (DME), home health supplies, or outpatient drugs or biological products, then the MCO's Network Provider Agreement must require the Provider to reduce, cancel, or stop delivery at the Member's or the Member's authorized representative's written or oral request. The Provider must maintain records documenting the request.

8.2 Additional Medicaid MCO Scope of Work

The following provisions apply to any MCO participating in the STAR or STAR+PLUS MCO Program.

8.2.1 Continuity of Care and Out-of-Network Providers

The MCO must ensure that the care of newly enrolled Members is not disrupted or interrupted. The MCO must take special care to provide continuity in the care of newly enrolled Members whose health or behavioral health condition has been treated by specialty care providers or whose health could be placed in jeopardy if Medically Necessary Covered Services are disrupted or interrupted. See Section 8.1.14, “Disease Management/Health Home Services,” for specific requirements for new Members transferring to the MCO’s Disease Management/Health Home Service Program.

The MCO is required to ensure that Expansion Service Area clients receiving acute care services through a prior authorization as of the STAR and STAR+PLUS Operational Start Date receive continued authorization of those services for the shorter of: (1) 90 calendar days after Operational Start Date, or (2) until the expiration date of the prior authorization. The MCO is also required to ensure that Expansion Service Area clients receiving Community-based Long Term Care Services as of the STAR+PLUS Operational Start Date receive continued authorization of those services for up to six (6) months after the Operational Start Date, unless a new assessment has been completed and new authorizations issued as described in Section 8.3.2.4. During transition, an HHSC's Administrative Services Contractor or an HHS Agency will provide the MCO with files identifying clients with prior authorizations for acute care services and clients receiving Community-based Long Term Care Services. The MCO is required to work with HHSC, its Administrative Services Contractor, and DADS to ensure that all necessary authorizations are in place within the MCO’s system(s) for the continuation of Community-based Long Term Care Services and prior authorized acute care services. The MCO must describe the process it will use to ensure continuation of these services in its Transition/Implementation Plan for the Expansion Service Areas as noted in Section 7.3.1.1 Contract Start-Up and Planning. The MCO is also required to ensure that Community-based Long Term Care Services Providers in the Expansion Service Areas are educated about and trained regarding the process for continuing such services prior to the Operational Start Date (see Section 8.3.6.1).

As described in Section 8.1.3.2, the MCO must allow pregnant Members past the 24th week of pregnancy to remain under the care of the Member’s current OB/GYN through the Member’s postpartum checkup, even if the provider is Out-of-Network. If a Member wants to change her OB/GYN to one who is in the Network, she must be allowed to do so if the Provider to whom she wishes to transfer agrees to accept her in the last trimester of pregnancy.

The MCO must pay a Member’s existing Out-of-Network providers for Medically Necessary Covered Services until the Member’s records, clinical information and care can be transferred to a Network Provider, or until such time as the Member is no longer enrolled in that MCO, whichever is shorter. Payment to Out-of-Network providers must be made within the time period required for Network Providers. The MCO must comply with Out-of-Network provider reimbursement rules as adopted by HHSC.
With the exception of pregnant Members who are past the 24th week of pregnancy, this Article does not extend the obligation of the MCO to reimburse the Member’s existing Out-of-Network providers for ongoing care for:

1. more than 90 days after a Member enrolls in the MCO’s Program, or
2. for more than nine (9) months in the case of a Member who, at the time of enrollment in the MCO, has been diagnosed with and receiving treatment for a terminal illness and remains enrolled in the MCO.

The MCO’s obligation to reimburse the Member’s existing Out-of-Network provider for services provided to a pregnant Member past the 24th week of pregnancy extends through delivery of the child, immediate postpartum care, and the follow-up checkup within the first six (6) weeks of delivery.

If a Member moves out of a Service Area, the MCO must provide or pay Out-of-Network providers in the new Service Area who provide Medically Necessary Covered Services to Members through the end of the period for which the MCO received a Capitation Payment for the Member.

If Covered Services are not available within the MCO’s Network, the MCO must provide Members with timely and adequate access to Out-of-Network services for as long as those services are necessary and not available in the Network, in accordance with 42 C.F.R. §438.206(b)(4). The MCO will not be obligated to provide a Member with access to Out-of-Network services if such services become available from a Network Provider.

The MCO must ensure that each Member has access to a second opinion regarding the use of any Medically Necessary Covered Service. A Member must be allowed access to a second opinion from a Network Provider or Out-of-Network provider if a Network Provider is not available, at no cost to the Member, in accordance with 42 C.F.R. §438.206(b)(3).

### 8.2.2 Provisions Related to Covered Services for Medicaid Members

#### 8.2.2.1 Emergency Services

MCO policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws, rules, and regulations including 42 C.F.R. §438.114, whether the provider is Network or Out-of-Network. MCO policies and procedures must be consistent with the prudent layperson definition of an Emergency Medical Condition and the claims adjudication processes required under the Contract and 42 C.F.R. §438.114.

The MCO must pay for professional, facility, and ancillary services provided in a Hospital emergency department that meet the requirements of the Emergency Medical Treatment and Active Labor Act (EMTALA) (42 C.F.R. §§489.20, 489.24 and 438.114(b)&(c)). The MCO must reimburse for both the physician’s services and the Hospital's Emergency Services, including the emergency room and its ancillary services.

A medical screening examination needed to diagnose an Emergency Medical Condition must be provided in a Hospital based emergency department that meets the requirements of the Emergency Medical Treatment and Active Labor Act (EMTALA) (42 C.F.R. §§489.20, 489.24 and 438.114(b)&(c)). The MCO must pay for the emergency medical screening examination, as required by 42 U.S.C. §1395dd. The MCO must reimburse for both the physician's services and the Hospital's Emergency Services, including the emergency room and its ancillary services.

When the medical screening examination determines that an Emergency Medical Condition exists, the MCO must pay for Emergency Services performed to stabilize the Member. The emergency physician must document these services in the
Member's medical record. The MCO must reimburse for both the physician's and Hospital's emergency stabilization services including the emergency room and its ancillary services.

The MCO must cover and pay for Post-Stabilization Care Services in the amount, duration, and scope necessary to comply with 42 C.F.R. §438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii). The MCO is financially responsible for post-stabilization care services obtained within or outside the Network that are not pre-approved by a Provider or other MCO representative, but administered to maintain, improve, or resolve the Member’s stabilized condition if:

1. the MCO does not respond to a request for pre-approval within one (1) hour;
2. the MCO cannot be contacted; or
3. the MCO representative and the treating physician cannot reach an agreement concerning the Member’s care and a Network physician is not available for consultation. In this situation, the MCO must give the treating physician the opportunity to consult with a Network physician and the treating physician may continue with care of the patient until an Network physician is reached. The MCO’s financial responsibility ends as follows: the Network physician with privileges at the treating Hospital assumes responsibility for the Member’s care; the Network physician assumes responsibility for the Member’s care through transfer; the MCO representative and the treating physician reach an agreement concerning the Member’s care; or the Member is discharged.

8.2.2.2 Family Planning - Specific Requirements

The MCO must provide access to confidential family planning services.

The MCO must require, through Provider contract provisions, that Members requesting contraceptive services or family planning services are also provided counseling and education about the family planning and family planning services available to Members. The MCO must develop outreach programs to increase community support for family planning and encourage Members to use available family planning services.

The MCO must ensure that Members have the right to choose any Medicaid-enrolled family planning provider, whether the provider chosen by the Member is in or outside the Provider Network. The MCO must provide Members access to information about available providers of family planning services and the Member’s right to choose any Medicaid-enrolled family planning provider.

The MCO must provide, at a minimum, the full scope of services available under the Texas Medicaid program for family planning services. The MCO will reimburse family planning agencies no less than the Medicaid fee-for service amounts for family planning services, including Medically Necessary medications, contraceptives, and supplies and will reimburse Out-of-Network family planning providers in accordance with HHSC’s administrative rules. The MCO cannot require prior authorization for family planning services whether rendered by a Network or Out-of-Network provider.

The MCO must provide medically approved methods of contraception to Members, provided that the methods of contraception are Covered Services. Contraceptive methods must be accompanied by verbal and written instructions on their correct use. The MCO must establish mechanisms to ensure all medically approved methods of contraception are made available to the Member, either directly or by referral to a Subcontractor.

The MCO must develop, implement, monitor, and maintain standards, policies and procedures for providing information regarding family planning to Providers and Members, specifically regarding State and federal laws governing Member confidentiality (including minors). Providers and family planning agencies cannot require parental consent for minors to receive family planning services. The MCO must require, through contractual provisions, that Subcontractors have mechanisms in place to ensure Member’s (including minor’s) confidentiality for family planning services.

8.2.2.3 Texas Health Steps (EPSDT)

8.2.2.3.1 Medical Checkups

The MCO must develop effective methods to ensure that children birth through age 20 receive Texas Health Steps services when due and according to the recommendations established by the Texas Health Steps periodicity schedule for children. The MCO must arrange for Texas Health Steps services for all eligible Members, except when Members or their representatives knowingly and voluntarily decline or refuse services after receiving sufficient information to make an informed decision.
For New Members birth through age 20, overdue or upcoming Texas Health Steps medical checkups should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. A Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due beginning on the child’s birthday and is considered timely if it occurs no later than 364 calendar days after the child’s birthday. For purposes of this requirement, the terms “New Member” and “Existing Member” are defined in Chapter 12.4 of the Uniform Managed Care Manual.

The MCO must have mechanisms in place to ensure that all newborn Members have an initial newborn checkup before discharge from the Hospital and in accordance with the Texas Health Steps periodicity schedule.

8.2.2.3.2 Oral Evaluation and Fluoride Varnish

The MCO must educate Providers on the availability of the Oral Evaluation and Fluoride Varnish (OEFV) Medicaid benefit that can be rendered and billed by certified Texas Health Steps providers when performed on the same day as the Texas Health Steps medical checkup. The Provider education must include information about how to assist a Member with referral to a dentist to establish a dental home.

8.2.2.3.3 Lab

The MCO must require Providers to send all Texas Health Steps newborn screens to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code. Providers must include detailed identifying information for all screened newborn Members and the Member’s mother to allow DSHS to link the screens performed at the Hospital with screens performed at the newborn follow up Texas Health Steps medical checkup.

All laboratory specimens collected as a required component of a Texas Health Steps checkup (see Texas Medicaid Provider Procedures Manual for age-specific requirements) must be submitted to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code for analysis unless the Texas Medicaid Provider Procedures Manual, Children’s Services Handbook provides otherwise. The MCO must educate Providers about Texas Health Steps Program requirements for submitting laboratory tests to the DSHS Laboratory Services Section.

8.2.2.3.4 Education/Outreach

The MCO must ensure that Members are provided information and educational materials about the services available through the Texas Health Steps Program, and how and when they may obtain the services. The information should tell the Member how they can obtain dental benefits, services through the Medical Transportation Program, and advocacy assistance from the MCO. Standard language describing Texas Health Steps services, including medical, dental and case management services is provided in the UMCM. The MCO should use this language for Member Materials. Any additions to or deviations from the standard language must be reviewed and approved by HHSC prior to publication and distribution to Members.

The MCO will encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO must provide outreach to Members to ensure they receive prompt services and are effectively informed about available Texas Health Steps services. Each month, the MCO must retrieve from the HHSC Administrative Services Contractor Bulletin Board System a list of Members who are due and overdue Texas Health Steps services. Using these lists and its own internally generated list, the MCO will contact such Members to schedule the service as soon as possible. The MCO outreach staff must coordinate with Texas Health Steps outreach unit to ensure that Members have access to the Medical Transportation Program, and that any coordination with other agencies is maintained.

The MCO must cooperate and coordinate with the State, outreach programs and Texas Health Steps regional program staff and agents to ensure prompt delivery of services to Children of Migrant Farm Workers and other migrant populations who may transition into and out of the MCO’s Program more rapidly and/or unpredictably than the general population.

The MCO must make an effort to coordinate and cooperate with existing community and school-based health and education programs that offer services to school-aged children in a location that is both familiar and convenient to the Members. The MCO must make a good faith effort to comply with Head Start’s requirement that Members participating in Head Start receive their Texas Health Steps checkup no later than 45 days after enrolling into either program.

8.2.2.3.5 Training
The MCO must provide appropriate training to all Network Providers and Provider staff in the Providers' area of practice regarding the scope of benefits available and the Texas Health Steps Program. Training must include:

1. Texas Health Steps benefits;
2. the periodicity schedule for Texas Health Steps medical checkups and immunizations;
3. the required elements of Texas Health Steps medical checkups;
4. providing or arranging for all required lab screening tests (including lead screening), and Comprehensive Care Program (CCP) services available under the Texas Health Steps program to Members birth through age 20 years,
5. Medical Transportation services available to Members such as rides to healthcare service by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, meals and lodging when away from home;
6. importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
7. information about MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
8. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit; and
9. administrative issues such as claims filing and services available to Members.
10. 72-hour emergency supply prescription policy and procedures;
11. outpatient prescription drug prior authorization process;
12. how to access the Medicaid formulary and preferred drug list (PDL) on HHSC's website;
13. how to use HHSC's free subscription service for accessing the Medicaid formulary and PDL through the Internet or hand-held devices; and
14. scope of Durable Medical Equipment (DME) and other items commonly found in a pharmacy that are available for Members birth through age 20 years.

MCO must also educate and train Providers regarding the requirements imposed on HHSC and contracting MCOs under the Consent Decree and Corrective Action Orders entered in Frew v. Janek, et. al. Providers should be educated and trained to treat each Texas Health Steps visit as an opportunity for a comprehensive assessment of the Member.

8.2.2.3.6 Data Validation

The MCO must require all Texas Health Steps Providers to submit claims for services paid (either on a capitated or fee-for-service basis) on the CMS 1500 claim form and use the HIPAA compliant code set required by HHSC. Encounter Data will be validated by chart review of a random sample of Texas Health Steps eligible enrollees against monthly Encounter Data reported by the MCO. HHSC or its designee will conduct chart reviews to validate that all screens are performed when due and as reported, and that reported data is accurate and timely. Substantial deviation between reported and charted Encounter Data could result in the MCO and/or Network Providers being investigated for potential Fraud, Abuse, or Waste without notice to the MCO or the Provider.

8.2.2.4 Perinatal Services

The MCO's perinatal Health Care Services must ensure appropriate care is provided to women and infant Members from the preconception period through the infant's first year of life. The MCO's perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act) and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems;
6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems; and
7. Education and care coordination for Members who are at high-risk for preterm labor, including education on the availability of medication regimens to prevent preterm birth, such as hydroxyprogesterone caproate. The MCO should also educate Providers on the prior authorization processes for these benefits and services.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member that meets the eligibility criteria to be designated in the Pregnant Woman Risk Group no later than two (2) weeks after receiving the daily Enrollment File verifying the Member's enrollment into the MCO or has a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

The MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated Caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must adjudicate provider claims for services provided to a newborn Member in accordance with HHSC's claims processing requirements using the proxy ID number or State-issued Medicaid ID number. The MCO cannot deny claims based on a provider's non-use of State-issued Medicaid ID number for a newborn Member. The MCO must accept provider claims for newborn services based on mother's name and/or Medicaid ID number with accommodations for multiple births, as specified by the MCO.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO's prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

8.2.2.5 Sexually Transmitted Diseases (STDs) and Human Immunodeficiency Virus (HIV)

The MCO must provide STD services that include STD/HIV prevention, screening, counseling, diagnosis, and treatment. The MCO is responsible for implementing procedures to ensure that Members have prompt access to appropriate services for STDs, including HIV. The MCO must allow Members access to STD services and HIV diagnosis services without prior authorization or referral by a PCP.

The MCO must comply with Texas Family Code Section 32.003, relating to consent to treatment by a child. The MCO must provide all Covered Services required to form the basis for a diagnosis by the Provider as well as the STD/HIV treatment plan.

The MCO must make education available to Providers and Members on the prevention, detection and effective treatment of STDs, including HIV.

The MCO must require Providers to report all confirmed cases of STDs, including HIV, to the local or regional health authority according to 25 T.A.C. §§97.131 - 97.134, using the required forms and procedures for reporting STDs. The MCO must require the Providers to coordinate with the HHSC regional health authority to ensure that Members with confirmed cases of syphilis, chancroid, gonorrhea, chlamydia and HIV receive risk reduction and partner elicitation/notification counseling.

The MCO must have established procedures to make Member records available to public health agencies with authority to conduct disease investigation, receive confidential Member information, and provide follow up activities.

The MCO must require that Providers have procedures in place to protect the confidentiality of Members provided STD/HIV services. These procedures must include, but are not limited to, the manner in which medical records are to be safeguarded, how employees are to protect medical information, and under what conditions information can be shared. The MCO must inform and require its Providers who provide STD/HIV services to comply with all state laws relating to communicable disease reporting requirements. The MCO must implement policies and procedures to monitor Provider compliance with confidentiality requirements.

The MCO must have policies and procedures in place regarding obtaining informed consent and counseling Members provided STD/HIV services.

8.2.2.6 Tuberculosis (TB)

The MCO must provide Members and Providers with education on the prevention, detection and effective treatment of tuberculosis (TB). The MCO must establish mechanisms to ensure all procedures required to screen at-risk Members and to
form the basis for a diagnosis and proper prophylaxis and management of TB are available to all Members, except services referenced in **Section 8.2.2.8** as Non-Capitated Services. The MCO must develop policies and procedures to ensure that Members who may be or are at risk for exposure to TB are screened for TB. An at-risk Member means a person who is susceptible to TB because of the association with certain risk factors, behaviors, drug resistance, or environmental conditions. The MCO must consult with the local TB control program to ensure that all services and treatments are in compliance with the guidelines recommended by the American Thoracic Society (ATS), the Centers for Disease Control and Prevention (CDC), and DSHS policies and standards.

The MCO must implement policies and procedures requiring Providers to report all confirmed or suspected cases of TB to the local TB control program within one (1) Business Day of identification, using the most recent DSHS forms and procedures for reporting TB. The MCO must provide access to Member medical records to DSHS and the local TB control program for all confirmed and suspected TB cases upon request.

The MCO must coordinate with the local TB control program to ensure that all Members with confirmed or suspected TB have a contact investigation and receive Directly Observed Therapy (DOT). The MCO must require, through contract provisions, that Providers report to DSHS or the local TB control program any Member who is non-compliant, drug resistant, or who is or may be posing a public health threat. The MCO must cooperate with the local TB control program in enforcing the control measures and quarantine procedures contained in Chapter 81 of the Texas Health and Safety Code.

The MCO must have a mechanism for coordinating a post-discharge plan for follow-up DOT with the local TB program. The MCO must coordinate with the DSHS South Texas Hospital and Texas Center for Infectious Disease for voluntary and court-ordered admission, discharge plans, treatment objectives and projected length of stay for Members with multi-drug resistant TB.

### 8.2.2.7 Objection to Provide Certain Services

In accordance with 42 C.F.R. §438.102, the MCO may file an objection based on moral or religions grounds to providing, reimbursing for, or providing coverage of a Covered Service or a counseling or referral service related to the Covered Service. The MCO must work with HHSC to develop a work plan to complete the necessary tasks and determine an appropriate date for implementation of the requested changes to the requirements related to Covered Services. The work plan will include timeframes for completing the necessary Contract and waiver amendments, adjustments to Capitation Rates, identification of the MCO and enrollment materials needing revision, and notifications to Members.

In order to meet the requirements of this section, no less than 120 days prior to the proposed effective date of a policy change, the MCO must notify HHSC of grounds for and provide detail concerning its moral or religious objections and the specific services covered under the objection.

### 8.2.2.8 Medicaid Non-capitated Services

The following Texas Medicaid programs, services, or benefits have been excluded from MCO Covered Services. Medicaid Members are eligible to receive these Non-capitated Services on a Fee-for-Service basis, or through a Dental MCO (for most dental services). MCOs should refer to relevant chapters in the Texas **Provider Procedures Manual** for more information.

1. Texas Health Steps dental (including orthodontia);
2. Texas Health Steps environmental lead investigation (ELI);
3. Early Childhood Intervention (ECI) case management/service coordination;
4. Early Childhood Intervention Specialized Skills Training;
5. DSHS Targeted Case Management - coordinated by LMHAs;
6. DSHS mental health rehabilitation;
7. Case Management for Children and Pregnant Women;
8. Texas School Health and Related Services (SHARS);
9. Department of Assistive and Rehabilitative Services Blind Children's Vocational Discovery and Development Program;
10. tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation);
11. Health and Human Services Commission's Medical Transportation;
12. DADS hospice services;
13. Court-Ordered Commitments to inpatient mental health facilities as a condition of probation;
14. for STAR, Personal Care Services for persons birth through age 20 are Non-capitated Services;
15. for STAR+PLUS, nursing facility services are Non-capitated Services; and
16. for Members who are enrolled in STAR or STAR+PLUS during an Inpatient Stay under one of the exceptions identified in Attachment A, Section 5.06(a)(2), Hospital facility charges associated with the Inpatient Stay are Non-Capitated Services under the circumstances described in Attachment A, Section 5.06(a)(2).

8.2.2.9 Referrals for Non-capitated Services

Although Medicaid MCOs are not responsible for paying or reimbursing for Non-capitated Services, MCOs are responsible for educating Members about the availability of Non-capitated Services, and for providing appropriate referrals for Members to obtain or access these services. The MCO is responsible for informing Providers that bills for all Non-capitated Services must be submitted to HHSC’s Claims Administrator for reimbursement.

8.2.2.10 Cooperation with Immunization Registry

The MCO must work with HHSC and health care providers to improve the immunization rate of Medicaid clients and the reporting of immunization information for inclusion in the Texas Immunization Registry, called “ImmTrac.”

8.2.2.11 Case Management for Children and Pregnant Women

The MCO must coordinate services with Case Management for Children and Pregnant Women. This coordination includes, but is not limited to, client education, outreach, case collaboration and referrals to Case Management for Children and Pregnant Women. The MCO is required to follow referral procedures as outlined by the State. Referrals to Case Management for Children and Pregnant Women are to be based upon guidelines provided by the State, assessment, plan of care, change in client's physical, mental or psychosocial condition, or at client's request.

Annually, all MCO Care Coordination/Case Management Staff must complete the Texas Health Steps Online module titled: Case Management Services in Texas and maintain proof of completion.

8.2.2.12 Children of Migrant Farm Workers (FWC)

The MCO must cooperate and coordinate with the State, outreach programs, and Texas Health Steps regional program staff and agents to ensure prompt delivery of services, in accordance with the Contract’s timeframes, to FWC Members and other migrant populations who may transition into and out of the MCO more rapidly and/or unpredictably than the general population.

The MCO must provide accelerated services to FWC Members. For purposes of this section, “accelerated services” are services that are provided to FWC Members prior to their leaving Texas for work in other states. Accelerated services include the provision of preventive Health Care Services that will be due during the time the FWC Member is out of Texas. The need for accelerated services must be determined on a case-by-case and according to the FWC Member’s age, periodicity schedule and health care needs.

The MCO must develop an annual plan identifying the process and methods it will use to identify/validate FWC and provide accelerated services to such Members in accordance with Chapter 12 of the Uniform Managed Care Manual.

8.2.3 Medicaid Significant Traditional Providers

In the first three (3) operational years of a Medicaid MCO Program, the MCO must offer Network Provider agreements to all Medicaid Significant Traditional Providers (STPs) identified by HHSC. Medicaid STPs are defined as pharmacy providers and providers of Acute and Long Term Services and Supports and, for STAR+PLUS, Community-based Long Term Care providers in a county that provided a significant level of care to Medicaid clients.

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs). For STAR MCOs, the STP requirements for other provider types apply only in the Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, the STP requirements for other types of providers apply to the Jefferson, El Paso, Lubbock, and Hidalgo Service Areas; as well as the following counties:
Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. The Procurement Library includes a list of Medicaid STPs by Service Area.

The STP requirement will be in place for three (3) years after the Operational Start Date. During that time, providers who believe they meet the STP requirements may contact HHSC to request HHSC's consideration for STP status.

The MCO must give STPs the opportunity to participate in its Network for at least three (3) years. However, the STP provider must:

1. agree to accept the MCO's Provider reimbursement rate for the provider type; and
2. meet the standard credentialing requirements of the MCO, provided that lack of board certification or accreditation by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) is not the sole grounds for exclusion from the Provider Network.

The MCO may terminate a Network Provider agreement with an STP after demonstrating, to the satisfaction of HHSC, good cause for the termination. Good cause may include evidence of provider fraud, waste, or abuse.

8.2.4 Provider Complaints and Appeals

8.2.4.1 Provider Complaints

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider complaints. Within this process, the MCO must respond fully and completely to each complaint and establish a tracking mechanism to document the status and final disposition of each Provider complaint. The MCO must resolve Provider complaints within 30 days from the date the complaint is received. The HMO is subject to remedies, including liquidated damages, if at least 98 percent of Provider Complaints are not resolved within 30 days of receipt of the Complaint by the HMO. Please see the Attachment A “Uniform Managed Care Contract Terms & Conditions” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

MCOs must also resolve Provider complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will generally provide MCOs ten (10) Business Days to resolve such complaints. If an MCO cannot resolve a complaint by the due date indicated on the notification form, it may submit a request to extend the deadline. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages if Provider complaints are not resolved by the timeframes indicated herein.

8.2.4.2 Appeal of Provider Claims

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider appeals related to claims payment, as required by Texas Government Code § 533.005(a)(15). Within this process, the MCO must respond fully and completely to each Medicaid Provider's claims payment appeal and establish a tracking mechanism to document the status and final disposition of each appeal. The MCO must allow Community-based Long Term Services and Supports providers to appeal claims that the MCO has not paid or denied by the 31st day following receipt.

In addition, the MCO's process must comply with Texas Government Code § 533.005(a)(19).

MCOs must contract with non-network physicians to resolve claims disputes related to denial on the basis of Medical Necessity that remain unresolved subsequent to a provider appeal. The determination of the physician resolving the dispute must be binding on the MCO and a Network Provider. The physician resolving the dispute must hold the same specialty or a related specialty as the appealing provider. HHSC reserves the right to amend this process to include an independent review process established by HHSC for final determination on these disputes.

8.2.5 Member Rights and Responsibilities

In accordance with 42 C.F.R. §438.100, MCOs must maintain written policies and procedures for informing Members of their rights and responsibilities, and must notify
Members of their right to request a copy of these rights and responsibilities. The Member Handbook must include a notice that complies with Uniform Managed Care Manual Chapter 3.4.

8.2.6 Medicaid Member Complaint and Appeal System

The MCO must develop, implement, and maintain a Member Complaint and Appeal system that complies with the requirements in applicable federal and state laws and regulations, including 42 C.F.R. §431.200; 42 C.F.R. Part 438, Subpart F, “Grievance System”; and the provisions of 1 T.A.C. Chapter 357, relating to Medicaid managed care organizations.

The Complaint and Appeal system must include a Complaint process, an Appeal process, and access to HHSC’s Fair Hearing System. The procedures must be the same for all Members and must be reviewed and approved in writing by HHSC or its designee. Modifications and amendments to the Member Complaint and Appeal system must be submitted for HHSC’s approval at least 30 days prior to the implementation.

8.2.6.1 Member Complaint Process

The MCO must have written policies and procedures for receiving, tracking, responding to, reviewing, reporting and resolving Complaints by Members or their authorized representatives. For purposes of Section 8.2.6 an “authorized representative” is any person or entity acting on behalf of the Member and with the Member’s written consent. A Provider may be an authorized representative.

MCOs also must resolve Member Complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will provide MCOs up to ten (10) Business Days to resolve such Complaints, depending on the severity and/or urgency of the Complaint. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless the HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages, if Member Complaints are not resolved by the timeframes indicated herein.

The MCO must resolve Complaints within 30 days from the date the Complaint is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of receipt of the Complaint by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” The Complaint procedure must be the same for all Members. The Member or Member’s authorized representative may file a Complaint either orally or in writing. The MCO must also inform Members how to file a Complaint directly with HHSC, once the Member has exhausted the MCO’s Complaint process.

The MCO must designate an officer of the MCO who has primary responsibility for ensuring that Complaints are resolved in compliance with written policy and within the required timeframe. For purposes of Section 8.2.6.2, an “officer” of the MCO means a president, vice president, secretary, treasurer, or chairperson of the board for a corporation, the sole proprietor, the managing general partner of a partnership; or a person having similar executive authority in the organization.

The MCO must have a routine process to detect patterns of Complaints. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Complaints.

The MCO’s Complaint procedures must be provided to Members in writing and through oral interpretive services. A written description of the MCO’s Complaint procedures must be available in prevalent non-English languages for Major Population Groups identified by HHSC, at no more than a 6th grade reading level.

The MCO must include a written description of the Complaint process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TeleTypewriter/Telecommunications Device for the Deaf (TTY/TDD) and interpreter capabilities for making Complaints. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every Complaint received in person, by telephone, or in writing must be acknowledged and recorded in a written record and logged with the following details:
1. date;
2. identification of the individual filing the Complaint;
3. identification of the individual recording the Complaint;
4. nature of the Complaint;
5. disposition of the Complaint (i.e., how the MCO resolved the Complaint);
6. corrective action required; and
7. date resolved.

For Complaints that are received in person or by telephone, the MCO must provide Members or their representatives with written notice of resolution if the Complaint cannot be resolved within one working day of receipt.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making a Complaint.

If the Member makes a request for disenrollment, the MCO must give the Member information on the disenrollment process and direct the Member to the HHSC Administrative Services Contractor. If the request for disenrollment includes a Complaint by the Member, the Complaint will be processed separately from the disenrollment request, through the Complaint process.

The MCO will cooperate with the HHSC’s Administrative Services Contractor and HHSC or its designee to resolve all Member Complaints. Such cooperation may include, but is not limited to, providing information or assistance to internal Complaint committees.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the MCO’s Complaint system. The MCO’s Member Advocates must assist Members in writing or filing a Complaint and monitoring the Complaint through the MCO’s Complaint process until the issue is resolved.

8.2.6.2 Medicaid Standard Member Appeal Process

The MCO must develop, implement and maintain an Appeal procedure that complies with state and federal laws and regulations, including 42 C.F.R.§ 431.200 and 42 C.F.R. Part 438, Subpart F, “Grievance System.” An Appeal is a disagreement with an MCO Action as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.” The Appeal procedure must be the same for all Members. When a Member or his or her authorized representative expresses orally or in writing any dissatisfaction or disagreement with an Action, the MCO must regard the expression of dissatisfaction as a request to Appeal an Action.

A Member must file a request for an Appeal with the MCO within 30 days from receipt of the notice of the Action. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Appeals are not resolved within 30 days of receipt of the Appeal by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” To ensure continuation of currently authorized services, however, the Member must file the Appeal on or before the later of: (1) ten (10) days following the MCO’s mailing of the notice of the Action, or (2) the intended effective date of the proposed Action. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved in compliance with written policy and within the 30-day time limit.

The provisions of Chapter 4201, Texas Insurance Code, relating to a Member’s right to Appeal an Adverse Determination made by the MCO or a utilization review agent to an independent review organization, do not apply to a Medicaid recipient. Chapter 4201 is preempted by federal Fair Hearings requirements.

The MCO must have policies and procedures in place outlining the Medical Director’s role in an Appeal of an Action. The Medical Director must have a significant role in monitoring, investigating and hearing Appeals. In accordance with 42 C.F.R.§ 438.406, the MCO’s policies and procedures must require that individuals who make decisions on Appeals are not involved in
any previous level of review or decision-making, and are health care professionals who have the appropriate clinical expertise in treating the Member’s condition or disease.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the Appeal process. The MCO’s Member Advocates must assist Members in writing or filing an Appeal and monitoring the Appeal through the MCO’s Appeal process until the issue is resolved.

The MCO must have a routine process to detect patterns of Appeals. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Appeals.

The MCO’s Appeal procedures must be provided to Members in writing and through oral interpretive services. A written description of the Appeal procedures must be available in prevalent non-English languages identified by HHSC, at no more than a 6th grade reading level. The MCO must include a written description of the Appeals process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TTY/TDD and interpreter capabilities for requesting an Appeal of an Action. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every oral Appeal received must be confirmed by a written, signed Appeal by the Member or his or her representative, unless the Member or his or her representative requests an expedited resolution. All Appeals must be recorded in a written record and logged with the following details:

1. date notice is sent;
2. effective date of the Action;
3. date the Member or his or her representative requested the Appeal;
4. date the Appeal was followed up in writing;
5. identification of the individual filing;
6. nature of the Appeal; and
7. disposition of the Appeal, including a copy of the notice of disposition and the date it was sent to Member.

The MCO must send a letter to the Member within five (5) Business Days acknowledging receipt of the Appeal request. Except for the resolution of an Expedited Appeal as provided in Section 8.2.6.3, the MCO must complete the entire standard Appeal process within 30 calendar days after receipt of the initial written or oral request for Appeal. The timeframe for a standard Appeal may be extended up to 14 calendar days if the Member or his or her representative requests an extension, or the MCO shows that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved within these timeframes and in accordance with the MCO’s written policies.

During the Appeal process, the MCO must provide the Member a reasonable opportunity to present evidence and any allegations of fact or law in person as well as in writing. The MCO must inform the Member of the time available for providing this information and that, in the case of an expedited resolution, limited time will be available.

The MCO must provide the Member and his or her representative opportunity, before and during the Appeal process, to examine the Member’s case file, including medical records and any other documents considered during the Appeal process. The MCO must include, as parties to the Appeal, the Member and his or her representative, including the legal representative of a deceased Member’s estate.

In accordance with 42 C.F.R.§ 438.420, the MCO must continue the Member’s benefits currently being received by the Member, including the benefit that is the subject of the Appeal, if all of the following criteria are met:

1. the Member or his or her representative files the Appeal timely as defined in this Contract:
2. the Appeal involves the termination, suspension, or reduction of a previously authorized course of treatment;
3. the services were ordered by an authorized provider;
4. the original period covered by the original authorization has not expired; and
5. the Member requests an extension of the benefits.

If, at the Member’s request, the MCO continues or reinstates the Member’s benefits while the Appeal is pending, the benefits must be continued until one of the following occurs:

1. the Member withdraws the Appeal;
2. ten (10) days pass after the MCO mails the notice resolving the Appeal against the Member, unless the Member, within the 10-day timeframe, has requested a Fair Hearing with continuation of benefits. In such a case, the benefits will continue until a Fair Hearing decision can be reached; or
3. a State Fair Hearing Officer issues a hearing decision adverse to the Member or the time period or service limits of a previously authorized service has been met.

In accordance with 42 C.F.R.§ 438.420(d), if the final resolution of the Appeal is adverse to the Member and upholds the MCO’s Action, then to the extent that the services were furnished to comply with the Contract, the MCO may recover such costs from the Member.

If the MCO or State Fair Hearing Officer reverses a decision to deny, limit, or delay services that were not furnished while the Appeal was pending, the MCO must authorize or provide the disputed services promptly and as expeditiously as the Member’s health condition requires.

If the MCO or State Fair Hearing Officer reverses a decision to deny authorization of services and the Member received the disputed services while the Appeal was pending, the MCO is responsible for the payment of services.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making an Appeal.

8.2.6.3 Expedited Medicaid MCO Appeals

In accordance with 42 C.F.R. §438.410, the MCO must establish and maintain an expedited review process for Appeals. Such expedited process will apply when the MCO determines (for a request from a Member) or the provider indicates (in making the request on the Member’s behalf or supporting the Member’s request) that taking the time for a standard resolution could seriously jeopardize the Member’s life or health. The MCO must follow all Appeal requirements for standard Member Appeals as set forth in Section 8.2.6.2, except where differences are specifically noted. The MCO must accept oral or written requests for Expedited Appeals.

Members must exhaust the MCO’s Expedited Appeal process before making a request for an expedited Fair Hearing. After the MCO receives the request for an Expedited Appeal, it must hear an approved request for a Member to have an Expedited Appeal and notify the Member of the outcome of the Expedited Appeal within three (3) Business Days, except that the MCO must complete investigation and resolution of an Appeal relating to an ongoing emergency or denial of continued Hospitalization: (1) in accordance with the medical or dental immediacy of the case; and (2) not later than one (1) Business Day after receiving the Member’s request for Expedited Appeal.

Except for an Appeal relating to an ongoing emergency or denial of continued hospitalization, the timeframe for notifying the Member of the outcome of the Expedited Appeal may be extended up to 14 calendar days if the Member requests an extension or the MCO shows (to the satisfaction of HHSC, upon HHSC’s request) that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay.

If the decision is adverse to the Member, the MCO must follow the procedures relating to the notice in Section 8.2.6.5. The MCO is responsible for notifying the Member of his or her right to access an expedited Fair Hearing from HHSC. The MCO will be responsible for providing documentation to HHSC and the Member, indicating how the decision was made, prior to HHSC’s expedited Fair Hearing.
The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for requesting an Expedited Appeal. The MCO must ensure that punitive action is neither taken against a provider who requests an expedited resolution or supports a Member’s request.

If the MCO denies a request for expedited resolution of an Appeal, it must:

1. transfer the Appeal to the timeframe for standard resolution, and
2. make a reasonable effort to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

### 8.2.6.4 Access to Fair Hearing for Medicaid Members

The MCO must inform Members that they have the right to access the Fair Hearing process at any time during the Appeal system provided by the MCO, with the following exception. In the case of an expedited Fair Hearing process, the MCO must inform the Member that he or she must first exhaust the MCO’s internal Expedited Appeal process prior to filing an Expedited Fair Hearing request. The MCO must notify Members that they may be represented by an authorized representative in the Fair Hearing process.

If a Member requests a Fair Hearing, the MCO will complete the request for Fair Hearing and submit the form via facsimile to the appropriate Fair Hearings office, within five (5) calendar days of the Member’s request for a Fair Hearing. Within five (5) calendar days of notification that the Fair Hearing is set, the MCO will prepare an evidence packet for submission to the HHSC Fair Hearings staff and send a copy of the packet to the Member. The evidence packet must comply with HHSC’s Fair Hearings requirements.

### 8.2.6.5 Notices of Action and Disposition of Appeals for Medicaid Members

The MCO must notify the Member, in accordance with 1 T.A.C. Chapter 357, whenever the MCO takes an Action. The notice must, at a minimum, include any information required by the Uniform Managed Care Manual Chapters 3.21 and 3.22 regarding notices of actions and incomplete prior authorization requests.

### 8.2.6.6 Timeframe for Notice of Action

In accordance with 42 C.F.R.§ 438.404(c), the MCO must mail a notice of Action within the following timeframes:

1. for termination, suspension, or reduction of previously authorized Medicaid-covered services, within the timeframes specified in 42 C.F.R.§§ 431.211, 431.213, and 431.214;
2. for denial of payment, at the time of any Action affecting the claim;
3. for standard service authorization decisions that deny or limit services, within the timeframe specified in 42 C.F.R.§ 438.210(d)(1);
4. if the MCO extends the timeframe in accordance with 42 C.F.R. §438.210(d)(1), it must:
   a. give the Member written notice of the reason for the decision to extend the timeframe and inform the Member of the right to file an Appeal if he or she disagrees with that decision; and
   b. issue and carry out its determination as expeditiously as the Member’s health condition requires and no later than the date the extension expires;
5. for service authorization decisions not reached within the timeframes specified in 42 C.F.R.§ 438.210(d) (which constitutes a denial and is thus an Adverse Action), on the date that the timeframes expire; and
6. for expedited service authorization decisions, within the timeframes specified in 42 C.F.R. 438.210(d).

### 8.2.6.7 Notice of Disposition of Appeal

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In accordance with 42 C.F.R.§ 438.408(e), the MCO must provide written notice of disposition of all Appeals including Expedited Appeals. The written resolution notice must include the results and date of the Appeal resolution. For decisions not wholly in the Member’s favor, the notice must contain:

1. the right to request a Fair Hearing;
2. how to request a Fair Hearing;
3. The circumstances under which the Member may continue to receive benefits pending a Fair Hearing;
4. how to request the continuation of benefits;
5. if the MCO’s Action is upheld in a Fair Hearing, the Member may be liable for the cost of any services furnished to the Member while the Appeal is pending; and
6. any other information required by 1 T.A.C. Chapter 357 that relates to a managed care organization’s notice of disposition of an Appeal.

8.2.6.8 Timeframe for Notice of Resolution of Appeals

In accordance with 42 C.F.R.§ 438.408, the MCO must provide written notice of resolution of Appeals, including Expedited Appeals, as expeditiously as the Member’s health condition requires, but the notice must not exceed the timeframes provided in this Section for standard Appeals or Expedited Appeals. For expedited resolution of Appeals, the MCO must make reasonable efforts to give the Member prompt oral notice of resolution of the Appeal, and follow up with a written notice within the timeframes set forth in this Section. If the MCO denies a request for expedited resolution of an Appeal, the MCO must transfer the Appeal to the timeframe for standard resolution as provided in this Section, make reasonable efforts to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.9 Medicaid Member Advocates

The MCO must provide Member Advocates to assist Members. Member Advocates must be physically located within the Service Area unless an exception is approved by HHSC. Member Advocates must inform Members of the following:

1. their rights and responsibilities,
2. the Complaint process,
3. the Appeal process,
4. Covered Services available to them, including preventive services, and
5. Non-capitated Services available to them.

Member Advocates must assist Members in writing Complaints and are responsible for monitoring the Complaint through the MCO’s Complaint process.

Member Advocates are responsible for making recommendations to the MCO’s management on any changes needed to improve either the care provided or the way care is delivered. Member Advocates are also responsible for helping or referring Members to community resources that are available to meet Members’ needs if services are not available from the MCO as Covered Services.

8.2.7 Additional Medicaid Behavioral Health Provisions

8.2.7.1 Local Mental Health Authority (LMHA)

Assessment to determine eligibility for rehabilitative and targeted DSHS case management services is a function of the LMHA. Covered Services must be provided to Members with severe and persistent mental illness (SPMI) and severe emotional...
disturbance (SED), when Medically Necessary, whether or not they are also receiving Targeted Case Management or rehabilitation services through the LMHA.

The MCO must enter into written agreements with all LMHAs in the Service Area that describe the process(es) that the MCO and LMHAs will use to coordinate services for Medicaid Members with SPMI or SED. The agreements will:

1. describe the Behavioral Health Services indicated in detail in the Provider Procedures Manual and in the Texas Medicaid Bulletin, include the amount, duration, and scope of basic and Value-added Services, and the MCO's responsibility to provide these services;
2. describe criteria, protocols, procedures and instrumentation for referral of Medicaid Members from and to the MCO and the LMHA;
3. describe processes and procedures for referring Members with SPMI or SED to the LMHA for assessment and determination of eligibility for rehabilitation or Targeted Case Management Services;
4. describe how the LMHA and the MCO will coordinate providing Behavioral Health Services to Members with SPMI or SED;
5. establish clinical consultation procedures between the MCO and LMHA including consultation to effect referrals and ongoing consultation regarding the Member's progress;
6. establish procedures to authorize release and exchange of clinical treatment records;
7. establish procedures for coordination of assessment, intake/triage, utilization review/utilization management and care for persons with SPMI or SED;
8. establish procedures for coordination of inpatient psychiatric services (including Court-ordered Commitment of Members birth through age 20) in state psychiatric facilities within the LMHA's catchment area;
9. establish procedures for coordination of emergency and urgent services to Members;
10. establish procedures for coordination of care and transition of care for new Members who are receiving treatment through the LMHA; and
11. establish that, when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by DSHS, published at: http://www.dshs.state.tx.us/mhsa/umguidelines/.

The MCO must offer licensed practitioners of the healing arts (defined in 25 T.A.C., Part 1, Chapter 419, Subchapter L), who are part of the Member's treatment team for rehabilitation services (the Treatment Team) the opportunity to participate in the MCO's Network. The practitioner must agree to accept the MCO's Provider reimbursement rate, meet the credentialing requirements, and comply with all the terms and conditions of the MCO's standard Provider contract.

MCOs must allow Members receiving rehabilitation services to choose the licensed practitioners of the healing arts who are currently a part of the Member's Treatment Team. If the Member chooses to receive these services from Out-of-Network licensed practitioners of the healing arts who are part of the Member's Treatment Team, the MCO must reimburse the provider through Out-of-Network reimbursement arrangements.

Nothing in this section diminishes the potential for the Local Mental Health Authority to seek best value for rehabilitative services by providing these services under arrangement, where possible, as specified is 25 T.A.C. §419.455.

8.2.7.2 Substance Abuse Benefit

8.2.7.2.1 Substance Abuse and Dependency Treatment Services

The requirements in this subsection apply to STAR+PLUS MCOs in all Service Areas and to STAR MCOs in all Service Areas except the Dallas Service Area. Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program.

Substance use disorder includes substance abuse and dependence as defined by the current Diagnostic and Statistical Manual of Mental Disorders (DSM).

8.2.7.2.2 Providers
Providers for the substance abuse and dependency treatment benefit include: Hospitals, chemical dependency treatment facilities licensed by the Department of State Health Services, and practitioners of the healing arts.

MCOS must include Significant Traditional Providers (STPs) of these benefits in its Network, and provide such STPs with expedited credentialing. Medicaid MCOS must enter into provider agreements with any willing Significant Traditional Provider (STP) of these benefits that meets the Medicaid enrollment requirements, MCO credentialing requirements and agrees to the MCO’s contract terms and rates. For purposes of this section, STPs are providers who meet the Medicaid enrollment requirements and have a contract with the Department of State Health Services (DSHS) to receive funding for treatment under the Federal Substance Abuse Prevention and Treatment block grant. The STP requirements described herein apply to all Service Areas, and unlike other STP requirements are not limited to the first three (3) years of operations.

MCOS must maintain a provider education process to inform substance abuse treatment Providers in the MCO’s Network on how to refer Members for treatment.

8.2.7.2.3 Care Coordination

MCOS must ensure care coordination is provided to Members with a substance use disorder. MCOS must work with providers, facilities, and Members to coordinate care for Members with a substance use disorder and to ensure Members have access to the full continuum of Covered Services (including without limitation assessment, detoxification, residential treatment, outpatient services, and medication therapy) as Medically Necessary and appropriate. MCOS must also coordinate services with the DSHS, DFPS, and their designees for Members requiring Non-Capitated Services. Non-Capitated Services includes, without limitation, services that are not available for coverage under the Contract, State Plan or Waiver that are available under the Federal Substance Abuse and Prevention and Treatment block grant when provided by a DSHS-funded provider or covered by the DFPS under direct contract with a treatment provider. MCOS must work with DSHS, DFPS, and providers to ensure payment for Covered Services is available to Out-of-Network Providers who also provide related Non-capitated Services when the Covered Services are not available through Network Providers.

8.2.7.3.4 Member Education and Self-Referral for Substance Abuse and Dependency Treatment Services

MCOS must maintain a Member education process (including hotlines, manuals, policies and other Member Materials) to inform Members of the availability of and access to substance abuse treatment services, including information on self-referral.

8.2.8 Third Party Liability and Recovery and Coordination of Benefits

Medicaid coverage is secondary when coordinating benefits with all other insurance coverage, unless an exception applies under federal law. Coverage provided under Medicaid will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with HHSC's administrative rules regarding Out-of-Network payment (1 T.A.C. §353.4).

MCOS are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must be in accordance with state and federal law and regulations, including Section 1902(a)(25)(E) and (F) of the Social Security Act, which require MCOS to pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action. The projected amount of TPR that the MCO is expected to recover may be factored into the rate setting process. HHSC will provide the MCO, by Plan code, a monthly Member file (also known as a TPR client file). The file is an extract of those Medicaid Members who are known or believed to have other insurance. The file contains any Third Party Recovery (TPR) data that HHSC's claims administration agent has on file for individual Medicaid clients, organized by name and client number, and adding additional relevant information where available, such as the insured's name/contact information, type of coverage, the insurance carrier, and the effective dates.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, "Financial Reporting Requirements."

After 120 days from the date of adjudication of a claim that is subject to TPR, HHSC has the right to attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated TPR or subrogation action.
8.2.9 Coordination with Public Health Entities

8.2.9.1 Reimbursed Arrangements with Public Health Entities

The MCO must make a good faith effort to enter into a Subcontract for Covered Services with Public Health Entities. Possible Covered Services that could be provided by Public Health Entities include, but are not limited to, the following services:

1. Sexually Transmitted Diseases (STDs) services;
2. confidential HIV testing;
3. immunizations;
4. tuberculosis (TB) care;
5. Family Planning services;
6. Texas Health Steps medical checkups, and
7. prenatal services.

If the MCO is unable to enter into a contract with Public Health Entities, the MCO must document efforts to contract with Public Health Entities, and make such documentation available to HHSC upon request.

MCO Contracts with Public Health Entities must specify the scope of responsibilities of each party, the methodology and agreements regarding billing and reimbursements, reporting responsibilities, Member and Provider educational responsibilities, and the methodology and agreements regarding sharing of confidential medical record information between the Public Health Entity and the MCO or PCP.

The MCO must:

1. identify care managers who will be available to assist public health providers and PCPs in efficiently referring Members to the public health providers, specialists, and health-related service providers either within or outside the MCO’s Network; and
2. inform Members that confidential healthcare information will be provided to the PCP, and educate Members on how to better utilize their PCPs, public health providers, emergency departments, specialists, and health-related service providers.

8.2.9.2 Non-Reimbursed Arrangements with Local Public Health Entities

The MCO must coordinate with Public Health Entities in its Service Area(s) regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. report to Public Health Entities regarding communicable diseases and/or diseases that are preventable by immunization as defined by state law;
2. notify the local Public Health Entity of communicable disease outbreaks involving Members; and
3. educate Members and Providers regarding WIC services available to Members.

To follow-up on suspected or confirmed cases of childhood lead exposure, the MCO must coordinate with local Public Health Entities that have a child lead program, or with the DSHS Childhood Lead Poisoning Prevention Program when the local Public Health Entity does not have a child lead program. In addition, the MCO must make a good faith effort to establish an effective working relationship with all state and local public health entities in its Service Area(s) to identify issues and promote initiatives addressing public health concerns.
8.2.10 Coordination with Other State Health and Human Services (HHS) Programs

The MCO must coordinate with other state HHS Programs in each Service Area regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2. or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. require Providers to use the DSHS Bureau of Laboratories for specimens obtained as part of a Texas Health Steps medical checkup, as indicated in Section 8.1.4 under Laboratory Services;

2. notify Providers of the availability of vaccines through the Texas Vaccines for Children Program;

3. work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry;

4. educate Providers and Members about services available through the Department of State Health Services (DSHS) Case Management for Children and Pregnant Women program;

5. coordinate with Case Management for Children and Pregnant Women for health care needs that are identified by Case Management for Children and Pregnant Women and referred to the MCO;

6. participate, to the extent practicable, in the community-based coalitions with the Medicaid-funded case management programs in the Department of Assistive and Rehabilitative Services (DARS), the Department of Aging and Disability Services (DADS), and DSHS;

7. cooperate with activities required of state and local public health authorities necessary to conduct the annual population and community based needs assessment;

8. report all blood lead results, coordinate and follow-up on suspected or confirmed cases of childhood lead exposure with the Childhood Lead Poisoning Prevention Program in DSHS, and follow the Centers for Disease Control and Prevention guidelines for testing children for lead and follow-up actions for children with elevated lead levels located at http://www.dshs.state.tx.us/lead/pdf_files/pb_109_physician_reference.pdf;

9. coordinate with Texas Health Steps Outreach Unit;

10. coordination of care protocols for working with Dental Contractors, as well as protocols for reciprocal referral and communication of data and clinical information regarding the Member's Medically Necessary dental Covered Services; and

11. develop a coordination plan to share with local entities regarding clients identified as requiring special needs or assistance during a disaster.

8.2.11 Advance Directives

Federal and state laws require MCOs and providers to maintain written policies and procedures for informing all adult Members 18 years of age and older about their rights to refuse, withhold or withdraw medical treatment and mental health treatment through advance directives (see Social Security Act §1902(a)(57) and §1903(m)(1)(A)). The MCO’s policies and procedures must include written notification to Members and comply with provisions contained in 42 C.F.R. § 489, Subpart I, relating to advance directives for all Hospitals, critical access Hospitals, skilled nursing facilities, home health agencies, providers of home health care, providers of personal care services and hospices. The MCO’s policies and procedures must comply with state laws and rules regarding:

1. a Member’s right to self-determination in making health care decisions;

2. the Advance Directives Act, Chapter 166, Texas Health and Safety Code, which includes:

   a. a Member’s right to execute an advance written directive to physicians and family or surrogates, or to make a non-written directive to administer, withhold or withdraw life-sustaining treatment in the event of a terminal or irreversible condition;

   b. a Member’s right to make written and non-written out-of-Hospital do-not-resuscitate (DNR) orders;

   c. a Member’s right to execute a Medical Power of Attorney to appoint an agent to make health care decisions on the Member’s behalf if the Member becomes incompetent; and
3. Chapter 137, Texas Civil Practice and Remedies Code, which includes a Member’s right to execute a Declaration for Mental Health Treatment in a document making a declaration of preferences or instructions regarding mental health treatment.

The MCO must maintain written policies for implementing a Member’s advance directive. Those policies must include a clear and precise statement of limitation if a Provider cannot or will not implement a Member’s advance directive.

The MCO cannot require a Member to execute or issue an advance directive as a condition of receiving Health Care Services.

The MCO cannot discriminate against a Member based on whether or not the Member has executed or issued an advance directive.

The MCO’s policies and procedures must require the MCO and Subcontractors to comply with the requirements of state and federal law relating to advance directives. The MCO must provide education and training to employees and Members on issues concerning advance directives.

All materials provided to Members regarding advance directives must be written at a 7th - 8th grade reading comprehension level, except where a provision is required by state or federal law and the provision cannot be reduced or modified to a 7th - 8th grade reading level because it is a reference to the law or is required to be included “as written” in the state or federal law.

The MCO must notify Members of any changes in state or federal laws relating to advance directives within 90 days from the effective date of the change, unless the law or regulation contains a specific time requirement for notification.

8.2.12 SSI Members

A Member’s SSI status is effective the date the State’s eligibility system identifies the Member as Type Program 13 (TP13). The State is responsible for updating the State’s eligibility system within 45 days of official notice of the Member’s Federal SSI eligibility by the Social Security Administration (SSA).

8.2.13 Medicaid Wrap-Around Services

The MCO may be required to supplement Medicare coverage for STAR+PLUS Members by providing services, supplies, and outpatient drugs and biologicals that are available under the Texas Medicaid program. There are 3 categories of Medicaid wrap-around services:

1. Medicaid Only Services (i.e., services that do not have a corresponding Medicare service);
2. Medicare Services that become a Medicaid expense due to a benefit limitation on the Medicare side being met; and
3. Medicare Services that become a Medicaid expense due to coinsurance (True Cross-over Claims).

Section 8.2.13.1 includes requirements for Medicaid wrap-around services for outpatient drugs and biological products. HHSC will provide advance written notice to the MCOs identifying other types of Medicaid wrap-around services that will become Covered Services, and the effective date of coverage.

8.2.13.1 Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products

Effective March 1, 2012, STAR+PLUS MCOs will provide Medicaid wrap-around services for outpatient drugs and biological products to STAR+PLUS Members under a non-risk, cost settlement basis, as described in Attachment A, Section 10.16, "Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products." Refer to HHSC's Uniform Managed Care Manual, Chapter 2.2, "Pharmacy Claims Manual," for additional information regarding the claims processing requirements for these Medicaid wrap-around services.

8.2.14 Medical Transportation

HHSC reserves the right to amend the scope of the Contract to include medical transportation services (MTP) for Medicaid Members. For additional information regarding the MTP Program, the MCO should refer to the Nonemergency Medical
Transportation (NEMT) Full Risk Broker Services RFP. MCOs should note that the MTP Program includes numerous *Frew v. Janek* requirements, including enhanced call center performance standards. If MTP services are added to the scope of the Contract, HHSC will provide advance written notice and conduct appropriate Readiness Review.

### 8.2.15 This Section Intentionally Left Blank

### 8.2.16 Supplemental Payments for Qualified Providers

In accordance with PPACA as amended by Section 1202 of the Health Care and Education Reconciliation Act and corresponding federal regulations at 42 C.F.R §§ 438.6 and 438.804, the MCO will make supplemental payments to qualified Medicaid providers for dates of service beginning on January 1, 2013, and ending on December 31, 2014. The Uniform Managed Care Manual will identify the types of providers and services that qualify for the supplemental payments.

HHSC or its Administrative Services Contractor will conduct the provider self-attestation process, and determine which providers and services are eligible for supplemental payments. HHSC will use encounter and other data provided by the MCO to calculate supplemental payments, and will provide the MCO with detailed reports identifying qualified providers, claims, and supplemental payment amounts. The MCO will use this information to respond to provider inquiries and complaints regarding supplemental payments, and will refer all cases for resolution as directed by HHSC.

The MCO will pay claims from qualified Network Providers at the MCO's contracted rates, and out-of-network providers in accordance with 1 Tex. Admin. Code § 353.4. The MCO's encounter data should reflect the actual amount paid to providers, and should not be adjusted to include supplemental payment amounts.

As described in Attachment A, Section 10.17, "Pass-through Payments for Provider Rate Increases," the MCO must pay the full amount of supplemental payments to qualified providers no later than 30 calendar days after receipt of HHSC's supplemental payment report, contingent upon MCO's receipt of payment of the allocation. The MCO must submit a report and certification, in the form and manner identified in the Uniform Managed Care Manual, to validate that payments have been made to qualified providers in accordance with HHSC's calculations. In addition, the MCO must provide reports, in the manner and frequency prescribed in the Uniform Managed Care Manual, documenting all claims adjustments that alter the supplemental payment amounts, including documentation of recoupments of overpaid amounts. The MCO must collect and refund all overpayments of supplemental payments to HHSC in the format and manner prescribed in the Uniform Managed Care Manual. In cases where a third party is responsible for all or part of a Covered Service and the MCO recovers only part of the amount paid by the MCO, then the amount recovered must be applied first to the supplemental payment and returned to HHSC. If the amount recovered is less than the supplemental payment, then the MCO will return the full amount of the recovery to HHSC.

### 8.3 Additional STAR+PLUS Scope of Work

#### 8.3.1 Covered Community-Based Long-Term Services and Supports

The MCO must ensure that STAR+PLUS Members needing Community Long-term Services and Supports are identified, and that services are referred and authorized in a timely manner. The MCO must ensure that Providers of Community Long-term Services and Supports are licensed to deliver the services they provide. The inclusion of Community Long-term Services and Supports in a managed care model presents challenges, opportunities and responsibilities.

Community Long-term Services and Supports may be necessary as a preventative service to avoid more expensive hospitalizations, emergency room visits, or institutionalization. Community Long-term Services and Supports should also be made available to Members to assure maintenance of the highest level of functioning possible in the least restrictive setting. A Member’s need for Community Long-term Services and Supports to assist with the activities of daily living must be considered as important as needs related to a medical condition. MCOs must provide both Medically Necessary and Functionally Necessary Covered Services to Community Long-term Services and Supports Members.

#### 8.3.1.1 Community Based Long-Term Services and Supports Available to All Members
The MCO must enter into written contracts with Providers of Personal Assistance Services and Day Activity and Health Services (DAHS) to ensure access to these services for all STAR+PLUS Members. At a minimum, these Providers must meet all of the following state licensure and certification requirements for providing the services in Attachment B-2.2, "STAR+PLUS Covered Services."

### Community-based Long-Term Services and Supports Available to All Members

<table>
<thead>
<tr>
<th>Service</th>
<th>Licensure and Certification Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Home Care</td>
<td>The Provider must be licensed by DADS as a Home and Community Support Services Agency (HCSSA). The level of licensure required depends on the type of service delivered. NOTE: For primary home care and client managed attendant care, the agency may have only the Personal Assistance Services level of licensure.</td>
</tr>
<tr>
<td>Day Activity and Health Services (DAHS)</td>
<td>The Provider must be licensed by the DADS Regulatory Division as an adult day care provider. To provide DAHS, the Provider must provide the range of services required for DAHS.</td>
</tr>
</tbody>
</table>

### 8.3.1.2 HCBS STAR+PLUS Waiver Services Available to Qualified Members

The HCBS STAR+PLUS Waivers provides Community Long-term Services and Supports to Medicaid Eligibles who are elderly and to adults with disabilities as a cost-effective alternative to living in a nursing facility. These Members must be age 21 or older, be a Medicaid recipient or be otherwise financially eligible for waiver services. To be eligible for HCBS STAR+PLUS Waiver Services, a Member must meet income and resource requirements for Medicaid nursing facility care, and receive a determination from HHSC on the medical necessity/level of care of the nursing facility care. The MCO must make available to STAR+PLUS Members who meet these eligibility requirements the array of services allowable through HHSC's CMS-approved HCBS STAR+PLUS Waiver (see Attachment B-2.2, "STAR+PLUS Covered Services").

### Community-based Long-Term Services and Supports under the HCBS STAR+PLUS Waiver

<table>
<thead>
<tr>
<th>Service</th>
<th>Licensure and Certification Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Assistance Services</td>
<td>The Provider must be licensed by DADS as a Home and Community Support Services Agency (HCSSA). The level of licensure required depends on the type of service delivered. For Primary Home Care and Client Managed Attendant Care, the agency may have only the Personal Assistance Services level of licensure.</td>
</tr>
<tr>
<td>Assisted Living Services</td>
<td>The Provider must be licensed by the Texas Department of Aging and Disability Services, Long Term Care Regulatory Division in accordance with 40 T.A.C., Part 1, Chapter 92. The type of licensure determines what services may be provided.</td>
</tr>
<tr>
<td>Emergency Response Service Provider</td>
<td>Licensed by the Texas Department of State Health Services as a Personal Emergency Response Services Agency under 25 T.A.C., Part 1, Chapter 140, Subchapter B.</td>
</tr>
<tr>
<td>Service Type</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Nursing Services</td>
<td>Licensed Registered Nurse by the Texas Board of Nursing under 22 T.A.C., Part 11, Chapter 217. The registered nurse must comply with the requirements for delivery of nursing services, which include requirements such as compliance with the Texas Nurse Practice Act and delegation of nursing tasks. The licensed vocational nurse must practice under the supervision of a registered nurse, licensed to practice in the State.</td>
</tr>
<tr>
<td>Adult Foster Care</td>
<td>Adult foster care homes serving three (3) or fewer participants must comply with requirements outlined in 40 T.A.C., Part 1, Chapter 48, Subchapter K. Adult foster care homes serving four (4) participants must be licensed by DADS as an assisted living facility under 40 T.A.C., Part 1, Chapter 92.</td>
</tr>
<tr>
<td>Dental</td>
<td>Licensed by the Texas State Board of Dental Examiners as a Dentist under 22 T.A.C., Part 5, Chapter 101.</td>
</tr>
<tr>
<td>Respite Care</td>
<td>Licensed by DADS as a Home and Community Support Services Agency (HCSSA) under 40 T.A.C., Part 1, Chapter 97.</td>
</tr>
<tr>
<td>Home Delivered Meals</td>
<td>Providers must comply with requirement of 40 T.A.C., Part 1, Chapter 55 for providing home delivered meal services, which include requirements such as dietary requirements, food temperature, delivery times, and training of volunteers and others who deliver meals.</td>
</tr>
<tr>
<td>Physical Therapy (PT) Services</td>
<td>Licensed Physical Therapist through the Texas Board of Physical Therapy Examiners, Chapter 453 of the Texas Occupations Code.</td>
</tr>
<tr>
<td>Occupational Therapy (OT) Services</td>
<td>Licensed Occupational Therapist through the Texas Board of Occupational Therapy Examiners, Chapter 454 of the Texas Occupations Code.</td>
</tr>
<tr>
<td>Speech, Hearing, and Language Therapy Services</td>
<td>Licensed Speech Therapist through the Department of State Health Services.</td>
</tr>
<tr>
<td>Consumer Directed Services (CDS)</td>
<td>No licensure or certification requirements. The Providers must complete DADS’ required training. Current CDSAs contracted by DADS are assumed to have completed the training.</td>
</tr>
<tr>
<td>Transition Assistance Services (TAS)</td>
<td>The Provider must comply with the requirements for delivery of TAS, which include requirements such as allowable purchases, cost limits, and timeframes for delivery. TAS providers must demonstrate knowledge of, and experience in, successfully serving individuals who require home and community-based services</td>
</tr>
<tr>
<td>Minor Home Modification</td>
<td>No licensure or certification requirements.</td>
</tr>
<tr>
<td>Adaptive Aids and Medical Equipment</td>
<td>No licensure or certification requirements.</td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>No licensure or certification requirements.</td>
</tr>
</tbody>
</table>
8.3.2 Service Coordination

8.3.2.1 Service Coordination Plan Requirements

The MCO must implement an HHSC-approved service coordination plan no later than October 1, 2013. At a minimum, the service coordination plan must address:

- how outreach to Members will be conducted;
- how Members are assessed and their service plans developed (the initial identification of Members' needed services and supports);
- how Members will be assessed as needing an assessment when changes in their health or life circumstances occur;
- the Member's needs and preferences;
- the minimum number of service coordination contacts a Member will receive per year;
- how service coordination will be provided (face-to-face, telephone contact, etc.); and
- how these service coordination services will be tracked by the MCO.

The service coordination plan must address service planning for Members in the following categories.

- Level 1 Members: Highest level of utilization
  - Includes HCBS SPW recipients and Members with complex medical needs.
  - MCOs must provide Level 1 Members with a single identified person as their assigned Service Coordinator.
  - All Level 1 Members must receive a minimum of two face-to-face service coordination contacts annually.
- Level 2 Members: Lower risk/utilization
  - MCOs must provide Level 2 Members with a single identified person as their assigned Service Coordinator. Members and required assessments are as follows.
  - Members receiving LTSS for Personal Assistance Services or Day Activity and Health Services (PAS and DAHS) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Members with a history of behavioral health issues (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Members with a history of substance abuse (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Dual Eligibles who do not meet Level 1 requirements must receive a minimum of two telephonic service coordination contacts annually.
- Level 3 Members: Members who do not qualify as Level 1 or Level 2
  - MCO must make at least two telephonic service coordination outreach contacts yearly.
  - Level 3 Members are not required to have a named Service Coordinator, unless they request service coordination services.

MCOs must provide written notice to all STAR+PLUS Members (including Level 3 Members who do not have a named Service Coordinator) that includes:

- A description of service coordination; and
- The MCO's Service Coordination phone number.

MCOs must notify all STAR+PLUS Members receiving service coordination of:

- The name of their Service Coordinator;
- The phone number of their Service Coordinator;
- The minimum number of contacts they will receive every year; and
- The types of contacts they will receive.

8.3.2.2 Service Coordination Structure
Individuals receiving Level 1 or Level 2 Service Coordination must have a single, identified person as their assigned Service Coordinator and the MCO must notify Members within 15 Business Days of the name and phone number of their new Service Coordinator, if their Service Coordinator changes. The MCO must also post the new Service Coordinator's information on the portal within the same time period.

Service coordination teams must be led by at least one Service Coordinator. Team members must have the following expertise or access within the MCO to identified subject matter experts in the following areas.

- Behavioral health
- Substance abuse
- Local resources (e.g., basic needs like housing, food, utility assistance)
- Pediatrics
- LTSS
- End of life/advanced illness
- Acute care
- Preventive care
- Cultural competency
- Pharmacology
- Nutrition
- Texas Promoting Independence strategies
- Consumer Directed Services options
- Person-directed planning

Service Coordination teams will have an overarching philosophy of independent living, self-determination, and community integration.

All STAR+PLUS MCOS must provide dedicated toll-free service coordination phone numbers. These numbers, if not regional, must have the capabilities of warm transferring to the MCO's regional office.

The MCO must furnish a Service Coordinator to all STAR+PLUS Members who request one. The MCO should also furnish a Service Coordinator to a STAR+PLUS Member when the MCO determines one is required through an assessment of the Member's health and support needs. If the Member refuses Service Coordination, the MCO should document the refusal in the Member's case file.

At a minimum, the MCO will have three tiers of Service Coordination for all Members.

The MCO must ensure that each STAR+PLUS Member has a qualified PCP who is responsible for overall clinical direction and, in conjunction with the Service Coordinator, serves as a central point of integration and coordination of Covered Services, including primary, Acute Care, Long-term Services and Supports, and Behavioral Health Services.

The Service Coordinator must work with the Member's PCP to coordinate all STAR+PLUS Covered Services and any applicable Non-capitated Services. This requirement applies regardless of whether the PCP is in the MCO's Network particularly for Dual Eligible Members. In order to integrate the Member's care while remaining informed of the Member's needs and condition, the Service Coordinator must actively involve the Member's primary and specialty care Providers, including Behavioral Health Service Providers, Providers of Non-capitated Services, and Medicare Advantage health plans for qualified Dual Eligible Members. When considering whether to refer a Member to a nursing facility or other long-term care facility, the MCO must consider the availability of the Program of All-Inclusive Care for the Elderly (PACE) for that Member.

Dual Eligible Members receive most Acute Care services through Medicare, rather than Medicaid.

The MCO must identify and train Members or their families to coordinate their own care, to the extent of the Member's or the family's capability and willingness to coordinate care.

8.3.2.3 Service Coordinators

The MCO must employ as Service Coordinators persons experienced in meeting the needs of vulnerable populations who have Chronic or Complex Conditions. Service Coordinators are Key MCO Personnel as described in Attachment A, "Uniform
Service Coordinators must meet the following minimum requirements:

- A Service Coordinator for a Level 1 Member must be a registered nurse (RN) or nurse practitioner (NP). Licensed vocational nurses (LVNs) employed as Service Coordinators before March 1, 2013 will be allowed to continue in that role.
- A Service Coordinator for a Level 2 or 3 Member must have an undergraduate or graduate degree in social work or a related field or be an LVN, RN, NP, or physician's assistant (PA); or have a minimum of a high school diploma or GED and direct experience with the ABD/SSI population in three of the last five years.
- Service Coordinators for Level 3 Members must have experience in meeting the needs of the member population served (for example, people with disabilities).
- Service Coordinators must possess knowledge of the principles of most integrated settings, including federal and state requirements.
- Service Coordinators must complete 16 hours of service coordination training every two years. MCOs must administer the training, which must include:
  - information related to the population served;
  - how to assess member needs;
  - person-directed planning;
  - refresher of available local and statewide resources; and
  - respect for cultural, spiritual, racial, and ethnic beliefs of others.

8.3.2.4 Referral to Community Organizations

The MCO must provide information about and referral to community organizations that may not be providing STAR+PLUS Covered Services, but are otherwise important to the health and wellbeing of Members. These organizations include, but are not limited to:

1. state/federal agencies (e.g., those agencies with jurisdiction over aging, public health, substance abuse, mental health/retardation, rehabilitation, developmental disabilities, income support, nutritional assistance, family support agencies, etc.);
2. social service agencies (e.g., area agencies on aging, residential support agencies, independent living centers, supported employment agencies, etc.);
3. city and county agencies (e.g., welfare departments, housing programs, etc.);
4. civic and religious organizations; and
5. consumer groups, advocates, and councils (e.g., legal aid offices, consumer/family support groups, permanency planning, etc.).

8.3.2.5 Discharge Planning

The MCO must have a protocol for quickly assessing the needs of Members discharged from a Hospital or other care or treatment facility.

The MCO’s Service Coordinator must work with the Member’s PCP, the Hospital discharge planner(s), the attending physician, the Member, and the Member’s family to assess and plan for the Member’s discharge. When Long-term Services and Supports is needed, the MCO must ensure that the Member’s discharge plan includes arrangements for receiving community-based care whenever possible. The MCO must ensure that the Member, the Member’s family, and the Member’s PCP are all well informed of all service options available to meet the Member’s needs in the community.

8.3.2.6 Transition Plan for New STAR+PLUS Members

The MCO must provide a transition plan for Members enrolled in the STAR+PLUS Program. HHSC, and/or the previous STAR+PLUS MCO contractor, will provide the MCO with detailed Care Plans, names of current providers, etc., for newly enrolled Members already receiving Long-term Services and Supports at the time of enrollment in the MCO. The MCO must ensure that current providers are paid for Medically Necessary and Functionally Necessary Covered Services that are delivered.
in accordance with the Member’s existing treatment/Long-Term Services and Supports plan after the Member has become enrolled in the MCO and until the transition plan is developed.

The transition planning process must include, but is not limited to, the following:

1. review of existing Long-Term Services and Supports plans prepared by DADS or another STAR+PLUS MCO;
2. preparation of a transition plan that ensures continuous care under the Member’s existing Care Plan during the transfer into the MCO’s Network while the MCO conducts an appropriate assessment and development of a new plan, if needed;
3. if durable medical equipment or supplies had been ordered prior to enrollment but have not been received by the time of enrollment, coordination and follow-through to ensure that the Member receives the necessary supportive equipment and supplies without undue delay; and
4. payment to the existing provider of service under the existing authorization for up to six (6) months, until the MCO has completed the assessment and Service Plans and issued new authorizations.

Except as provided below, the MCO must review any existing care plan and develop a transition plan within 30 days of receiving notice of the Member’s enrollment. For all existing care plans received prior to the Operational Start Date, the MCO will have additional time to complete this process, not-to-exceed 120 days after the Member’s enrollment. The transition plan will remain in place until the MCO contacts the Member or the Member’s representative and coordinates modifications to the Member’s current treatment/Long-Term Services and Supports plan. The MCO must ensure that the existing services continue and that there are no breaks in services. For initial implementation of the STAR+PLUS program in a Service Area, the MCO must honor existing LTSS authorizations for up to six (6) months following the Operational Start Date, or until the MCO has evaluated and assessed the Member and issued new authorizations.

The Service Plan includes, but is not limited to, the following:

1. the Member’s history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide such services.

The Service Plan may include information for services outside the scope of covered benefits such as how to access affordable, integrated housing.

The MCO must ensure that the Member or the Member’s representative is involved in the assessment process and fully informed about options, is included in the development of the Service Plan, and is in agreement with the plan when completed.

8.3.2.7 Centralized Medical Record and Confidentiality

The Service Coordinator must be responsible for maintaining a centralized record related to Member contacts, assessments and service authorizations. The MCO must ensure that the organization of and documentation included in the centralized Member record meets all applicable professional standards ensuring confidentiality of Member records, referrals, and documentation of information. The MCO must have a systematic process for generating or receiving referrals and sharing confidential medical, treatment, and planning information across providers.

8.3.2.8 Nursing Facilities

Nursing facility care, although a part of the care continuum, presents a challenge for managed care. Because of the process for becoming eligible for Medicaid assistance in a nursing facility, there is frequently a significant time gap between entry into the
nursing home and determination of Medicaid eligibility. During this gap, it is likely that the resident will have "nested" in the facility and many of the community supports are no longer available. To require participation of all nursing facility residents would result in the MCO maintaining a Member in the nursing facility without many options for managing their health. For this reason, persons who qualify for Medicaid as a result of nursing facility residency are not enrolled in STAR+PLUS.

The STAR+PLUS MCO must participate in the Promoting Independence (PI) initiative for such individuals. PI is a philosophy that aged and disabled individuals remain in the most integrated setting to receive Long-term Services and Supports. PI is Texas' response to the U.S. Supreme Court ruling in Olmstead v. L.C., which requires states to provide community-based services for persons with disabilities who would otherwise be entitled to institutional services, when:

1. the state's treatment professionals determine that such placement is appropriate;
2. the affected persons do not oppose such treatment; and
3. the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services.

In accordance with legislative direction, the MCO must designate a point of contact to receive referrals for nursing facility residents who may potentially be able to return to the community through the use of HCBS STAR+PLUS Waiver services. To be eligible for this option, an individual must reside in a nursing facility until a written plan of care for safely moving the resident back into a community setting has been developed and approved.

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The nursing facility will bill the state directly for covered nursing facility services delivered while the Member is in the nursing facility. See Section 8.3.2.7 for further information.

The MCO is responsible for the Member at the time of nursing facility entry and must utilize the Service Coordinator staff to complete an assessment of the Member within 30 days of entry in the nursing facility, and develop a plan of care to transition the Member back into the community if possible. If at this initial review, return to the community is possible, the Service Coordinator will work with the resident and family to return the Member to the community using HCBS STAR+PLUS Waiver Services.

If the initial review does not support a return to the community, the Service Coordinator will conduct a second assessment 90 days after the initial assessment to determine any changes in the individual's condition or circumstances that would allow a return to the community. The Service Coordinator will develop and implement the transition plan.

The MCO will provide these services as part of the PI initiative. The MCO must maintain the documentation of the assessments completed and make them available for state review at any time.

It is possible that the STAR+PLUS MCO will be unaware of the Member's entry into a nursing facility. It is the responsibility of the nursing facility to review the Member's Medicaid card upon entry into the facility and notify the MCO. The nursing facility is also required to notify HHSC of the entry of a new resident.

8.3.2.9 MCO Four-Month Liability for Nursing Facility Care

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The four (4) months do not have to be consecutive. Upon completion of four months of nursing facility care, the individual will be disenrolled from the STAR+PLUS Program and the Medicaid Fee-for-Service program will provide Medicaid benefits. A STAR+PLUS Member may not change MCOs while in a nursing facility. Tracking the four (4) months of liability is done through a counter system. The four-month counter starts with the earlier of: (1) the date of the Medicaid admission to the nursing facility, or (2) on the 21st day of a Medicare stay, if applicable. A partial month counts as a full month. In other words, the month in which the Medicaid admission occurs or the month on which the 21st day of the Medicare stay occurs is counted as one (1) of the four (4) months. The MCO will not be responsible for the cost of care provided in a nursing facility. For Medicaid-only Members, the MCO is responsible for cost of Covered Services provided outside of the nursing facility. The MCO will not maintain nursing facilities in its Provider Network, and will not reimburse the nursing facilities for Covered Services provided in such facilities. Nursing facilities will use the traditional Fee-for-Service (FFS) system of billing HHSC rather than billing the MCO.

8.3.2.10 Prioritization Plan
Prior to the 3/1/2012 Operational Start Date of the STAR+PLUS Program in the Expansion Service Areas, HHSC and DADS will provide the MCO a plan that outlines a priority of populations and special handling procedures that the MCO must implement to help ensure timely assessments for potential enrollees and incoming Members as well as continuity of care for incoming Members. The populations that will be part of the priority list will include but are not limited to Money Follows the Person (MFP); Medically Dependent Children Program (MDCP), Comprehensive Care Program -Personal Care Services (CCP-PCS) and Comprehensive Care Program-Private Duty Nursing (CCP-PDN) aging out consumers; 217-Like Group Interest List consumers; and Supplemental Security Income (SSI) consumer. HHSC and/or DADS will also provide the MCO with information concerning Members who will be enrolled through manual processes and will need expedited access to services.

8.3.3 STAR+PLUS Assessment Instruments

The MCO must have and use functional assessment instruments to identify Members with significant health problems, Members requiring immediate attention, and Members who need or are at risk of needing Long-term Services and Supports. The MCO, a Subcontractor, or a Provider may complete assessment instruments, but the MCO remains responsible for the data recorded.

MCOs must use the DADS Form 2060, as amended or modified, to assess a Member's need for Functionally Necessary Personal Attendant Services. The MCO may adapt the form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment.

The DADS Form 2060 must be completed if a need for or a change in Personal Attendant Services is warranted at the initial contact, at the annual reassessment, and anytime a Member requests the services or requests a change in services. The DADS Form 2060 must also be completed at any time the MCO determines the services or requires a change in the Personal Attendant Services that are authorized.

MCOs must use the Texas Medicaid Personal Care Assessment Form (PCAF Form) in lieu of the DADS Form 2060 for children under the age of 21 when assessing the Member's need for Functional Necessary Personal Attendant Services. MCOs may adapt the PCAF Form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. Reassessments using the PCAF Form must be completed every 12 months and as requested by the Member's parent or other legal guardian. The PCAF Form must also be completed at any time the MCO determines the Member may require a change in the number of authorized Personal Attendant Service hours.

For Members and applicants seeking or needing the HCBS STAR+PLUS Waiver services, the MCOs must use the Community Medical Necessity and Level of Care Assessment Instrument, as amended or modified, to assess Members and to supply current medical information for Medical Necessity determinations. The MCO must also complete the Individual Service Plan (ISP), Form 3671 for each Member receiving HCBS STAR+PLUS Waiver Services. The ISP is established for a one-year period. After the initial ISP is established, the ISP must be completed on an annual basis and the end date or expiration date does not change. Both of these forms (Community Medical Necessity and Level of Care Assessment Instrument and Form 3671) must be completed annually at reassessment.

The MCO is responsible for tracking the end dates of the ISP to ensure all Member reassessment activities have been completed and posted on the LTC online portal prior to the expiration date of the ISP. Note that the MCO cannot submit its initial Community Medical Necessity and Level of Care Assessment Instrument earlier than 120 days prior to the expiration date of the ISP. An Initial Community Medical Necessity and Level of Care determination will expire 120 days after it is approved by the HHSC Claims Administrator. The MCO cannot submit a renewal of the Community Medical Necessity and Level of Care Assessment Instrument earlier than 90 days prior to the expiration date of the ISP. Such renewal will expire 90 days after it is approved by the HHSC Claims Administrator.

8.3.4 HCBS STAR+PLUS Waiver Service Eligibility

Recipients of HCBS STAR+PLUS Waiver services must meet level of care criteria for participation in the waiver and must have a plan of care at initial determination of eligibility in which the plan's annualized cost is equal to or less than 202% of the annualized cost of care if the individual were to enter a nursing facility. If the MCO determines that the recipient's cost of care will exceed the 202% limit, the MCO will submit to HHSC's Health Plan Operations Unit a request to consider the use of State General Revenue Funds to cover costs over the 202% allowance, as per HHSC's policy and procedures related to use of general revenue for HCBS STAR+PLUS Waiver participants. If HHSC approves the use of State General Revenue Funds, the MCO
will be allowed to provide waiver services as per the Individual Service Plan, and non-waiver services (services in excess of the 202% allowance) utilizing State General Revenue Funds. Non-waiver services are not Medicaid Allowable Expenses, and may not be reported as such on the FSRs. The MCO will submit reports documenting expenses for non-waiver services in an HHSC-approved format. HHSC will reimburse the MCO for such expenses.

8.3.4.1 For Members

Members can request to be tested for eligibility into the HCBS STAR+PLUS Waiver. The MCO can also initiate HCBS STAR+PLUS Waiver eligibility testing on a STAR+PLUS Member if the MCO determines that the Member would benefit from the HCBS STAR+PLUS Waiver services.

To be eligible for the HCBS STAR+PLUS Waiver, the Member must meet Medical Necessity/Level of Care and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that that Member has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC’s Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost limit. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the Member and the MCO of the eligibility determination, which will be based on results of the assessments and the information provided by the MCO. If the STAR+PLUS Member is eligible for HCBS STAR+PLUS Waiver services, HHSC will notify the Member of the effective date of eligibility. If the Member is not eligible for HCBS STAR+PLUS Waiver services, HHSC will provide the Member information on right to Appeal the Adverse Determination. The MCO is responsible for preparing any requested documentation regarding its assessments and ISPs, and if requested by HHSC, attending the Fair Hearing. Regardless of the HCBS STAR+PLUS Waiver eligibility determination, HHSC will send a copy of the Member notice to the MCO.

8.3.4.2 For 217-Like Group Non-Member Applicants

Non-member persons who are not eligible for Medicaid in the community may apply for participation in the HCBS STAR+PLUS Waiver under the financial and functional eligibility requirements for the 217-Like Group (this group is described in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver). HHSC will inform the non-member applicant that services are provided through an MCO and allow the applicant to select the MCO. HHSC will provide the selected MCO an authorization form to initiate pre-enrollment assessment services required under the HCBS STAR+PLUS Waiver for the applicant. The MCO's initial home visit with the applicant must occur within 14 days of the receipt of the referral. To be eligible for HCBS STAR+PLUS Waiver, the applicant must meet financial eligibility and Medical Necessity/Level of Care, and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that the applicant has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost ceiling. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the applicant and the MCO of the results of its eligibility determination. If the applicant is eligible, HHSC will notify the applicant and the MCO will be notified of the effective date of eligibility, which will be the first day of the month following the determination of eligibility. The MCO must initiate the Individual Service Plan (ISP) on the date of enrollment.

If the applicant is not eligible, the HHSC notice will provide information on the applicant's right to Appeal the Adverse Determination. HHSC will also send notice to the MCO if the applicant is not eligible for HCBS STAR+PLUS Waiver services.
The MCO is responsible for preparing any requested documentation regarding its assessments and service plans, and if requested by HHSC, attending the Fair Hearing.

8.3.4.3 Annual Reassessment

Prior to the end date of the annual ISP, the MCO must initiate an annual reassessment to determine and validate continued eligibility for HCBS STAR+PLUS Waiver services for each Member receiving these services. As part of the assessment, the MCO must inform the Member about Consumer Directed Services options. The MCO will be expected to complete the same activities for each annual reassessment as required for the initial eligibility determination.

8.3.4.4 STAR+PLUS Utilization Reviews

HHSC will conduct STAR+PLUS utilization reviews, as described in Texas Government Code § 533.00281. The reviews will include the MCO's assessment processes used to determine HCBS waiver eligibility. If HHSC recoups money from the MCO as a result of a utilization review conducted under this section, the MCO cannot hold a Network service provider liable for the good faith provision of services based on the MCO's authorization.

8.3.5 Consumer Directed Services Options

There are three (3) options available to STAR+PLUS Members desiring to self-direct the delivery of:

1. Primary Home Care (PHC) (which is available to all STAR+PLUS Members), and
2. Personal Attendant Services (PAS); in-home or out-of-home respite; nursing; physical therapy (PT); occupational therapy (OT); and/or speech/language therapy (SLT) for (which are available to Members in the HCBS STAR+PLUS Waivers).

These three (3) options are: 1) Consumer-Directed; 2) Service Related; and 3) Agency. The MCO must provide information concerning the three (3) options to all Members: (1) who meet the functional requirements for PHC Services and the requirements for PAS (the functional criteria for these services are described in the Form 2060), (2) who are eligible for in-home or out-of-home respite services in the SPW; and (3) who are eligible for nursing, PT, OT and/or SLT in the SPW. In addition to providing information concerning the three (3) options, the MCO must provide Member orientation in the option selected by the Member. The MCO must provide the information to any STAR+PLUS Member receiving PHC/PAS and/or in-home or out-of-home respite:

1. at initial assessment;
2. at annual reassessment or annual contact with the STAR+PLUS Member;
3. at any time when a STAR+PLUS Member receiving PHC/PAS/Respite/Nursing/PT/OT/SLT requests the information; and
4. in the Member Handbook.

The MCO must contract with providers who are able to offer PHC/PAS in-home or out-of-home respite, nursing, PT, TO, and/or SLT and must also educate/train the MCO Network Providers regarding the three (3) PAS options. Network Providers must meet licensure/certification requirements as indicated in Attachment B-1, Sections 8.3.11 and 8.3.1.2 of the Uniform Managed Care Contract.

In all three (3) options, the Service Coordinator and the Member work together in developing the Individual Service Plan.

A more comprehensive description of Consumer Directed Services is found in the STAR+PLUS Handbook:

http://www.dads.state.tx.us/handbooks/sph/8000/8000.htm#sec8120

8.3.5.1 Consumer-Directed Option Model

In the Consumer-Directed Model, the Member or the Member's legal guardian is the employer of record and retains control over the hiring, management, and termination of an individual providing PHC/PAS in-home or out-of-home respite; nursing, PT, TO, and/or SLT. The Member is responsible for assuring that the employee meets the requirements for PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT, including the criminal history check. The Member uses a Consumer
Directed Services agency (CDSA) to handle the employer-related administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT.

8.3.5.2 Service Related Option Model

In the Service Related Option Model, the Member or the Member's legal guardian is actively involved in choosing their personal attendant, respite provider, nurse, physical therapist, occupational therapist and/or speech/language therapist but is not the employer of record. The Home and Community Support Services agency (HCSSA) in the MCO Provider Network is the employer of record for the personal attendant employee and respite provider. In this model, the Member selects the personal attendant and/or respite provider from the HCSSA's personal attendant employees. The personal attendant's/respite provider's schedule is set up based on the Member input, and the Member manages the PHC/PAS, in-home or out-of-home respite. The Member retains the right to supervise and train the personal attendant. The Member may request a different personal attendant and the HCSSA would be expected to honor the request as long as the new attendant is a Network Provider. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite. In this model, the Member selects the nurse, physical therapist, occupational therapist, and/or speech/language therapist from the MCO's Provider Network. The nurse, physical therapist, occupational therapist, and/or speech/language therapist's schedule is set up based on the Member's input, and the Member manages the nursing, PT, OT, and/or SLT services. The Member retains the right to supervise and train the nurse, physical therapist, occupational therapist, and/or speech/language therapist. The Member may request a different nurse, physical therapist, occupational therapist, and/or speech/language therapist and the MCO must honor the request as long as the nurse, physical therapist, occupational therapist, and/or speech/language therapist is a Network Provider. The MCO establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of nursing, PT, OT, and/or SLT services.

8.3.5.3 Agency Model

In the Agency Model, the MCO contracts with a Home and Community Support Services agency (HCSSA) for the delivery of waiver services. The HCSSA is the employer of record for the personal attendant, respite provider, nurse, physical therapist, occupational therapist, and speech language therapist. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite.

8.3.6 Community Based Long-term Services and Supports Providers

8.3.6.1 Training

The MCO must comply with Section 8.1.4.6 regarding Provider Manual and Provider training specific to the STAR+PLUS Program. The MCO must train all Community Long-term Services and Supports Providers regarding the requirements of the Contract and special needs of STAR+PLUS Members. The MCO must establish ongoing STAR+PLUS Provider training addressing the following issues at a minimum:

1. Covered Services and the Provider’s responsibilities for providing such services to STAR+PLUS Members and billing the MCO. The MCO must place special emphasis on Community Long-term Services and Supports and STAR+PLUS requirements, policies, and procedures that vary from Medicaid Fee-for-Service and commercial coverage rules, including payment policies and procedures;

2. relevant requirements of the STAR+PLUS Contract, including the role of the Service Coordinator;

3. processes for making referrals and coordinating Non-capitated Services;

4. the MCO’s quality assurance and performance improvement program and the Provider’s role in such programs; and

5. the MCO’s STAR+PLUS policies and procedures, including those relating to Network and Out-of-Network referrals.
For STAR+PLUS in the El Paso, Hidalgo and Lubbock Service Areas with an Operational Start Date of 3/1/2012, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process.

8.3.6.2 LTSS Provider Billing

Long-term Services and Supports providers serving clients in the traditional Fee-for-Service Medicaid program have not been required to utilize the billing systems that most medical facilities use on a regular basis. For this reason, the MCO must make accommodations to the claims processing system for such providers to allow for a smooth transition from traditional Medicaid to STAR+PLUS.

HHSC has developed a standardized method for Long-term Services and Supports billing. All STAR+PLUS MCOs are required to utilize the standardized method, as found in Uniform Managed Care Manual Chapters 2.1.1 and 2.1.2.

8.3.6.3 Rate Enhancement Payments for Agencies Providing Attendant Care

All MCOs participating in the STAR+PLUS Program must allow their Long-term Services and Supports Providers to participate in the STAR+PLUS Attendant Care Enhancement Program.

Uniform Managed Care Manual Chapter 2.1.3, “STAR+PLUS Attendant Care Enhanced Payment Methodology,” includes the methodology that the STAR+PLUS MCO will use to implement and pay the enhanced payments, including a description of the timing of the payments. Such methodology must comply with the requirements in the Uniform Managed Care Manual and the intent of T.A.C. Title 1, Part 15, Chapter 355, Subchapter A, §355.112.

8.3.6.4 STAR+PLUS Handbook

The STAR+PLUS Handbook contains HHSC-approved policies and procedures related to the STAR+PLUS Program, including policies and procedures relating to the Texas Healthcare Transformation and Quality Improvement Program 1115 waiver. The STAR+PLUS Handbook includes additional requirements regarding the STAR+PLUS Program and guidance for the MCOs, the STAR+PLUS Support Units at DADS, and HHSC staff for administrating and managing STAR+PLUS Program operations. The STAR+PLUS Handbook is incorporated by reference into the Contract.

8.3.6.5 Annual Contact with STAR+PLUS Members

The MCO is required to contact each STAR+PLUS Member a minimum of two (2) times per calendar year. This contact can be written, telephonic, or an onsite visit to the Member’s residence, depending upon the Member’s level of need. The MCO must document the mechanisms, number and method of contacts, and outcomes within the MCO’s Service Coordination system.

8.3.6.6 Cost Reporting for LTSS Providers

MCOs must require that LTSS Providers submit periodic cost reports and supplemental reports to HHSC in accordance with 1 Tex. Admin. Code Chapter 355, including Subchapter A (Cost Determination Process) and 1 Tex. Admin. Code § 355.403 (Vendor Hold). If an LTSS Provider fails to comply with these requirements, HHSC will notify the MCO to hold payments to the LTSS provider until HHSC instructs the MCO to release the payments.

8.3.7 Additional Requirements Regarding Dual Eligibles

8.3.7.1 Coordination of Services for Dual Eligibles

The STAR+PLUS MCOs must coordinate Medicare and Medicaid services for Dual Eligible recipients. To facilitate such coordination, the MCO must be contracted with the CMS and operating as a MA Dual SNP in the most populous counties in the Service Area(s), as identified by HHSC, no later than January 1, 2013. After January 1, 2013, the MCO must maintain its status as an MA DUAL SNP contractor throughout the term of the Contract. Failure to do so may result in HHSC’s assessment of contractual remedies, including Contract termination.
8.3.7.2 MA Dual SNP Agreement

As part of the integrated care initiative for Dual Eligible STAR+PLUS Members, the MCO may maintain a separate capitation agreement with HHSC whereby the MCO’s MA Dual SNP plan reimburses Medicare providers for the cost-sharing obligations that the State would otherwise be required to pay on behalf of qualified STAR+PLUS Dual Eligible Members. The final Texas MA Dual SNP Agreement, as amended or modified, will be incorporated by reference into the STAR+PLUS Contract. The MCO will be required to provide all enrolled STAR+PLUS Dual Eligible Members with the coordinated care and other services described in the Texas MA Dual SNP Agreement, and any violations of the Texas MA Dual SNP Agreement with respect to STAR+PLUS Members will also be a violation of the STAR+PLUS Contract. Note that, for STAR+PLUS Members who are also enrolled in the MA Dual SNP’s Medicare plan, the Parties may develop alternative methods for verifying Member eligibility and submitting encounter data. Any modifications to these processes or other requirements identified in the Texas MA Dual SNP Agreement will be included in the Texas MA Dual SNP Agreement.

8.3.8 Minimum Wage Requirements for STAR+PLUS Attendants in Community Settings

The MCO must ensure that facilities and agencies that provide attendant services in community settings pay attendants at or above the minimum rates described below. This requirement applies to the following types of services, whether or not the Member chooses to self-direct these services (see Section 8.3.5, "Consumer Directed Services Options:"

- Day Activity Health Care Services (DAHS);
- Primary Home Care (PHC);
- Personal Assistance Services (PAS); and
- Texas Health Steps Personal Care Services (PCS).

This requirement does not apply to attendant services provided by non-institutional facilities, such as assisted living, adult foster care, residential care, and nursing facilities.

8.3.8.1 State Fiscal Year 2014

The MCO must ensure that attendants are paid no less than $7.50 per hour for dates of service in SFY 2014 (September 1, 2013 to August 31, 2014).

8.3.8.2 State Fiscal Year 2015 and After

The MCO must ensure that attendants are paid no less than $7.86 per hour for dates of service on or after September 1, 2014.

8.4 Additional CHIP Scope of Work

The following provisions only apply to MCOs participating in CHIP.

8.4.1 CHIP Provider Complaint and Appeals

CHIP Provider complaints and claims payment appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. The MCO must resolve Provider complaints and claims payment appeals within 30 days from the date of receipt.

8.4.2 CHIP Member Complaint and Appeal Process

CHIP Member Complaints and Appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. HHSC will require the MCO to resolve Member Complaints and Appeals (that are not elevated to TDI) within 30 days from the date the Member Complaint or Appeal is received. The MCO is subject to remedies, including
8.4.3 Third Party Liability and Recovery, and Coordination of Benefits

CHIP coverage is secondary when coordinating benefits with all other insurance coverage. Coverage provided under CHIP will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with TDI's rules regarding usual and customary payment.

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must comply with state and federal law and regulations. Consistent with Medicaid requirements, MCOs must pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action.

If a Member visits an FQHC or RHC (or a Municipal Health Department's public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, Financial Reporting Requirements. After 120 days from the date of adjudication (on any claim, encounter, or other Medicaid related payment made by the MCO, wherein the claim, encounter, or payment is subject to Third Party Recovery), HHSC may attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated recovery or subrogation action.

8.4.4 Perinatal Services for Traditional CHIP Members

The MCO’s perinatal Health Care Services must ensure appropriate care is provided to women and infant Members of the MCO from the preconception period through the infant’s first year of life. The MCO’s perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act), and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems; and
6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member with a confirmed diagnosis indicating pregnancy.
The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

Except as provided in Attachment A, Section 5.06, the MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated cesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO’s prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 9

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<td>September 1, 2011</td>
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<td>Contract amendment did not revise Attachment B-1, RFP Section 9, &quot;Turnover Requirements.&quot;</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

Table of Contents
9. Turnover Requirements

9.1 Introduction

This section presents the Turnover Requirements. Turnover is defined as those activities that the MCO is required to perform prior to or upon termination of the Contract in situations where the MCO will transition data and documentation acquired under the Contract to HHSC or a subsequent contractor.

9.2 Turnover Plan

Twelve (12) months after the Effective Date of the Contract, the MCO must provide a Turnover Plan covering the turnover of the records and information maintained to either HHSC or a subsequent contractor. The Turnover Plan will be a comprehensive document detailing the proposed schedule, activities, and resource requirements associated with the turnover tasks.

The Turnover Plan must describe the MCO’s policies and procedures that will assure:

1. The least disruption in the delivery of Covered Services to Members during the transition to a subsequent contractor.
2. Cooperation with HHSC and a subsequent contractor in notifying Members of the transition, as requested and in the form required or approved by HHSC.
3. Cooperation with HHSC and a subsequent contractor in transferring information to HHSC or a subsequent contractor, as requested and in the form required or approved by HHSC.

The Turnover Plan must be approved by HHSC, and include at a minimum:

1. The MCO’s approach and schedule for the transfer of data and information, as described above.
2. The quality assurance process that the MCO will use to monitor Turnover activities.
3. The MCO’s approach to training HHSC or a subsequent contractor’s staff in the operation of its business processes.

HHSC is not limited or restricted in the ability to require additional information from the MCO or modify the Turnover Plan as necessary.

9.3 Transfer of Data

The MCO must transfer to HHSC or a subsequent contractor all data and information necessary to transition operations, including: data and reference tables; data entry software; third-party software and modifications; documentation relating to software and interfaces; functional business process flows; and operational information, including correspondence, documentation of ongoing or outstanding issues, operations support documentation, and operational information regarding Subcontractors. For purposes of this provision, "documentation" means all operations, technical and user manuals used in conjunction with the software, Services and Deliverables, in whole or in part, that HHSC determines are necessary to view and extract application data in a proper format.

The MCO must provide the documentation in the formats in which such
documentation exists at the expiration or termination of the Contract. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 15.03, “Ownership and Licenses” for additional information concerning intellectual property rights.

In addition, the MCO will provide to HHSC the following:

1. Data, information and services necessary and sufficient to enable HHSC to map all Texas data from the MCO's system(s) to the replacement system(s) of HHSC or a successor contractor, including a comprehensive data dictionary as defined by HHSC.

2. All necessary data, information and services will be provided in the format defined by HHSC, and must be HIPAA compliant.

3. All of the data, information and services mentioned in this section must be provided and performed in a manner by the MCO using its best efforts to ensure the efficient administration of the contract. The data and information must be supplied in media and format specified by HHSC and according to the schedule approved by HHSC in the Turnover Plan. The data, information and services provided pursuant to this section must be provided at no additional cost to HHSC.

All relevant data and information must be received and verified by HHSC or a subsequent contractor. If HHSC determines that data or information are not accurate, complete, nor HIPAA compliant, HHSC reserves the right to hire an independent contractor to assist HHSC in obtaining and transferring all the required data and information and to ensure that all the data are HIPAA compliant. The reasonable cost of providing these services will be the responsibility of the MCO.

9.4 Turnover Services

Six (6) months prior to the end of the Contract Period, including any extensions, the MCO must revise its Turnover Plan. If HHSC terminates the Contract prior to the expiration of the Contract Period, then HHSC may require the MCO to submit an updated Turnover Plan sooner than six (6) months prior to the termination date. In such cases, HHSC’s notice of termination will include the date the Turnover Plan is due.

9.5 Post-Turnover Services

Thirty (30) days following Turnover of operations, the MCO must provide HHSC with a Turnover Results Report documenting the completion and results of each step of the Turnover Plan. Turnover will not be considered complete until this document is approved by HHSC. HHSC may withhold up to 20% of the last month’s Capitation Payment until the Turnover activities are complete and the Turnover Plan is approved by HHSC.

If the MCO does not provide the required data or information necessary for HHSC or a subsequent contractor to assume the operational activities successfully, the MCO agrees to reimburse HHSC for all reasonable costs and expenses, including, but not limited to: transportation, lodging, and subsistence to carry out inspection, audit, review, analysis, reproduction and transfer functions at the location(s) of such records; and attorneys’ fees and costs. This section does not limit HHSC’s ability to impose remedies or damages as set forth in the Contract.
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<td>March 1, 2012</td>
<td>Attachment B-2 is modified to reinstate the waiver of the three prescription limit for adults language and to clarify the waiver of the $200,000 individual annual limit on inpatient services. STAR Covered Services is modified to add “Cancer screening, diagnostic, and treatment services” and “Prenatal care services rendered in a birthing center” as clarification items and to clarify the requirements for services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting.</td>
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<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2, “STAR Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>STAR Covered Services is modified to remove the reference to the Texas Medicaid Bulletin.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2, “STAR Covered Services.”</td>
</tr>
</tbody>
</table>
STAR Covered Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR Program.

STAR MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated services are not included in the STAR MCOs’ Capitation Rates; however, STAR MCOs must coordinate care these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and noncapitated.

STAR MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following three (3) exceptions. Adult STAR Members are provided with three (3) enhanced benefits compared to the traditional, fee for-service Medicaid coverage:

1 waiver of the three (3) prescription per-month limit;
2 waiver of the 30-day spell-of-illness limitation; and
3 waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR MCOs should refer to the current Texas Medicaid Provider Procedures Manual, which can be accessed online at: http://www.tmhp.com.

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

**STAR Covered Services include, but are not limited to, Medically Necessary:**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Children (birth through age 20)
  - Acute inpatient mental health services for Adults
• Outpatient mental health services
• Psychiatry services
• Counseling services for adults (21 years of age and over)

• Outpatient substance use disorder treatment services including:
  • Assessment
  • Detoxification services
  • Counseling treatment
  • Medication assisted therapy

• Residential substance use disorder treatment services including:
  • Detoxification services
  • Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

• Birthing services provided by a physician and certified nurse midwife (CNM) in a licensed birthing center
• Birthing services provided by a licensed birthing center
• Cancer screening, diagnostic, and treatment services
• Chiropractic services
• Dialysis
• Durable medical equipment and supplies
• Early Childhood Intervention (ECI) services
• Emergency Services
• Family planning services
• Home health care services
• Hospital services, including inpatient and outpatient
  • The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.
  • The MCO may provide substance use disorder treatment services in a chemical dependency treatment facility in lieu of an acute care inpatient hospital setting.
• Laboratory
• Mastectomy, breast reconstruction, and related follow-up procedures, including:
• inpatient services; outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and physician and professional services provided in an office, inpatient, or outpatient setting for:
  o all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
  o surgery and reconstruction on the other breast to produce symmetrical appearance;
  o treatment of physical complications from the mastectomy and treatment of lymphedemas; and
  o prophylactic mastectomy to prevent the development of breast cancer.
• external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.
• Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program
• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children 6 months through 35 months of age.
• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals
• Drugs and biologicals provided in an inpatient setting
• Podiatry
• Prenatal care
  • Prenatal care provided by a physician, certified nurse midwife (CNM), nurse practitioner (NP), clinical nurse specialist (CNS), and physician assistant (PA) in a licensed birthing center
• Primary care services
• Preventive services including an annual adult well check for patients 21 years of age and over
  • Radiology, imaging, and X-rays
  • Specialty physician services
• Therapies – physical, occupational and speech
• Transplantation of organs and tissues
• Vision (Includes optometry and glasses. Contact lenses are only covered if they are medically necessary for vision correction, which can not be accomplished by glasses.)
### DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>“Birthing Center Services” is added as a clarification item.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>“Services Rendered by a Certified Nurse Midwife or physician in a licensed birthing center” is added as a clarification item.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Attachment B-2.1 is modified to clarify Drug Benefits for CHIP Perinate Members.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CHIP Exclusions from Covered Services is modified to clarify that over the counter drugs, contraceptives, and medications prescribed for weight loss or gain are not a covered benefit.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CHIP Exclusions from Covered Services for CHIP Perinates is modified to clarify that over the counter drugs contraceptives, and medications prescribed for weight loss or gain are not a covered benefit.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>CHIP Exclusions from Covered Services is modified to add Coverage while traveling outside of the United States and U.S. Territories.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Inpatient General Acute and Inpatient Rehabilitation Hospital Services (CHIP Perinatal Coverage) is modified to clarify the eligibility thresholds. is modified to clarify the eligibility thresholds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Birthing Center Services (CHIP Perinatal Coverage) is modified to clarify the eligibility thresholds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Exclusions for CHIP Perinatal is modified to clarify the eligibility thresholds.</td>
</tr>
</tbody>
</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

### CHIP Covered Services

Covered CHIP services must meet the CHIP definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays apply until a family reaches its specific cost-sharing maximum.

Covered CHIP Perinatal services must meet the definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the
Co-pays do not apply to CHIP Perinatal Members. CHIP Perinatal Newborns are eligible for 12-months continuous coverage, beginning with the month of enrollment as a CHIP Perinate.

<table>
<thead>
<tr>
<th>Covered Benefit</th>
<th>CHIP Members and CHIP Perinate Newborn Members</th>
<th>CHIP Perinate Members (Unborn Child)</th>
</tr>
</thead>
</table>
| **Inpatient General Acute and Inpatient Rehabilitation Hospital Services** | Services include, but are not limited to, the following:  
- Hospital-provided Physician or Provider services  
- Semi-private room and board (or private if medically necessary as certified by attending)  
- General nursing care  
- Special duty nursing when medically necessary  
- ICU and services  
- Operating meals and special diets  
- Operating, recovery and other treatment rooms  
- Anesthesia and administration (facility technical component)  
- Surgical dressings, trays, casts, splints  
- Drugs, medications and biologicals | For CHIP Perinates in families with income at or below the Medicaid eligibility threshold (Perinates who qualify for Medicaid once born), the facility charges are not a covered benefit; however, professional services charges associated with labor with delivery are a covered benefit.  
For CHIP Perinates in families with income above the Medicaid eligibility threshold (Perinates who do not qualify for Medicaid once born), benefits are limited to professional service charges and facility charges associated with labor with delivery until birth, and services related to miscarriage or a non-viable pregnancy. |
Blood or blood products that are not provided free-of-charge to the patient and their administration

X-rays, imaging and other radiological tests (facility technical component)

Laboratory and pathology services (facility technical component)

Machine diagnostic tests (EEGs, EKGs, etc.)

Oxygen services and inhalation therapy

Radiation and chemotherapy

Access to DSHS-designated Level III perinatal centers or Hospitals meeting equivalent levels of care

In-network or out-of-network facility and Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.

Hospital, physician and related medical services, such as anesthesia, associated with dental care

Inpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Inpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:

- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.
- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.

- Surgical implants
- Other artificial aids including surgical implants

- Inpatient services for a mastectomy and breast reconstruction include:
  - all stages of reconstruction on the affected breast;
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed
  - surgery and reconstruction on the other breast to produce symmetrical appearance; and
  - treatment of physical complications from the mastectomy and treatment of lymphedemas.

- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit

- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

### Skilled Nursing Facilities (Includes Rehabilitation Hospitals)

<table>
<thead>
<tr>
<th>Services include, but are not limited to, the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Semi-private room and board</td>
</tr>
<tr>
<td>- Regular nursing services</td>
</tr>
<tr>
<td>- Rehabilitation services</td>
</tr>
<tr>
<td>- Medical supplies and use of appliances and equipment furnished by the facility</td>
</tr>
</tbody>
</table>

Not a covered benefit.
<table>
<thead>
<tr>
<th>Outpatient Hospital, Comprehensive Outpatient Rehabilitation Hospital, Clinic (Including Health Center) and Ambulatory Health Care Center</th>
<th>Services include, but are not limited to, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. X-ray, imaging, and radiological tests (technical component)</td>
</tr>
<tr>
<td></td>
<td>2. Laboratory and pathology services (technical component)</td>
</tr>
<tr>
<td></td>
<td>3. Machine diagnostic tests</td>
</tr>
<tr>
<td></td>
<td>4. Ambulatory surgical facility services</td>
</tr>
<tr>
<td></td>
<td>5. Drugs, medications and biologicals</td>
</tr>
<tr>
<td></td>
<td>6. Casts, splints, dressings</td>
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<tr>
<td></td>
<td>7. Preventive health services</td>
</tr>
<tr>
<td></td>
<td>8. Physical, occupational and speech therapy</td>
</tr>
<tr>
<td></td>
<td>9. Renal dialysis</td>
</tr>
<tr>
<td></td>
<td>10. Respiratory services</td>
</tr>
<tr>
<td></td>
<td>- Radiation and chemotherapy</td>
</tr>
<tr>
<td></td>
<td>- Blood or blood products that are not provided free-of-charge to the patient and the administration of these products</td>
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<tr>
<td></td>
<td>- Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
</tr>
<tr>
<td></td>
<td>- all stages of reconstruction on the affected breast;</td>
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<td></td>
<td>- external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed</td>
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<td>- surgical and reconstruction on the other breast to produce symmetrical appearance; and</td>
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<td>- treatment of physical complications from the mastectomy and treatment of lymphedemas.</td>
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<td></td>
<td>- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit</td>
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<tr>
<td></td>
<td>- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:</td>
</tr>
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<td></td>
<td>- cleft lip and/or palate; or</td>
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<tr>
<td></td>
<td>- severe traumatic skeletal and/or congenital craniofacial deviations; or severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Services include, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. X-ray, imaging, and radiological tests (technical component)</td>
</tr>
<tr>
<td></td>
<td>2. Laboratory and pathology services (technical component)</td>
</tr>
<tr>
<td></td>
<td>3. Machine diagnostic tests</td>
</tr>
<tr>
<td></td>
<td>4. Drugs, medications and biologicals</td>
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<td></td>
<td>5. Casts, splints, dressings</td>
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<td></td>
<td>- Radiation and chemotherapy</td>
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<td></td>
<td>- Blood or blood products that are not provided free-of-charge to the patient and the administration of these products</td>
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<tr>
<td></td>
<td>- Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
</tr>
<tr>
<td></td>
<td>- dilation and curettage (D&amp;C) procedures;</td>
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<tr>
<td></td>
<td>- appropriate provider-administered medications;</td>
</tr>
<tr>
<td></td>
<td>- ultrasounds, and</td>
</tr>
<tr>
<td></td>
<td>- histological examination of tissue samples.</td>
</tr>
</tbody>
</table>

- (1) Laboratory and radiological services are limited to services that directly relate to ante partum care and/or the delivery of the covered CHIP Perinate until birth.
- (2) Ultrasound of the pregnant uterus is a covered benefit when medically indicated. Ultrasound may be indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, gestational age confirmation or miscarriage or non-viable pregnancy.
- (3) Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasoundic Guidance for Cordocentesis, FIUT are covered benefits with an appropriate diagnosis.
- (4) Laboratory tests are limited to: nonstress testing, contraction, stress testing, hemoglobin or hematocrit repeated once a trimester and at 32-36 weeks of pregnancy; or complete blood count (CBC), urinanalysis for protein and glucose every visit, blood type and Rh antibody screen; repeat antibody screen for Rh negative women at 28 weeks followed by RHO immune globulin administration if indicated; rubella antibody titer, serology for syphilis, hepatitis B surface antigen, cervical cytology, pregnancy test, gonorrhea test, urine culture, sickle cell test, tuberculosis (TB) test, human immunodeficiency virus (HIV) antibody screen, Chlamydia test, other laboratory tests not specified but deemed medically necessary, and multiple marker screens for neural tube defects (if the client initiates care between 16 and 20 weeks); screen for gestational diabetes at 24-28 weeks of pregnancy; other lab tests as indicated by medical condition of client.
- (5) Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) are a covered benefit.
<table>
<thead>
<tr>
<th>Physician/Physician Extender Professional Services</th>
<th>Services include, but are not limited to, the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- American Academy of Pediatrics recommended well-child exams and preventive health services (including, but not limited to, vision and hearing screening and immunizations)</td>
</tr>
<tr>
<td></td>
<td>- Physician office visits, inpatient and outpatient services</td>
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<tr>
<td></td>
<td>- Laboratory, x-rays, imaging and pathology services, including technical component and/or professional interpretation</td>
</tr>
<tr>
<td></td>
<td>- Medications, biologicals and materials administered in Physician’s office</td>
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<tr>
<td></td>
<td>- Allergy testing, serum and injections</td>
</tr>
<tr>
<td></td>
<td>- Professional component (in/outpatient) of surgical services, including:</td>
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<tr>
<td></td>
<td>- Surgeons and assistant surgeons for surgical procedures including appropriate follow-up care</td>
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<td></td>
<td>- Administration of anesthesia by Physician (other than surgeon) or CRNA</td>
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<tr>
<td></td>
<td>- Second surgical opinions</td>
</tr>
<tr>
<td></td>
<td>- Same-day surgery performed in a Hospital without an over-night stay</td>
</tr>
<tr>
<td></td>
<td>- Invasive diagnostic procedures such as endoscopic examinations</td>
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<tr>
<td></td>
<td>- Hospital-based Physician services (including Physician-performed technical and interpretive components)</td>
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<tr>
<td></td>
<td>- Physician and professional services for a mastectomy and breast reconstruction include:</td>
</tr>
<tr>
<td></td>
<td>- all stages of reconstruction on the affected breast;</td>
</tr>
<tr>
<td></td>
<td>- external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed</td>
</tr>
<tr>
<td></td>
<td>- Medically necessary physician services are limited to prenatal and postpartum care and/or the delivery of the covered unborn child until birth</td>
</tr>
<tr>
<td></td>
<td>- Physician office visits, inpatient and outpatient services</td>
</tr>
<tr>
<td></td>
<td>- Laboratory, x-rays, imaging and pathology services including technical component and/or professional interpretation</td>
</tr>
<tr>
<td></td>
<td>- Medically necessary medications, biologicals and materials administered in Physician’s office</td>
</tr>
<tr>
<td></td>
<td>- Professional component (in/outpatient) of surgical services, including:</td>
</tr>
<tr>
<td></td>
<td>- Surgeons and assistant surgeons for surgical procedures directly related to the labor with delivery of the covered unborn child until birth.</td>
</tr>
<tr>
<td></td>
<td>- Administration of anesthesia by Physician (other than surgeon) or CRNA</td>
</tr>
<tr>
<td></td>
<td>- Invasive diagnostic procedures directly related to the labor with delivery of the unborn child.</td>
</tr>
<tr>
<td></td>
<td>- Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero.)</td>
</tr>
<tr>
<td></td>
<td>- Hospital-based Physician services (including Physician performed technical and interpretive components)</td>
</tr>
</tbody>
</table>
- surgery and reconstruction on the other breast to produce symmetrical appearance; and
- treatment of physical complications from the mastectomy and treatment of lymphedemas.

- In-network and out-of-network Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by cesarean section.

- Physician services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Physician services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - medications;
  - ultrasounds, and
  - histological examination of tissue samples.

- Physician services medically necessary to support a dentist providing dental services to a CHIP member such as general anesthesia or intravenous (IV) sedation.

- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

- Professional component of the ultrasound of the pregnant uterus when medically indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, or gestational age confirmation.

- Professional component of Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasonic Guidance for Amniocentesis, Cordocentesis, and FIUT.

- Professional component associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Professional services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - medications;
  - ultrasounds, and
  - histological examination of tissue samples.
<table>
<thead>
<tr>
<th><strong>Prenatal Care and Pre-Pregnancy Family Services and Supplies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered, unlimited prenatal care and medically necessary care related to diseases, illness, or abnormalities related to the reproductive system, and limitations and exclusions to these services are described under inpatient, outpatient and physician services. Primary and preventive health benefits do not include pre-pregnancy family reproductive services and supplies, or prescription medications prescribed only for the purpose of primary and preventive reproductive health care.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) One (1) visit every four (4) weeks for the first 28 weeks or pregnancy; (2) one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and (3) one (1) visit per week from 36 weeks to delivery. More frequent visits are allowed as Medically Necessary. Benefits are limited to: Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained in the physician’s files and is subject to retrospective review. Visits after the initial visit must include:</td>
</tr>
<tr>
<td>☐ interim history (problems, marital status, fetal status); ☐ physical examination (weight, blood pressure, fundalheight, fetal position and size, fetal heart rate, extremities) and laboratory tests (urinalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Birthing Center Services</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Covers birthing services provided by a licensed birthing center. Limited to facility services (e.g., labor and delivery) Limitation: Applies only to CHIP members.</td>
</tr>
</tbody>
</table>

| **Covers birthing services provided by a licensed birthing center. Limited to facility services related to labor with delivery. Applies only to CHIP Perinate Members (unborn child) with income above the Medicaid eligibility threshold (who will not qualify for Medicaid once born).** |

<p>| <strong>Covering services provided by a licensed birthing center. Limited to facility services related to labor with delivery. Applies only to CHIP Perinate Members (unborn child) with income above the Medicaid eligibility threshold (who will not qualify for Medicaid once born).</strong> |</p>
<table>
<thead>
<tr>
<th>Services Rendered by a Certified Nurse Midwife or physician in a licensed birthing center</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIP Members: Covers prenatal services and birthing services rendered in a licensed birthing center.</td>
</tr>
<tr>
<td>CHIP Perinate Newborn Members: Covers services rendered to a newborn immediately following delivery.</td>
</tr>
<tr>
<td>Covers prenatal services and birthing services rendered in a licensed birthing center. Prenatal services subject to the following limitations: Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include:</td>
</tr>
<tr>
<td>(1) one (1) visit every four (4) weeks for the first 28 weeks or pregnancy;</td>
</tr>
<tr>
<td>(2) one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and</td>
</tr>
<tr>
<td>(3) one (1) visit per week from 36 weeks to delivery.</td>
</tr>
<tr>
<td>More frequent visits are allowed as Medically Necessary.</td>
</tr>
<tr>
<td>Benefits are limited to:</td>
</tr>
<tr>
<td>Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy.</td>
</tr>
<tr>
<td>Documentation supporting medical necessity must be maintained and is subject to retrospective review.</td>
</tr>
<tr>
<td>Visits after the initial visit must include:</td>
</tr>
<tr>
<td>1. interim history (problems, marital status, fetal status);</td>
</tr>
<tr>
<td>2. physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and</td>
</tr>
<tr>
<td>3. laboratory tests (urinanalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client).</td>
</tr>
<tr>
<td>Durable Medical Equipment (DME), Prosthetic Devices and Disposable Medical Supplies</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>☐ Orthotic braces and orthotics</td>
</tr>
<tr>
<td>☐ Dental devices</td>
</tr>
<tr>
<td>☐ Prosthetic devices such as artificial eyes, limbs, braces, and external breast prostheses</td>
</tr>
<tr>
<td>☐ Prosthetic eyeglasses and contact lenses for the management of severe ophthalmologic disease</td>
</tr>
<tr>
<td>☐ Hearing aids</td>
</tr>
<tr>
<td>Diagnosis-specific disposable medical supplies, including diagnosis-specific prescribed specialty formula and dietary supplements. (see attachment a)</td>
</tr>
<tr>
<td>Home and Community Health Services</td>
</tr>
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<td></td>
</tr>
</tbody>
</table>
| Inpatient Mental Health Services | Mental health services, including for serious mental illness, furnished in a free-standing psychiatric hospital, psychiatric units of general acute care hospitals and state-operated facilities, including, but not limited to:  
- Neuropsychological and psychological testing.  
- When inpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
- Does not require PCP referral | Not a covered benefit. |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| Outpatient Mental Health Services | Mental health services, including for serious mental illness, provided on an outpatient basis, including, but not limited to:  
- The visits can be furnished in a variety of community-based settings (including school and home-based) or in a state-operated facility  
  - Neuropsychological and psychological testing  
  - Medication management  
  - Rehabilitative day treatments  
  - Residential treatment services  
  - Sub-acute outpatient services (partial hospitalization or rehabilitative day treatment)  
  - Skills training (psycho-educational skill development)  
- When outpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
- A Qualified Mental Health Provider – Community Services (QMHP-CS), is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C., Part I, Chapter 412, Subchapter G, Division 1, §412.303(48). QMHP-CSs shall be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs shall be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services | Not a covered benefit. |

Does not require PCP referral.
<table>
<thead>
<tr>
<th>Service Type</th>
<th>Description</th>
<th>Not Covered</th>
</tr>
</thead>
</table>
| **Inpatient Substance Abuse Treatment Services** | Services include, but are not limited to:  
- Inpatient and residential substance abuse treatment services including detoxification and crisis stabilization, and 24-hour residential rehabilitation programs  
- Does not require PCP referral                                                                                                                                                                                                                                                                 | Not a covered benefit. |
| **Outpatient Substance Abuse Treatment Services** | Services include, but are not limited to, the following:  
- Prevention and intervention services that are provided by physician and non-physician providers, such as screening, assessment and referral for chemical dependency disorders.  
- Intensive outpatient services  
- Partial hospitalization  
- Intensive outpatient services is defined as an organized non-residential service providing structured group and individual therapy, educational services, and life skills training which consists of at least 10 hours per week for four to 12 weeks, but less than 24 hours per day  
- Outpatient treatment service is defined as consisting of at least one to two hours per week providing structured group and individual therapy, educational services, and life skills training  
- Does not require PCP referral                                                                                                                                                                                                                                                                 | Not a covered benefit. |
| **Rehabilitation Services**        | Services include, but are not limited to, the following:  
- Habilitation (the process of supplying a child with the means to reach age-appropriate developmental milestones through therapy or treatment) and rehabilitation services include, but are not limited to the following:  
- Physical, occupational and speech therapy  
- Developmental assessment                                                                                                                                                                                                                                                                     | Not a covered benefit. |
| **Hospice Care Services**          | Services include, but are not limited to:  
- Palliative care, including medical and support services, for those children who have six (6) months or less to live, to keep patients comfortable during the last weeks and months before death  
- Treatment services, including treatment related to the terminal illness  
- Up to a maximum of 120 days with a 6 month life expectancy  
- Patients electing hospice services may cancel this election at anytime  
- Services apply to the hospice diagnosis                                                                                                                                                                                                                                                   | Not a covered benefit. |
<table>
<thead>
<tr>
<th>Emergency Services, including Emergency Hospitals, Physicians, and Ambulance Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCO cannot require authorization as a condition for payment for emergency conditions or labor and delivery. Covered services include, but are not limited to, the following:</td>
</tr>
<tr>
<td>- Emergency services based on prudent layperson definition of emergency health condition</td>
</tr>
<tr>
<td>- Hospital emergency department room and ancillary services and physician services 24 hours a day, seven (7) days a week, both by in-network and out-of-network providers</td>
</tr>
<tr>
<td>- Medical screening examination</td>
</tr>
<tr>
<td>- Stabilization services</td>
</tr>
<tr>
<td>- Access to DSHS designated Level 1 and Level II trauma centers or hospitals meeting equivalent levels of care for emergency services</td>
</tr>
<tr>
<td>- Emergency ground, air and water transportation</td>
</tr>
<tr>
<td>- Emergency dental services, limited to fractured or dislocated jaw, traumatic damage to teeth, removal of cysts, and treatment relating to oral abscess of tooth or gum origin.</td>
</tr>
<tr>
<td>MCO cannot require authorization as a condition for payment for emergency conditions related to labor with delivery. Covered services are limited to those emergency services that are directly related to the delivery of the unborn child until birth.</td>
</tr>
<tr>
<td>- Emergency services based on prudent layperson definition of emergency health condition</td>
</tr>
<tr>
<td>- Medical screening examination to determine emergency when directly related to the delivery of the covered unborn child.</td>
</tr>
<tr>
<td>- Stabilization services related to the labor with delivery of the covered unborn child.</td>
</tr>
<tr>
<td>- Emergency ground, air and water transportation for labor and threatened labor is a covered benefit</td>
</tr>
<tr>
<td>- Emergency ground, air and water transportation for an emergency associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) is a covered benefit.</td>
</tr>
<tr>
<td>Benefit limits: Post-delivery services or complications resulting in the need for emergency services for the mother of the CHIP Perinate are not a covered benefit.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transplants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services include, but are not limited to, the following:</td>
</tr>
<tr>
<td>- Using up-to-date FDA guidelines, all non-experimental human organ and tissue transplants and all forms of non-experimental corneal, bone marrow and peripheral stem cell transplants, including donor medical expenses.</td>
</tr>
<tr>
<td>Not a covered benefit.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vision Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The health plan may reasonably limit the cost of the frames/lenses. Services include:</td>
</tr>
<tr>
<td>- One (1) examination of the eyes to determine the need for and prescription for corrective lenses per 12-month period, without authorization</td>
</tr>
<tr>
<td>- One (1) pair of non-prosthetic eyewear per 12-month period</td>
</tr>
<tr>
<td>Not a covered benefit.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chiropractic Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services do not require physician prescription and are limited to spinal subluxation</td>
</tr>
<tr>
<td>Not a covered benefit.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tobacco Cessation Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered up to $100 for a 12-month period limit for a plan-approved program</td>
</tr>
<tr>
<td>- Health Plan defines plan-approved program.</td>
</tr>
<tr>
<td>- May be subject to formulary requirements.</td>
</tr>
<tr>
<td>Not a covered benefit.</td>
</tr>
<tr>
<td>Case Management and Care Coordination Services</td>
</tr>
</tbody>
</table>
| Drug Benefits | Services include, but are not limited to, the following:  
  - Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals; and  
  - Drugs and biologicals provided in an inpatient setting. | Not a covered benefit unless identified elsewhere in this table. |
| [Value-added services] | See RFP Attachment B-2.1 |  |

### CHIP Exclusions from Covered Services

- Inpatient and outpatient infertility treatments or reproductive services other than prenatal care, labor and delivery, and care related to disease, illnesses, or abnormalities related to the reproductive system
  - Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e., cannot be prescribed for family planning)

- Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment of sickness or injury

- Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community

- Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court

- Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.

- Mechanical organ replacement devices including, but not limited to artificial heart

- Hospital services and supplies when confinement is solely for diagnostic testing purposes, unless otherwise pre-authorized by Health Plan

- Prostate and mammography screening

- Elective surgery to correct vision

- Gastric procedures for weight loss

- Cosmetic surgery/services solely for cosmetic purposes

- Dental devices solely for cosmetic purposes

- Out-of-network services not authorized by the Health Plan except for emergency care and physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section
Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity, except for the
services associated with the treatment for morbid obesity as part of a treatment plan approved by the Health Plan

Medications prescribed for weight loss or gain

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not
apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Replacement or repair of prosthetic devices and durable medical equipment due to misuse, abuse or loss when confirmed by the
Member or the vendor

Corrective orthopedic shoes

Convenience items

Over-the-counter medications

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists a child with the activities of daily living, such as assistance in walking, getting in and out of
bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered
or provided by a parent. This care does not require the continuing attention of trained medical or paramedical personnel.) This
exclusion does not apply to hospice services.

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care
provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training and vision therapy

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered except when
ordered by a Physician/PCP

Donor non-medical expenses

Charges incurred as a donor of an organ when the recipient is not covered under this health plan

Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa)

EXCLUSIONS FROM COVERED SERVICES FOR CHIP PERINATES
For CHIP Perinates in families with income at or below the Medicaid eligibility threshold (Perinates who qualify for Medicaid once born), inpatient facility charges are not a covered benefit if associated with the initial Perinatal Newborn admission. "Initial Perinatal Newborn admission" means the hospitalization associated with the birth.

- Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e. cannot be prescribed for family planning)

Inpatient and outpatient treatments other than prenatal care, labor with delivery, services related to (a) miscarriage and (b) a non-viable pregnancy, and postpartum care related to the covered unborn child until birth.

Inpatient mental health services.
Outpatient mental health services.
Durable medical equipment or other medically related remedial devices.
Disposable medical supplies.
Home and community-based health care services.
Nursing care services.
Dental services.
Inpatient substance abuse treatment services and residential substance abuse treatment services.
Outpatient substance abuse treatment services.
Physical therapy, occupational therapy, and services for individuals with speech, hearing, and language disorders.
Hospice care.
Skilled nursing facility and rehabilitation hospital services.
Emergency services other than those directly related to the labor with delivery of the covered unborn child.
Transplant services.
Tobacco Cessation Programs.
Chiropractic Services.
Medical transportation not directly related to labor or threatened labor, miscarriage or non-viable pregnancy, and/or delivery of the covered unborn child.

Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment related to labor with delivery or post partum care.

Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community

Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court

Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.
Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa).

Mechanical organ replacement devices including, but not limited to artificial heart

Hospital services and supplies when confinement is solely for diagnostic testing purposes and not a part of labor with delivery

Prostate and mammography screening

Elective surgery to correct vision

Gastric procedures for weight loss

Cosmetic surgery/services solely for cosmetic purposes

Out-of-network services not authorized by the Health Plan except for emergency care related to the labor with delivery of the covered unborn child.

Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Corrective orthopedic shoes

Convenience items

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a caregiver. This care does not require the continuing attention of trained medical or paramedical personnel.)

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training, vision therapy, or vision services

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered

Donor non-medical expenses

Charges incurred as a donor of an organ
CHIP DME/SUPPLIES

Note: DME/SUPPLIES are not a covered benefit for CHIP Perinate Members (Unborn Child).

<table>
<thead>
<tr>
<th>SUPPLIES</th>
<th>COVERED</th>
<th>EXCLUDED</th>
<th>COMMENTS / MEMBER CONTRACT PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ace Bandages</td>
<td></td>
<td>X</td>
<td>Exception: If provided by and billed through the clinic or home care agency it is covered as an incidental supply.</td>
</tr>
<tr>
<td>Alcohol, rubbing</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Alcohol, swabs (diabetic)</td>
<td></td>
<td></td>
<td>Over-the-counter supply not covered, unless RX provided at time of dispensing.</td>
</tr>
<tr>
<td>Alcohol, swabs</td>
<td></td>
<td>X</td>
<td>Covered only when received with IV therapy or central line kits/supplies.</td>
</tr>
<tr>
<td>Ana Kit Epinephrine</td>
<td></td>
<td>X</td>
<td>A self-injection kit used by patients highly allergic to bee stings.</td>
</tr>
<tr>
<td>Arm Sling</td>
<td></td>
<td>X</td>
<td>Dispensed as part of office visit.</td>
</tr>
<tr>
<td>Attends (Diapers)</td>
<td></td>
<td>X</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.</td>
</tr>
<tr>
<td>Bandages</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Basal Thermometer</td>
<td></td>
<td>X</td>
<td>For covered DME items</td>
</tr>
<tr>
<td>Batteries – initial</td>
<td>X</td>
<td></td>
<td>For covered DME when replacement is necessary due to normal use.</td>
</tr>
<tr>
<td>Batteries – replacement</td>
<td></td>
<td>X</td>
<td>See IV therapy supplies.</td>
</tr>
<tr>
<td>Betadine</td>
<td></td>
<td>X</td>
<td>For monitoring of diabetes.</td>
</tr>
<tr>
<td>Books</td>
<td></td>
<td>X</td>
<td>See Ostomy Supplies.</td>
</tr>
<tr>
<td>Clinitest</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Colostomy Bags</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Communication Devices</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Contraceptive Jelly</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply. Contraceptives are not covered under the plan.</td>
</tr>
<tr>
<td>Cranial Head Mold</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Dental Devices</td>
<td></td>
<td>X</td>
<td>Coverage limited to dental devices used for treatment of craniofacial anomalies requiring surgical intervention.</td>
</tr>
<tr>
<td>Diabetic Supplies</td>
<td></td>
<td>X</td>
<td>Monitor calibrating solution, insulin syringes, needles, lancets, lancet device, and glucose strips.</td>
</tr>
<tr>
<td>Diapers/Incontinent Briefs/Chux</td>
<td></td>
<td>X</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.</td>
</tr>
<tr>
<td>Diaphragm</td>
<td></td>
<td>X</td>
<td>Contraceptives are not covered under the plan.</td>
</tr>
<tr>
<td>Distilled Water</td>
<td></td>
<td>X</td>
<td>For monitoring diabetes.</td>
</tr>
<tr>
<td>Diet, Special</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Distilled Water</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Eligibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
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<td></td>
</tr>
<tr>
<td>Dressing Supplies/Central Line</td>
<td>Syringes, needles, Tegaderm, alcohol swabs, Betadine swabs or ointment, tape. Many times these items are dispensed in a kit when includes all necessary items for one dressing site change.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Decubitus</td>
<td>Eligible for coverage only if receiving covered home care for wound care.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Peripheral IV Therapy</td>
<td>Eligible for coverage only if receiving home IV therapy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dust Mask</td>
<td>Custom made, post inner or middle ear surgery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ear Molds</td>
<td>Eligible for coverage when used with a covered DME.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrodes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enema Supplies</td>
<td>Over-the-counter supply.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enteral Nutrition Supplies</td>
<td>Necessary supplies (e.g., bags, tubing, connectors, catheters, etc.) are eligible for coverage. Enteral nutrition products are not covered except for those prescribed for hereditary metabolic disorders, a non-function or disease of the structures that normally permit food to reach the small bowel, or malabsorption due to disease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eye Patches</td>
<td>Covered for patients with amblyopia.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Formula

| Gloves                                      | X | Exception: Eligible for coverage only for chronic hereditary metabolic disorders a non-function or disease of the structures that normally permit food to reach the small bowel; or malabsorption due to disease (expected to last longer than 60 days when prescribed by the physician and authorized by plan.) Physician documentation to justify prescription of formula must include:
|                                             |   | • Identification of a metabolic disorder, dysphagia that results in a medical need for a liquid diet, presence of a gastrostomy, or disease resulting in malabsorption that requires a medically necessary nutritional product
|                                             |   | Does not include formula:
|                                             |   | • For members who could be sustained on an age-appropriate diet.
|                                             |   | • Traditionally used for infant feeding
|                                             |   | • In pudding form (except for clients with documented oropharyngeal motor dysfunction who receive greater than 50 percent of their daily caloric intake from this product)
|                                             |   | • For the primary diagnosis of failure to thrive, failure to gain weight, or lack of growth or for infants less than twelve months of age unless medical necessity is documented and other criteria, listed above, are met.
|                                             |   | Food thickeners, baby food, or other regular grocery products that can be blenderized and used with an enteral system that are not medically necessary, are not covered, regardless of whether these regular food products are taken orally or parenterally.
| Hydrogen Peroxide                          | X | Exception: Central line dressings or wound care provided by home care agency.
| Hygiene Items                               | X | Over-the-counter supply.
| Incontinent Pads                            | X | Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.
| Insulin Pump (External) Supplies            | X | Supplies (e.g., infusion sets, syringe reservoir and dressing, etc.) are eligible for coverage if the pump is a covered item.
| Irrigation Sets, Wound Care                 | X | Eligible for coverage when used during covered home care for wound care.
| Irrigation Sets, Urinary                    | X | Eligible for coverage for individual with an indwelling urinary catheter.
<table>
<thead>
<tr>
<th>Item</th>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV Therapy Supplies</td>
<td>X</td>
<td>Tubing, filter, cassettes, IV pole, alcohol swabs, needles, syringes and any other related supplies necessary for home IV therapy.</td>
</tr>
<tr>
<td>K-Y Jelly</td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Lancet Device</td>
<td>X</td>
<td>Limited to one device only.</td>
</tr>
<tr>
<td>Lancets</td>
<td>X</td>
<td>Eligible for individuals with diabetes.</td>
</tr>
<tr>
<td>Med Ejector</td>
<td>X</td>
<td>See Diabetic Supplies</td>
</tr>
<tr>
<td>Needles and Syringes/Diabetic</td>
<td></td>
<td>See IV Therapy and Dressing Supplies/Central Line.</td>
</tr>
<tr>
<td>Needles and Syringes/IV and Central Line</td>
<td></td>
<td>See IV Therapy Supplies.</td>
</tr>
<tr>
<td>Needles and Syringes/Other</td>
<td>X</td>
<td>Eligible for coverage if a covered IM or SubQ medication is being administered at home.</td>
</tr>
<tr>
<td>Normal Saline</td>
<td>X</td>
<td>See Saline, Normal</td>
</tr>
<tr>
<td>Novopen</td>
<td></td>
<td>Items eligible for coverage include: belt, pouch, bags, wafer, face plate, insert, barrier, filter, gasket, plug, irrigation kit/sleeve, tape, skin prep, adhesives, drain sets, adhesive remover, and pouch deodorant. Items not eligible for coverage include: scissors, room deodorants, cleaners, rubber gloves, gauze, pouch covers, soaps, and lotions.</td>
</tr>
<tr>
<td>Ostomy Supplies</td>
<td>X</td>
<td>Necessary supplies (e.g., tubing, filters, connectors, etc.) are eligible for coverage when the Health Plan has authorized the parenteral nutrition.</td>
</tr>
<tr>
<td>Parenteral Nutrition/Supplies</td>
<td>X</td>
<td>See Needles/Syringes.</td>
</tr>
<tr>
<td>Saline, Normal</td>
<td>X</td>
<td>Eligible for coverage: a) when used to dilute medications for nebulizer treatments; b) as part of covered home care for wound care; c) for indwelling urinary catheter irrigation.</td>
</tr>
<tr>
<td>Stump Sleeve</td>
<td>X</td>
<td>See Dressing Supplies, Ostomy Supplies, IV Therapy Supplies.</td>
</tr>
<tr>
<td>Stump Socks</td>
<td>X</td>
<td>Cannulas, Tubes, Ties, Holders, Cleaning Kits, etc. are eligible for coverage.</td>
</tr>
<tr>
<td>Suction Catheters</td>
<td>X</td>
<td>See Diapers/Incontinent Briefs/Chux.</td>
</tr>
<tr>
<td>Syringes</td>
<td></td>
<td>Eligible for coverage when part of wound care in the home setting. Incidental charge when applied during office visit.</td>
</tr>
<tr>
<td>Tape</td>
<td></td>
<td>Exception: Covered when used by incontinent male where injury to the urethra prohibits use of an indwelling catheter ordered by the PCP and approved by the plan</td>
</tr>
<tr>
<td>Tracheostomy Supplies</td>
<td>X</td>
<td>Cover catheter, drainage bag with tubing, insertion tray, irrigation set and normal saline if needed.</td>
</tr>
<tr>
<td>Under Pads</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unna Boot</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Urinary, External Catheter &amp; Supplies</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Urinary, Indwelling Catheter &amp; Supplies</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Coverage</td>
<td>Description</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Urinary, Intermittent</td>
<td></td>
<td>Cover supplies needed for intermittent or straight catheterization.</td>
</tr>
<tr>
<td>Urine Test Kit</td>
<td>X</td>
<td>When determined to be medically necessary.</td>
</tr>
<tr>
<td>Urostomy supplies</td>
<td></td>
<td>See Ostomy Supplies.</td>
</tr>
</tbody>
</table>
Subject: Attachment B-2.2 - STAR+PLUS Covered Services

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
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</tr>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2.2 is modified to reinstate the waiver of the three prescription limit for adults language and to add the waiver of the $200,000 individual annual limit on inpatient services. STAR+PLUS Covered Services is modified to clarify the requirements regarding services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting. Services included under the HMO capitation payment is modified to clarify the requirements for &quot;Prenatal care services rendered in a birthing center.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Community Based Long Term Care Services is modified to replace references to “1915(c) STAR+PLUS Waiver” and “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Acute Care Services is modified to remove the waiver of the 30-day spell of illness as required by Article II, Rider 51 of the General Appropriations Act (83R), and to remove the reference to the Texas Medicaid Bulletin.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
</tbody>
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2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

STAR+PLUS Covered Services

Acute Care Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR+PLUS Program.

STAR+PLUS MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated Services are not included in the STAR+PLUS MCOs’ Capitation Rates; however, STAR+PLUS MCOs must coordinate care for Members for these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and non-capitated.
STAR+PLUS MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR+PLUS Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following two exceptions. Adult STAR+PLUS Members are provided with two enhanced benefits compared to the traditional, fee-for-service Medicaid coverage:

1. waiver of the three prescription per month limit, for members not covered by Medicare; and
2. waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR+PLUS MCOs should refer to the current Texas Medicaid Provider Procedures Manual, which can be accessed online at: http://www.tmhp.com.

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

**Services included under the MCO capitation payment**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Adults and Children
  - Outpatient mental health services for Adults and Children
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Substance use disorder treatment services, including
    - Outpatient services, including:
      - Assessment
      - Detoxification services
      - Counseling treatment
      - Medication assisted therapy
    - Residential services, including
      - Detoxification services
      - Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.
• Birthing services provided by a physician or Advanced Practice Nurse in a licensed birthing center
• Birthing services provided by a licensed birthing center
• Cancer screening, diagnostic, and treatment services
• Chiropractic services
• Dialysis
• Durable medical equipment and supplies
• Early Childhood Intervention (ECI) services
• Emergency Services
• Family planning services
• Home health care services
• Hospital services, inpatient and outpatient
• Laboratory
• Mastectomy, breast reconstruction, and related follow-up procedures, including:
  o outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and
  physician and professional services provided in an office, inpatient, or outpatient setting for:
    o all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
    o surgery and reconstruction on the other breast to produce symmetrical appearance;
    o treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    o prophylactic mastectomy to prevent the development of breast cancer.
  o external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.
• Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program
• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children six (6) months through 35 months of age.
• Optometry, glasses, and contact lenses, if medically necessary
• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals
• Drugs and biologicals provided in an inpatient setting
• Podiatry
• Prenatal care
• Primary care services
• Preventive services including an annual adult well check for patients 21 years of age and over
• Radiology, imaging, and X-rays
• Specialty physician services
• Therapies – physical, occupational and speech
• Transplantation of organs and tissues
• Vision

Community Based Long Term Care Services

The following is a non-exhaustive, high-level listing of Community Based Long Term Care Covered Services included under the STAR+PLUS Medicaid managed care program.

• Community Based Long Term Care Services for all Members
  o Personal Attendant Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Personal Attendant Services (PAS).
  o Day Activity and Health Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Day Activity and Health Care Services (DAHS).
• HCBS STAR+PLUS Waiver Services for those Members who qualify for such services The state provides an enriched array of services to clients who would otherwise qualify for nursing facility care through a Home and Community Based Medicaid Waiver. In traditional Medicaid, this is known as the Community Based Alternatives (CBA) waiver. The STAR+PLUS MCO must also provide medically necessary services that are available to clients through the CBA waiver in traditional Medicaid to those clients that meet the functional and financial eligibility for the HCBS STAR+PLUS Waiver.
  o Personal Attendant Services (including the three (3) service delivery options: Self-Directed; Agency Model, Self-Directed; and Agency Model)
  o In-Home or Out-of-Home Respite Services
  o Nursing Services (in home)
  o Emergency Response Services (Emergency call button)
  o Home Delivered Meals
  o Minor Home Modifications
  o Adaptive Aids and Medical Equipment
  o Medical Supplies not available under the Texas Medicaid State Plan/ Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver
  o Physical Therapy, Occupational Therapy, Speech Therapy
  o Day Activity Health Services (DAHS) (for members in 217-Like STAR+PLUS eligibility group, as identified in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver, whose income exceeds 150% FPL)
  o Adult Foster Care
  o Assisted Living
  o Transition Assistance Services (These services are limited to a maximum of $2,500.00. If the MCO determines that no other resources are available to pay for the basic services/items needed to assist a Member, who is leaving a nursing facility, with setting up a household, the MCO may authorize up to $2,500.00 for Transition Assistance Services (TAS). The $2,500.00 TAS benefit is part of the expense ceiling when determining the Total Annual Individual Service Plan (ISP) Cost.)
# DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Item 27 is modified to remove the quarterly reports for item (a), add pharmacy to items (d) and (e), and to add item (f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports. Item 28 is modified to replace references to “1915 (c) Waiver” with “HCBS STAR +PLUS Waiver”.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Item 19 is modified to clarify liquidated damage assessment and variance.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Items 4, 6, 7, 16, 23, 24, 26, 27, 28, 29, 30, and 31 are modified to add &quot;not submitted&quot; to the LD. Items 10 and 21 are modified and items 28-31 are added to include pharmacy requirements. All subsequent items are renumbered. Items 21 and 22 are modified to include pharmacy claims. Item 24 is modified to change the name of the report. Item 27 is modified to remove quarterly from the measurement period.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
</tbody>
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3 Brief description of the changes to the document made in the revision.
Deliverables/Liquidated Damages Matrix

<table>
<thead>
<tr>
<th>#</th>
<th>Service/ Component</th>
<th>Performance Standard</th>
<th>Measurement Period</th>
<th>Measurement Assessment</th>
<th>Liquidated Damages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>General Requirement: Failure to Perform an Administrative Service Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions”, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely perform an MCO Administrative Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure either: (1) results in actual harm to a Member or places a Member at risk of imminent harm, or (2) materially affects HHSC’s ability to administer the Program(s).</td>
<td>Ongoing</td>
<td>Each incident of non-compliance per MCO Program and SA.</td>
<td>HHSC may assess up to $5,000.00 per calendar day for each incident of non-compliance per MCO Program and SA.</td>
</tr>
<tr>
<td>2.</td>
<td>General Requirement: Failure to Provide a Covered Service Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely provide a MCO Covered Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure results in actual harm to a Member or places a Member at risk of imminent harm.</td>
<td>Ongoing</td>
<td>Each calendar day of non-compliance</td>
<td>HHSC may assess up to $7,500.00 per day for each incident of non-compliance.</td>
</tr>
<tr>
<td></td>
<td>3. Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Section 4.08 Subcontractors</td>
<td>(i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract; (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting; (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and (iv) 30 calendar days prior to the termination date of any other Material Subcontract.</td>
<td>Transition, Measured Quarterly during the Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $5,000 per calendar day of non-compliance.</td>
</tr>
<tr>
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</tr>
<tr>
<td>4.</td>
<td>Contract Attachment B-1, RFP §§ 6, 7, 8 and 9 Uniform Managed Care Manual</td>
<td>All reports and deliverables as specified in Sections 6, 7, 8 and 9 of Attachment B-1, must be submitted according to the timeframes and requirements stated in the Contract (including all attachments) and the Uniform Managed Care Manual. (Specific Reports or deliverables listed separately in this matrix are subject to the specified liquidated damages.)</td>
<td>Transition Period, Quarterly during Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $250 per calendar day if the report/deliverable is not submitted, late, inaccurate, or incomplete.</td>
</tr>
<tr>
<td>5.</td>
<td>Contract Attachment B-1, RFP §7.2 Transition Phase Schedule Contract Attachment B-1, RFP §7.2.1 Contract Start-Up and Planning Contract Attachment B-1, RFP §8.1 General Scope</td>
<td>The MCO must be operational no later than the agreed upon Operations Start Date. HHSC, or its agent, will determine when the MCO is considered to be operational based on the requirements in Section 7 and 8 of Attachment B-1.</td>
<td>Operations Start Date</td>
<td>Each calendar day of non-compliance, per MCO Program, per Service Area (SA).</td>
<td>HHSC may assess up to $10,000 per calendar day for each day beyond the Operations Start date that the MCO is not operational until the day that the MCO is operational, including all systems.</td>
</tr>
</tbody>
</table>
|   | Contract Attachment B-1, RFP §7.2.5 System Readiness Review | The MCO must submit to HHSC or to the designated Readiness Review Contractor the following plans for review, no later than 120 days prior to Operational Start Date:  
• Joint Interface Plan;  
• Disaster Recovery Plan;  
• Business Continuity Plan;  
• Risk Management Plan;  
• Systems Quality Assurance Plan. | Transition Period | Each calendar day of non-compliance, per report, per MCO Program, and per SA. | HHSC may assess up to $1,000 per calendar day for each day a deliverable is not submitted, late, inaccurate or incomplete. |
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>Contract Attachment B-1, RFP §7.2.7 Operations Readiness</td>
<td>Final versions of the Provider Directory must be submitted to the Administrative Services Contractor no later than 95 days prior to the Operational Start Date.</td>
<td>Transition Period</td>
<td>Each calendar day of non-compliance, per directory, per MCO Program and per SA.</td>
</tr>
<tr>
<td>8.</td>
<td>Attachment B-1, RFP Sections 7.2.8.1 and 8.1.19</td>
<td>The MCO must submit or comply with the requirements of the HHSC-approved Fraud and Abuse Compliance Plan.</td>
<td>Transition, Operations, and Turnover</td>
<td>Each incident of noncompliance, per MCO Program</td>
</tr>
</tbody>
</table>
(2) No more than 20 percent of an MCO's total emergency room visits, by service delivery area, may occur in out-of-network facilities  
(3) No more than 20 percent of total dollars billed to an MCO for "other outpatient services" may be billed by out-of-network providers. | Measured Quarterly beginning March 1, 2010. | Per incident of non-compliance, per Medicaid MCO, per Service Area. | HHSC may assess up to $25,000 per quarter, per standard, per Medicaid MCO, per Service Area. |
<table>
<thead>
<tr>
<th></th>
<th>Contract Attachment B-1, RFP §8.1.4.7 Provider Hotline; §8.1.21.1 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies</th>
</tr>
</thead>
</table>
| 10. | **A.** The MCO must operate a toll-free Provider telephone hotline for Provider inquiries from 8 AM – 5 PM, local time for the Service Area, Monday through Friday, excluding State-approved holidays.  
**B.** Performance Standards:  
1. Call pickup rate—At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used.  
2. Call abandonment rate—Call abandonment rate is seven percent (7%) or less.  
3. Average hold time is two (2) minutes or less.  
**Operations and Turnover**  
A. Each incident of non-compliance per MCO Program and SA.  
B. Each percentage point below the standard for 1 and each percentage point above the standard for 2 per MCO Program and SA.  
C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.  
**HHSC may assess:**  
A. Per MCO Program and SA, up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.  
B. Up to $100.00 per MCO Program and SA for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.  
C. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time. |
|   | Contract Attachment B-1, RFP §8.1.5.6 Member Services Hotline |
| 11. | **A.** The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week.  
**B.** Performance Standards.  
1. Call pickup rate—At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used.  
2. Call hold rate—At least 80% of calls must be answered by toll-free line staff within 30 seconds.  
3. Call abandonment rate—Call abandonment rate is seven percent (7%) or less.  
C. Average hold time is two (2) minutes or less.  
**Ongoing during Operations and Turnover**  
A. Each incident of non-compliance per MCO Program and SA.  
B. Each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3 per MCO Program and SA.  
C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.  
**HHSC may assess:**  
A. Per MCO Program and SA, up to $100.00 for each hour or portion thereof that toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.  
B. Per MCO Program and SA, up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.  
C. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time. |
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<tr>
<th></th>
<th>Contract Attachment B-1, RFP §8.1.5.9 Member Complaint and Appeal Process</th>
<th>The MCO must resolve at least 98% of Member and Provider Complaints within 30 calendar days from the date the Complaint is received by the MCO.</th>
<th>Measured Quarterly during the Operations Period</th>
<th>Per reporting period, per MCO Program, per SA.</th>
<th>HHSC may assess up to $250 per reporting period if the MCO fails to meet the performance standard.</th>
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<td>12.</td>
<td>Contract Attachment B-1, RFP §8.2.7.1 Member Complaint Process</td>
<td>The MCO must resolve at least 98% of Member Appeals within 30 calendar days from the date the Appeal is filed with the MCO.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per reporting period, per MCO Program, per SA.</td>
<td>HHSC may assess up to $500 per reporting period if the MCO fails to meet the performance standard.</td>
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<td>13.</td>
<td>Contract Attachment B-1, RFP §8.4.3 CHIP Member Complaint and Appeal Process</td>
<td>The MCO may not engage in prohibited marketing practices.</td>
<td>Transition, Measured Quarterly during the Operations Period</td>
<td>Per incident of non-compliance.</td>
<td>HHSC may assess up to $1,000 per incident of non-compliance.</td>
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<td>14.</td>
<td>Contract Attachment B-1, RFP §8.1.6 Marketing &amp; Prohibited Practices Uniform Managed Care Manual Chapter 4.3</td>
<td>The MCO must resolve at least 98% of Member and Provider Complaints within 30 calendar days from the date the Complaint is received by the MCO.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per reporting period, per MCO Program, per SA.</td>
<td>HHSC may assess up to $250 per reporting period if the MCO fails to meet the performance standard.</td>
</tr>
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<td>Contract Attachment B-1, RFP §8.1.15.3 Behavioral Health Services Hotline</td>
<td>A. The MCO must have an emergency and crisis Behavioral Health services Hotline available 24 hours a day, seven (7) days a week, toll-free throughout the Service Area(s).&lt;br&gt;B. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess behavioral health emergencies.&lt;br&gt;C. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for the MCO Program:&lt;br&gt;1. Call pickup rate: 99% of calls are answered by the fourth ring or an automated call pick-up system:&lt;br&gt;2. Call hold rate: At least 80% of calls must be answered by toll-free line staff within 30 seconds.&lt;br&gt;3. Call abandonment rate: The call abandonment rate is seven percent (7%) or less.&lt;br&gt;D. Average hold time is two (2) minutes or less.</td>
<td>Operations and Turnover</td>
<td>A. Each incident of non-compliance per MCO Program and SA.&lt;br&gt;B. Each incident of non-compliance per MCO Program and SA.&lt;br&gt;C. Per MCO Program, and SA, per month, each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3.&lt;br&gt;D. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
<td>HHSC may assess:&lt;br&gt;A. Up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational if the MCO’s failure to meet the performance standard is caused by a Force Majeure Event. HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.&lt;br&gt;B. Up to $100.00 per incident for each occurrence that HHSC identifies through its recurring monitoring processes that toll-free line staff were not qualified or did not have access to qualified professionals to assess behavioral health emergencies.&lt;br&gt;C. Up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.&lt;br&gt;D. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time.</td>
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<p>| Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements Uniform Managed Care Manual Chapter 5.0 | Financial Statistical Reports (FSR): For each MCO Program and SA, the MCO must file quarterly and annual FSRs. Quarterly reports are due no later than 30 days after the conclusion of each State Fiscal Quarter (SFQ). The first annual report is due no later than 120 days after the end of each Contract Year and the second annual report is due no later than 365 days after the end of each Contract Year. | Quarterly during the Operations Period | Per calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $1,000 per calendar day a quarterly or annual report is not submitted, late, inaccurate or incomplete. |</p>
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<th>Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements: Uniform Managed Care Manual Chapter 5.0</th>
<th>Medicaid Disproportionate Share Hospital (DSH) Reports: The Medicaid MCO must submit, on an annual basis, preliminary and final DSH Reports. The Preliminary report is due no later than June 1st after each reporting year, and the final report is due no later than July 1st after each reporting year. This standard does not apply to CHIP or CHIP Perinatal Programs. Any claims added after July 1st shall include supporting claim documentation for HHSC validation.</th>
<th>Measured during 4th Quarter of the Operations Period (6/1–8/31)</th>
<th>Per calendar day of non-compliance, per MCO Program, per SA.</th>
<th>HHSC may assess up to $1,000 per calendar day, per program, per service area, for each day the report is late, incorrect, inaccurate or incomplete.</th>
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<td>18.</td>
<td>Contract Attachment B-1, RFP §8.1.18 Management Information System (MIS) Requirements</td>
<td>The MCO’s MIS must be able to resume operations within 72 hours of employing its Disaster Recovery Plan.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $5,000 per calendar day of non-compliance</td>
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|   | Contract Attachment B-1, RFP §8.1.18.1 Encounter Data | The MCO must submit Encounter Data transmissions and include all Encounter Data and Encounter Data adjustments processed by the MCO on a monthly basis, not later than the 30th calendar day after the last day of the month in which the claim(s) are adjudicated. Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments. Additionally, the MCO will be subject to liquidated damages if the Quarterly Encounter Reconciliation Report (which reconciles the yearto-date paid claims reported in the Financial Statistical Report (FSR) to the appropriate paid dollars reported in the Texas Encounter Data (TED) Warehouse) includes more than a 2% variance. | Measured Quarterly during Operations Period | Per incident of non-compliance, per MCO Program, per Service Area (SA) | Liquidated Damages:  
a) Failure to submit Encounter Data:  
1. HHSC may assess up to $2,500 per Financial Arrangement Code, per month (or every 25 days for Pharmacy Encounter Data), per Program, per SA if the MCO fails to submit encounter data in a quarter.  
2. HHSC may assess up to $5,000 per Financial Arrangement Code, per month (or every 25 days for Pharmacy Encounter Data), per Program, per SA for each month in any subsequent quarter that the MCO fails to submit Encounter Data.  
b) Encounter Data Reconciliation: Additionally, HHSC may assess up to $2,500 per Quarter, per Program, per SA if the MCO is not within the 2% variance. HHSC may assess up to $5,000 per Quarter, per Program, per SA for each additional Quarter that the MCO is not within the 2% variance. |
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<td>Contract Attachment B-1, RFP §8.1.18.3 System-Wide Functions</td>
<td>The MCO’s MIS system must meet all requirements in Section 8.1.18.3 of Attachment B-1.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per calendar day of non-compliance, per MCO Program, per SA.</td>
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<td>21.</td>
<td>Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements and §8.1.21.14 Pharmacy Claims and File Processing Uniform Managed Care Manual Chapter 2.0 and 2.2</td>
<td>The MCO must adjudicate all provider Clean Claims within 30 days of receipt by the MCO. The MCO must pay providers interest at 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 30-day claims processing deadline. Interest owed to the provider must be paid on the same date as the claim.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per incident of non-compliance.</td>
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<td>22.</td>
<td>Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements Uniform Managed Care Manual Chapters 2.0 and 2.2</td>
<td>The MCO must comply with the claims processing requirements and standards as described in Section 8.1.18.5 of Attachment B-1 and in Chapters 2.0 and 2.2 of the Uniform Managed Care Manual.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per quarterly reporting period, per MCO Program, per Service Area, per claim type.</td>
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<td>23.</td>
<td>Attachment B-1, RFP Section 8.1.19</td>
<td>The MCO must respond to Office of Inspector General request for information in the manner and format requested.</td>
<td>Transition, Operations, and Turnover</td>
<td>Each calendar day of noncompliance, per MCO Program.</td>
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<td>24.</td>
<td>Attachment B-1, RFP Section 8.1.20.2, UMCM Chapter 5.5</td>
<td>The MCO must submit a Fraudulent Practices Report to the HHSC-OIG within 30 Business Days of receiving a report of possible Waste, Abuse, or Fraud from the MCO’s Special Investigative Unit (SIU). The MCO must submit quarterly MCO Open Case List Reports.</td>
<td>Transition, Operations, and Turnover</td>
<td>Each calendar day of noncompliance, per MCO Program.</td>
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<td>25.</td>
<td>Attachment B-1, RFP §8.1.20.2 Reports Attachment B-1, RFP §8.2.5.1 Provider Complaints Attachment B-1, RFP §8.2.7.1 Member Complaint Process</td>
<td>The MCO fails to submit a timely response to an HHSC Member or Provider Complaint received by HHSC and referred to the MCO by the specified due date. The MCO response must be submitted according to the timeframes and requirements stated within the MCO Notification Correspondence (letter, email, etc).</td>
<td>Measured on a Quarterly Basis</td>
<td>Each incident of non-compliance per MCO Program and SA</td>
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<td>26.</td>
<td>Contract Attachment B-1, RFP §8.1.20.2 Reports Uniform Managed Care Manual Chapters 2.0 and 5.0</td>
<td>Claims Summary Report: The MCO must submit quarterly, Claims Summary Reports to HHSC by MCO Program, by Service Area, and by claim type, by the 30th day following the reporting period unless otherwise specified.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per calendar day of non-compliance, per MCO Program, per Service Area, per claim type.</td>
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27. Contract Attachment B-1, RFP §8.1.20.2 Reports; Uniform Managed Care Manual Chapter 12 Frew

(a) Medicaid Managed Care Texas Health Steps Medical Checkups Reports - The MCO must submit an annual report of the number of New Members and Existing Members that receive timely Texas Health Steps (THSteps) medical checkups or refuse to obtain medical checkups.

(b) Children of Migrant Farm Workers Annual Plan and Children of Migrant Farm Workers Annual Report - The MCO must submit an annual plan that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers and an annual report that summarizes the MCO's migrant efforts as stated in its annual plan.

(c) Frew Quarterly Monitoring Report - The MCO must submit each quarter responses to questions on this report's template addressing the status of Frew Consent Decree paragraphs.

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<td>HHSC may assess up to $1,000 per calendar day for the first measurement period the reports are not submitted, late, inaccurate, or incomplete.</td>
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<td>HHSC may assess up to $5,000 per calendar day for each consecutive measurement period that a subsequent report is not submitted, late, inaccurate, or incomplete.</td>
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<td>In addition, HHSC may assess up to $2,500 per calendar day for any report resubmissions that are not submitted, late, inaccurate, or incomplete within each measurement period.</td>
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(d) Frew Annual Provider Training Report - The MCO must submit an annual report of health care and pharmacy provider training conducted throughout the year on Texas Health Steps, Frew, and/or pharmacy benefit education topics that includes the number of Medicaid providers that received training and feedback received on the subject matter and methodology of the training.

(e) Frew Provider Recognition Report - The MCO must submit a quarterly report of Medicaid enrolled healthcare and pharmacy providers who attended the MCO's training on Frew, Texas Health Steps, and/or pharmacy benefit education topics and consented to being recognized as having attended training on the HHSC website.

(f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports - Each State Fiscal Quarter, the MCO must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups.
|   | Contract Attachment B-1, §8.1.21.1 Formulary and Preferred Drug List | The MCO fails to allow Network Providers free access to a point-of-care web-based application accessible to smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs; Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly. | Ongoing | Each calendar day of non-compliance | HHSC may assess up to $5,000 per calendar day for each incident of non-compliance per MCO Program. |
The MCO fails to reimburse a pharmacy for providing a 72-hour emergency supply as outlined in this section or fails to make a prior authorization determination within 24 hours of the request.

Ongoing

Each incident of noncompliance

HHSC may assess up to $5,000 per incident of non-compliance per MCO Program.
<p>| Contract Attachment B-1, §8.1.21.5 Pharmacy Rebate Program Uniform Managed Care Manual, Chapters 2.0 and 2.2 | The MCO fails to include valid national drug codes (NDCs) on encounters for outpatient prescription drugs, including physician-administered drugs. | Ongoing | Each incident of noncompliance | HHSC may assess up to $500 for each incident of non-compliance per MCO Program. |
| 31 | Contract Attachment B-1, §8.1.21.16 E-Prescribing | The MCO fails to provide timely data updates to the national e-prescribing network | Ongoing | Each calendar day of Non compliance | HHSC may assess up to $5,000 per calendar day of non-compliance per MCO Program. |</p>
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<th>Section</th>
<th>Description</th>
<th>Compliance Period</th>
<th>Consequences</th>
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<tr>
<td>32. Contract Attachment B-1, RFP §8.3.3 STAR+PLUS Assessment Instruments</td>
<td>The Community Medical Necessity and Level of Care (MN LOC) Assessment Instrument must be completed and electronically submitted via the TMHP portal in the specified format within 45 days: 1) from the date of referral for HCBS STAR+PLUS Waivers for 217-Like Group applicants; 2) from the date of the Member's request for HCBS STAR+PLUS Waiver services for current Members requesting an upgrade; or 3) prior to the annual ISP expiration date for all Members receiving HCBS STAR+PLUS Waiver services as specified in Section 8.3.3.</td>
<td>Operations, Turnover</td>
<td>Per calendar day of non-compliance, per Service Area.</td>
</tr>
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<td>33. Contract Attachment B-1, RFP §9.3 Transfer of Data</td>
<td>The MCO must transfer all data regarding the provision of Covered Services to Members to HHSC or a new MCO, at the sole discretion of HHSC and as directed by HHSC. All transferred data must comply with the Contract requirements, including HIPAA.</td>
<td>Measured at Time of Transfer of Data and ongoing after the Transfer of Data until satisfactorily completed</td>
<td>Each incident of non-compliance (failure to provide data and/or failure to provide data in required format), per MCO Program, per SA.</td>
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<td>34. Contract Attachment B-1, RFP §9.4 Turnover Services</td>
<td>Six (6) months prior to the end of the contract period or any extension thereof, the MCO must propose a Turnover Plan covering the possible turnover of the records and information maintained to either the State (HHSC) or a successor MCO.</td>
<td>Measured at Six (6) Months prior to the end of the contract period or any extension thereof and ongoing until satisfactorily completed</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
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<tr>
<td>35.</td>
<td>Contract Attachment B-1, RFP §9.5 Post-Turnover Services</td>
<td>The MCO must provide the State (HHSC) with a Turnover Results report documenting the completion and results of each step of the Turnover Plan 30 days after the Turnover of Operations.</td>
<td>Measured 30 days after the Turnover of Operations</td>
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In consideration of the execution by the Texas Health & Human Services Commission ("Beneficiary") of the (HHSC Contract No. 529-12-0002-000__, as amended, hereinafter the "Contract") with ________________________ ("Subsidiary"), unconditionally and irrevocably guarantees to Beneficiary, on the terms and conditions herein, the full and faithful performance by Subsidiary of all of the obligations undertaken by Subsidiary pursuant to the Contract and as it may hereafter be amended, modified, or extended from time to time, by work authorizations or otherwise.

If Subsidiary fails or refuses to complete any of its obligations, Parent shall complete, or cause to be completed, the obligation that Subsidiary failed or refused to complete, or be considered to be in breach of the Contract to the same extent as Subsidiary, pursuant to the terms and conditions of the Contract. The obligations of Parent under this Guarantee (i) are joint and several obligations made for the benefit of Beneficiary, and (ii) are direct and unconditional obligations to Beneficiary, independent of obligations of Subsidiary or any other guarantor, and may be the basis of a separate action by Beneficiary against any or all guarantors that may be asserted without first bringing an action against Subsidiary.

Parent authorizes Beneficiary, without notice or demand and without affecting its liability hereunder, from time to time to: (a) waive or delay the exercise of any rights or remedies of Beneficiary against Subsidiary and/or any guarantor; (b) release or substitute any guarantor; (c) renew, amend, extend, compromise or waive any obligation of any guarantor; and (d) renew, compromise, extend, waive, or amend any term of the Contract pursuant to its terms.

Parent agrees that, until its obligations hereunder have been performed and/or paid in full, Parent shall not be released by or because of the taking, or failure to take, any action by Subsidiary or Beneficiary that might in any manner or to any extent vary the risks of Parent under this Guarantee or that, but for this paragraph, might discharge or otherwise reduce, limit, or modify Parent's obligations under this Guarantee. Parent waives and surrenders any defense to any liability under this Guarantee based upon any such action, including but not limited to any action of Beneficiary described in the immediately preceding paragraph of this Guarantee, provided, however, Parent does not waive any defenses, remedies, or offsets to which Subsidiary is entitled under or with respect to the Contract. It is the express intent of Parent that Parent's obligations under this Guarantee are and shall be absolute, irrevocable and unconditional guarantees of performance and payment of Subsidiary and are not merely guarantees of collection.

Parent waives:

(a) the right to require Beneficiary to proceed against Subsidiary;

(b) all requirements of presentment, protest or default and notices of presentment, protest or default;

(c) any right to require Beneficiary to proceed against Subsidiary or to pursue any other remedy in Beneficiary's power whatsoever;

(d) notice of acceptance of this Guarantee;

(e) notice of any amendments, work authorizations, extensions of time for performance, changes in the work, or other acts by Beneficiary affecting Subsidiary's rights or obligations under the Contract;

(f) notice of any breach or claim of breach by Subsidiary, provided Beneficiary has complied with any required notice provisions to Subsidiary under the Contract;

(g) any defense arising out of the exercise by Beneficiary of any right or remedy it may have with respect to the Contract, including the right to amend or modify the Contract and the right to waive or delay the exercise of any rights it may otherwise have against Subsidiary;

(h) notice of the settlement or compromise of any claim of Beneficiary against Subsidiary relating to any of Subsidiary's obligations under the Contract; and
(i) the benefit of suretyship defenses generally.

No provision or waiver in this Guarantee shall be construed as limiting the generality of any other waiver contained in this Guarantee.

Parent hereby irrevocably waives all claims it has or may acquire against Subsidiary in respect of Parent’s obligations under this Guarantee, including rights of exoneration, reimbursement and subrogation but excluding any rights it may have under any surety bonds. Parent agrees to indemnify Beneficiary, and hold it harmless from and against all loss and expense, including legal fees, suffered or incurred by Beneficiary as the prevailing party in the enforcement of the Contract and/or this Guarantee.

Parent represents and warrants that the execution and delivery of, and performance of the obligations contained in this Guarantee have been authorized by all appropriate action and will not constitute a breach of or contravene any agreement or instrument to which Parent is a party, and that this Guarantee is a valid and binding obligation of Parent enforceable against Parent in accordance with its terms.

Parent consents to all of the terms and conditions of the Contract, as they may be amended or modified from time-to-time by the Beneficiary and Subsidiary. Such Contract terms and conditions are incorporated herein by reference, except that all references to the parties shall mean Beneficiary and Parent, all references to Subsidiary shall mean Parent, all references to the Contract shall be to this Guarantee, and notices to Parent shall be sent to the address set forth below instead of to the address set forth in the Contract.

Parent may not directly or indirectly assign or otherwise transfer (except as a result of a merger or acquisition of or involving Parent) or delegate any rights or obligations hereunder, including any claim arising by subrogation, and any attempt by Parent to assign or delegate any of its rights or obligations hereunder shall be void. This Guarantee shall be binding on the successors and assigns of Parent, and shall inure to the benefit of the successors and assigns of Beneficiary.

If any provision of this Guarantee should be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the fullest extent permitted by law:

(a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of Beneficiary in order to carry out the intentions of the parties hereto as nearly as may be possible; and

(b) such invalidity, illegality or unenforceability shall not affect the validity or enforceability of such provision in any other jurisdiction.

This Guarantee shall be governed by and interpreted in accordance with the laws of the State of Texas. Parent hereby irrevocably submits to the jurisdiction of any State district court sitting in Travis County, State of Texas, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Guarantee and irrevocably waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. Service of process by Beneficiary in connection with such action or proceeding shall be binding on Parent if sent to Parent by registered or certified mail at its address specified below. Parent agrees to pay all expenses of Beneficiary in connection with the lawful enforcement of this Guarantee, including, without limitation, costs of collection incurred as the prevailing party in any such action.

PARENT

Name of Parent: _____________________________
By:
Printed Name:
Title:
Address:
Date:
This Amendment is between the Texas Health and Human Services Commission (HHSC), an administrative agency within the executive department of the State of Texas, having its principal office at 4900 North Lamar Boulevard, Austin, Texas 78751, and Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network (MCO), an entity organized under the laws of the State of Wisconsin, having its principal place of business at 2100 South IH-35, Suite 202, Austin, Texas 78704. HHSC and MCO may be referred to in this Amendment individually as a “Party” and collectively as the “Parties.”

**Amendment Effective Date**
February 1, 2014

**Contract Expiration Date**
August 31, 2015

**Operational Start Date**
March 1, 2012

**MCO Brand Names**

The MCO will use following brand name(s). The MCO acknowledges that if it requests a change to the brand name(s), it will be responsible for all costs associated with the change(s), including HHSC’s costs for modifying its business rules, system identifiers, communications materials, web page, etc.

- **STAR:** Superior Health Plan
- **STAR+PLUS:** Superior Health Plan
- **CHIP:** Superior HealthPlan
- **MRSA:** Superior HealthPlan

**Project Managers**

**HHSC:**
Emily Zalkovsky
Director, Program Management
11209 Metric Boulevard, Building H
Austin, Texas 78758
Phone: 512-491-2078
Fax: 512-491-1972

**MCO:**
Susan Erickson
Vice President
2100 South IH-35, Suite 202
Austin, Texas 78704
Phone: 512-692-1465 Ext 22032
Fax: 866-702-4830
E-mail: serickson@centene.com

**Legal Notice Delivery Addresses**

**HHSC:**
General Counsel
4900 North Lamar Boulevard, 4th Floor
Austin, Texas 78751
Fax: 512-424-6586

**MCO:**
Superior HealthPlan
2100 South IH-35, Suite 202
Austin, Texas 78704
Fax: 866-702-4830
MCO Programs and Service Areas

This Amendment applies to the following checked HHSC MCO Programs and Service Areas. All references in the Amendment or the Contract to MCO Programs or Service Areas that are not checked do not apply to the MCO.

☑ Medicaid STAR MCO Program ☑ Medicaid STAR + PLUS MCO Program ☐ CHIP MCO Program

☑ Medicaid STAR MCO Program

Service Areas:

☐ Bexar
☐ Dallas
☐ El Paso
☐ Harris
☒ Hidalgo
☐ Jefferson
☐ Lubbock

☒ Medicaid RSA - Central
☒ Medicaid RSA - Northeast
☒ Medicaid RSA - West
☐ Nueces
☐ Tarrant
☐ Travis

See Contract Attachment B-4, “Map of Counties with MCO Program Service Areas,” for listing of counties included within the STAR Service Areas.

☑ Medicaid STAR+PLUS MCO Program

Service Areas:

☐ Bexar
☐ El Paso
☐ Harris
☒ Hidalgo
☐ Jefferson
☐ Lubbock

☒ Medicaid RSA - Central
☐ Nueces
☐ Tarrant
☐ Travis

See Contract Attachment B-4.2, “Map of Counties with STAR+PLUS MCO Program Service Areas,” for a list of counties included within the STAR+PLUS Service Areas.

Payment

☑ Medicaid STAR MCO Program

Capitation: See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR Program.

| Rate Period 2 Capitation Rates |
|-----------------|------------------|------------------|------------------|
| Service Area:   | Hidalgo          | Medicaid Rural Service Area - Central Texas | Medicaid Rural Service Area - Northeast Texas | Medicaid Rural Service Area - West Texas |
| Rate Cell       |                  |                  |                  |                  |
| 1 Under Age 1 Child | ***             | ***              | ***              | ***              |
| 2 Age 1-5 Child   | ***             | ***              | ***              | ***              |
| 3 Age 6-14 Child  | ***             | ***              | ***              | ***              |
| 4 Age 15-18 Child | ***             | ***              | ***              | ***              |
| 5 Age 19-20 Child | ***             | ***              | ***              | ***              |
| 6 TANF Adult      | ***             | ***              | ***              | ***              |
| 7 Pregnant Woman  | ***             | ***              | ***              | ***              |
| 8 SSI - Aged, Blind, & Disabled | *** | *** | *** | *** |
**Delivery Supplemental Payment:** See Contract Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 10, for a description of the Delivery Supplemental Payment for the STAR Program. The STAR Delivery Supplemental Payments for the Service Areas covered by this contract are listed below.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Delivery Supplemental Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hidalgo</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - Central Texas</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - Northeast Texas</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - West Texas</td>
<td>***</td>
</tr>
</tbody>
</table>

☑️ **Medicaid STAR+PLUS MCO Program**

**Capitation:** See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR+PLUS Program.

<table>
<thead>
<tr>
<th>Rate Period 2 Capitation Rates</th>
<th>Hidalgo</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STAR + PLUS Service Area:</strong></td>
<td></td>
</tr>
<tr>
<td>Rate Cell</td>
<td></td>
</tr>
<tr>
<td>1  Medicaid Only Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>2  Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>3  Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>4  Dual Eligible Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>5  Dual Eligible HCBS STAR+PLUS Waiver Rate- Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>6  Dual Eligible HCBS STAR+PLUS Waiver Rate- Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>7  Nursing Facility - Medicaid Only</td>
<td>***</td>
</tr>
<tr>
<td>8  Nursing Facility - Dual Eligible</td>
<td>***</td>
</tr>
</tbody>
</table>

**Terms and Attachments:**

The parties agree to amend their original contract, HHSC contract number 529-12-0002-00006 (Contract). The Parties agree that the terms of the Contract will remain in effect and continue to govern except to the extent modified in this Amendment.

The Parties execute this Amendment in accordance with the authority granted in HHSC Uniform Managed Care Contract Attachment A , "Uniform Managed Care Contract Terms & Conditions," under Article 8, "Amendments & Modifications."

HHSC Uniform Managed Care Contract Version 2.9 is attached.
Signatures
The Parties execute this Amendment in their stated capacities with authority to bind their organizations on the dates in this section.

Texas Health and Human Services Commission
/s/ Chris Traylor
Chris Traylor
Chief Deputy Commissioner
Office of the Chief Deputy Commissioner
Date: 12/23/2013

Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network
/s/ Holly Munin
By: Holly Munin
Title: CEO
Date: 11/14/2013
Texas Health & Human Services Commission

Uniform Managed Care Contract Terms & Conditions

DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of the Attachment A, “Medicaid and CHIP Uniform Managed Care Contract Terms &amp; Conditions.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Definition “1915(c) Nursing Facility Waiver” is modified to correct a cross-reference. Definition for Medically Necessary is modified for clarification. The State has determined that all acute care behavioral health and non-behavioral health services for Medicaid children fall within the scope of Texas Health Steps. Note that for LTSS, such as PCS (PAS) services for children in STAR+PLUS, the functional necessity standard for LTSS also applies (see Attachment B-1, Section 8.3.3). Definition for Rate Period 1 is modified. Section 4.04 is modified to clarify the requirements for Medical Director designees, and to clarify that the provision does not apply to prior authorization determinations made by Texas licensed pharmacists. New Section 4.11 “Prohibition Against Performance Outside of the United States” added. Section 5.02(b) is modified to clarify that MCOs may not sell or transfer their Member base. Section 5.06(a)(2) is modified to clarify the exceptions to enrollment in an MCO during an Inpatient Stay. Section 5.06(a)(3) and (4) are modified to clarify that Members cannot move from FFS to an MCO or from one MCO to another during residential treatment or residential detoxification. References to the PCCM program are removed. In addition, Section 5.06(a)(8) is modified to clarify movement requirements for SSI Members in the MRSA. Section 10.06(b) is modified to remove the Perinate Newborn 0% - 185% rate cell. Section 10.10 is modified to consolidate STAR+PLUS with STAR and CHIP for the Experience Rebate calculation. Section 10.10.1 is deleted in its entirety. Section 10.10.2 is modified to consolidate STAR+PLUS into STAR and CHIP for the Experience Rebate calculation.</td>
</tr>
<tr>
<td>Revision</td>
<td>Date</td>
<td>Changes</td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>------------</td>
<td>-----------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
</tbody>
</table>
| 2.2      | June 1, 2012 | Definition for Consolidated FSR Report or Consolidated Basis is added.  
Definition for Financial Statistical Report is added.  
Definitions for FSR Reporting Period, FSR Reporting Period 12/13, and FSR Reporting Period 14 are added.  
Definition for Material Subcontract is modified.  
Definition for Net Income Before Taxes is modified.  
Definition for Pre-tax Income is modified.  
Definition for Program is added.  
Definition for Rate Period 1 and Rate Period 2 are modified.  
Section 10.10 is modified to consolidate the Experience Rebate across all contracts and all programs.  
Section 10.10.2 is modified to consolidate the Administrative Expense Cap across all contracts and all programs. |
| 2.3      | September 1, 2012 | Definition for Case Management for Children and Pregnant Women is modified to remove the acronym “CPW”.  
Definition for Community-based Long Term Services and Supports is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.  
Definition for “1915(c) Nursing Facility Waiver” is modified to change the name to “HCBS STAR+PLUS.  
Waiver” and to update references to “Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver” and “HCBS STAR+PLUS Waiver”.  
Definition for “HHSC MCO Programs or MCO Programs” is modified.  
Definition for “Medically Necessary” is modified.  
Definition for “Provider Materials” is added.  
Section 5.06(a)(4) is modified to clarify responsibility for payment.  
Section 5.11 is deleted in its entirety.  
Section 7.02 is modified to clarify that only applicable provisions of the listed laws apply to the contract.  
Section 10.05 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”. |
| 2.4      | March 1, 2013 | All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.  
Definition for “Electronic Visit Verification” is added.  
Section 5.02(e), Subsections (4) and (5) are modified.  
Section 10.16 is added to address supplemental payments to MCOs for wrap-around services for outpatient drugs and biological products for STAR-PLUS Members. |
<table>
<thead>
<tr>
<th>Revision</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment A, Uniform Managed Care Contract Terms and Conditions.</td>
</tr>
<tr>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Definition for CAHPS is modified to correct the name to which the acronym refers. Definition for “Community Health Worker” is added. Definition for “Court-Ordered Commitment” is modified. Definition for Default Enrollment is modified to add T.A.C. reference. Definition for “DSM” is modified. Definition for “ECI” is modified. Definition for HEDIS is modified to correct the name to which the acronym refers. Definition for Primary Care Physician is modified to remove the list of provider types as being redundant. Definition for Rate Period is modified to include a third sub-period. Section 5.02(c) is modified to remove the language regarding disenrollment for ESRD and ventilator dependency. Section 5.08 is renamed “Modified Default Enrollment Process” and revised to include a process for all Programs. Section 5.09 is deleted and replaced with Section 5.08. Section 5.10 is deleted and replaced with Section 5.08. Section 7.04 is deleted in its entirety and updated within Section 7.02 Section 9.02 is modified for clarification that records must be provided “at no cost.” Section 9.04 is modified for clarification that records must be provided “at no cost.” Section 10.05(a) is modified to comply with the new STAR Risk Groups. Section 10.10.3 is modified to clarify that the Reinsurance Cap impacts only the Experience Rebate calculation. Section 11.01(c) is modified to add the missing word “may.” Section 13.01 is modified to clarify the required certifications. Section 14.08 is modified to delete outdated language.</td>
</tr>
</tbody>
</table>
Section 10.17 “Pass-through Payments for Provider Rate Increases” is added.

Definition for Expansion Children is removed.

Definition for Federal Poverty Level is updated.

Definition for Former Foster Care Child (FFCC) Member is added.

Section 5.02 is modified to add requirement for default assignment methodologies.

Section 5.04 is modified to clarify that HHSC or the ASC will enroll or disenroll Members.

Section 5.05 is modified to clarify that HHSC or the ASC will transmit new Member information, to remove the FPL limits, to remove the default assignment language, and to clarify the enrollment process when CHIP Perinate coverage expires.

Section 5.06 is modified to add requirements regarding movement from a STAR Health MCO to a STAR MCO.

Section 10.06(b) is modified to clarify the eligibility thresholds.

Section 10.09 is modified to clarify the eligibility thresholds.

Section 11.01(a) is modified to correct an administrative error.

Section 12.03 is modified to delete subsection (b)(8) Termination for Insolvency and all following subsections are renumbered.
<table>
<thead>
<tr>
<th>Revision</th>
<th>2.9</th>
<th>February 1, 2014</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Definition for Capitation Payment is modified to include associated Administrative Services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Child (or Children) with Special Health Care Needs (CSHCN) is clarified.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Clean Claim is clarified to include Nursing Facility Services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Cognitive Rehabilitation Therapy is added.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Community Services Specialist (CSSP) is added.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Electronic Visit Verification System is added.</td>
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<tr>
<td></td>
<td></td>
<td>Definition for Employment Assistance is added.</td>
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<tr>
<td></td>
<td></td>
<td>Definition for Family Partner is added.</td>
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<tr>
<td></td>
<td></td>
<td>Definition for Fee-for-Service (FFS) is clarified that payment is made after the service is provided.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for ICF-IID Program is added.</td>
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<tr>
<td></td>
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<td>Definition for IDD Waiver is added.</td>
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<tr>
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<td></td>
<td>Definition for Licensed Medical Personnel is added.</td>
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<td>Definition for Licensed Practitioner of the Healing Arts is added.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Local IDD Authority is added.</td>
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<tr>
<td></td>
<td></td>
<td>Definition for Local Mental Health Authority is modified to reference the legal citation.</td>
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<tr>
<td></td>
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<td>Definition for Material Subcontract is modified to clarify excluded subcontractors.</td>
</tr>
<tr>
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<td>Definition for MCO Administrative Services is modified to include all required deliverables outside of the Covered Services.</td>
</tr>
<tr>
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<td>Definition for Medical Home is modified to have the meaning assigned in Gov’t Code 533.0029.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Member with Special Health Care Needs (MSHCN) is modified.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Mental Health Rehabilitative Services is added.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Nursing Facility is added.</td>
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<td></td>
<td></td>
<td>Definition for PASRR is added.</td>
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<td></td>
<td></td>
<td>Definition for PASRR Level I Screening is added.</td>
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<td>Definition for PASRR Level II Evaluation is added.</td>
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<td></td>
<td></td>
<td>Definition for PASRR Specialized Services is added.</td>
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<tr>
<td></td>
<td></td>
<td>Definition for Peer Provider is added.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Population Risk Group or Risk Group is modified to add defined criteria.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for SED is modified to remove the reference to LMHAs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for SPMI is modified to remove the reference to LMHAs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Definition for Supported Employment is added.</td>
</tr>
</tbody>
</table>
Definition for Targeted Case Management is added.

Definition for Texas Medicaid Bulletin is removed.

Definition for Texas Medicaid Provider Procedures Manual is modified to remove the reference to the Texas Medicaid Bulletin.

Section 4.08 is renamed Subcontractors and Agreements with Third Parties and is modified to include language from Section 4.10 Agreements with Third Parties.

Section 4.10 MCO Agreements with Third Parties is deleted in its entirety.

Section 5.06 Span of Coverage is modified to update the requirements effective through August 31, 2014 and to add requirements effective September 1, 2014.

Section 10.01 is modified to clarify the calculation of the monthly Capitation Payment.

Section 10.02 is modified to include Liquidated Damages due and unpaid including any associated interest.

Section 10.08 is modified to clarify the requirements for adjustments.

Section 10.10 is modified to include Liquidated Damages assessment.

Section 10.10.2 is modified to clarify the data sources and to update the calculation example.

Section 13.02 is modified to include an obligation to comply with 41 U.S.C. § 423.

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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.

2 Revisions should be numbered in accordance with the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.

3 Brief description of the changes to the document made in the revision.
<table>
<thead>
<tr>
<th>Article</th>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 1. Introduction</td>
<td>Section 1.01</td>
<td>Purpose</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Section 1.02</td>
<td>Risk-based contract</td>
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<tr>
<td></td>
<td>Section 1.03</td>
<td>Inducements</td>
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<tr>
<td></td>
<td>Section 1.04</td>
<td>Construction of the Contract</td>
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<tr>
<td></td>
<td>Section 1.05</td>
<td>No implied authority</td>
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<tr>
<td></td>
<td>Section 1.06</td>
<td>Legal Authority</td>
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<tr>
<td>Article 2. Definitions</td>
<td>Section 2.01</td>
<td>Definitions</td>
<td>2</td>
</tr>
<tr>
<td>Article 3. General Terms &amp; Conditions</td>
<td>Section 3.01</td>
<td>Contract elements</td>
<td>15</td>
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<tr>
<td></td>
<td>Section 3.02</td>
<td>Term of the Contract</td>
<td>15</td>
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<tr>
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<td>Section 3.03</td>
<td>Funding</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Section 3.04</td>
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Article 1. Introduction

Section 1.01 Purpose.

The purpose of this Contract is to set forth the terms and conditions for the MCO’s participation as a managed care organization in one (1) or more of the MCO Programs administered by HHSC. Under the terms of this Contract, MCO will provide comprehensive health care services to qualified Program recipients through a managed care delivery system.

Section 1.02 Risk-based contract.

This is a Risk-based contract.

Section 1.03 Inducements.

In making the award of this Contract, HHSC relied on MCO’s assurances of the following:
(1) MCO is a health maintenance organization, Approved Non-Profit Health Corporation (ANHC), or Exclusive Provider Organization that arranges for the delivery of Health Care Services, and is either (1) has received Texas Department of Insurance (TDI) licensure or approval as such an entity and is fully authorized to conduct business in the Service Areas, or (2) will receive TDI licensure or approval as such an entity and be fully authorized to conduct business in all Service Areas no later than 60 calendar days after HHSC executes this Contract;
(2) MCO and the MCO Administrative Service Subcontractors have the skills, qualifications, expertise, financial resources and experience necessary to provide the Services and Deliverables described in the RFP, MCO’s Proposal, and this Contract in an efficient, cost-effective manner, with a high degree of quality and responsiveness, and has performed similar services for other public or private entities;
(3) MCO has thoroughly reviewed, analyzed, and understood the RFP, has timely raised all questions or objections to the RFP, and has had the opportunity to review and fully understand HHSC’s current program and operating environment for the activities that are the subject of the Contract and the needs and requirements of the State during the Contract term;
(4) MCO has had the opportunity to review and understand the State’s stated objectives in entering into this Contract and, based on such review and understanding, MCO currently has the capability to perform in accordance with the terms and conditions of this Contract;
(5) MCO also has reviewed and understands the risks associated with the MCO Programs as described in the RFP, including the risk of non-appropriation of funds.

Accordingly, on the basis of the terms and conditions of this Contract, HHSC desires to engage MCO to perform the Services and provide the Deliverables described in this Contract under the terms and conditions set forth in this Contract.

Section 1.04 Construction of the Contract.

(a) Scope of Introductory Article.
The provisions of any introductory article to the Contract are intended to be a general introduction and are not intended to expand the scope of the Parties’ obligations under the Contract or to alter the plain meaning of the terms and conditions of the Contract.

(b) References to the “State.”

References in the Contract to the “State” must mean the State of Texas unless otherwise specifically indicated and must be interpreted, as appropriate, to mean or include HHSC and other agencies of the State of Texas that may participate in the administration of the MCO Programs, provided, however, that no provision will be interpreted to include any entity other than HHSC as the contracting agency.

c) Severability.

If any provision of this Contract is construed to be illegal or invalid, such interpretation will not affect the legality or validity of any of its other provisions. The illegal or invalid provision will be deemed stricken and deleted to the same extent and effect as if never incorporated in this Contract, but all other provisions will remain in full force and effect.

d) Survival of terms.

Termination or expiration of this Contract for any reason will not release either Party from any liabilities or obligations set forth in this Contract that:
1. The Parties have expressly agreed must survive any such termination or expiration; or
2. Arose prior to the effective date of termination and remain to be performed or by their nature would be intended to be applicable following any such termination or expiration.

e) Headings.

The article, section and paragraph headings in this Contract are for reference and convenience only and may not be considered in the interpretation of this Contract.

(f) Global drafting conventions.

1. The terms “include,” “includes,” and “including” are terms of inclusion, and where used in this Contract, are deemed to be followed by the words “without limitation.”
2. Any references to “sections,” “appendices,” “exhibits” or “attachments” are deemed to be references to sections, appendices, exhibits or attachments to this Contract.
3. Any references to laws, rules, regulations, and manuals in this Contract are deemed references to these documents as amended, modified, or supplemented from time to time during the term of this Contract.

Section 1.05 No implied authority.

The authority delegated to MCO by HHSC is limited to the terms of this Contract. HHSC is the state agency designated by the Texas Legislature to administer the MCO Programs, and no other agency of the State grants MCO any authority related to this program unless directed through HHSC. MCO may not rely upon implied authority, and specifically is not delegated authority under this Contract to:
1. Make public policy;
2. Promulgate, amend or disregard administrative regulations or program policy decisions made by State and federal agencies responsible for administration of HHSC Programs; or
3. Unilaterally communicate or negotiate with any federal or state agency or the Texas Legislature on behalf of HHSC regarding the HHSC Programs.

MCO is required to cooperate to the fullest extent possible to assist HHSC in communications and negotiations with state and federal governments and agencies concerning matters relating to the scope of the Contract and the MCO Program(s), as directed by HHSC.

Section 1.06 Legal Authority.

(a) HHSC is authorized to enter into this Contract under Chapters 531 and 533, Texas Government Code; Section 2155.144, Texas Government Code; and/or Chapter 62, Texas Health & Safety Code. MCO is authorized to enter into this Contract pursuant to the authorization of its governing board or controlling owner or officer.

(b) The person or persons signing and executing this Contract on behalf of the Parties, or representing themselves as signing and executing this Contract on behalf of the Parties, warrant and guarantee that he, she, or they have been duly authorized to execute this Contract and to validly and legally bind the Parties to all of its terms, performances, and provisions.

Article 2. Definitions

As used in this Contract, the following terms and conditions must have the meanings assigned below:

1915(c) Nursing Facility Waiver or 1915(c) STAR+PLUS Waiver (SPW) means the HHSC waiver program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care.
in nursing homes. Should HHSC begin operating this waiver program under a 1115 Waiver structure, then references to the 1915(c) Nursing Facility Waiver or SPW will mean the home and community based services component of the 1115 Waiver for Members who qualify for the additional services described in Attachment B-2, “STAR+PLUS Covered Services,” under the heading “1915(c) STAR+PLUS Waiver Services for those Members who qualify for such services.”

AAP means the American Academy of Pediatrics.

Abuse means provider practices that are inconsistent with sound fiscal, business, or medical practices and result in an unnecessary cost to the Medicaid or CHIP Program, or in reimbursement for services that are not Medically Necessary or that fail to meet professionally recognized standards for health care. It also includes Member practices that result in unnecessary cost to the Medicaid or CHIP Program.

Account Name means the name of the individual who lives with the child(ren) and who applies for the Children’s Health Insurance Program coverage on behalf of the child(ren).

Action (Medicaid only) means:
(1) the denial or limited authorization of a requested Medicaid service, including the type or level of service;
(2) the reduction, suspension, or termination of a previously authorized service;
(3) the denial in whole or in part of payment for service;
(4) the failure to provide services in a timely manner;
(5) the failure of an MCO to act within the timeframes set forth in the Contract and 42 C.F.R. §438.408(b); or
(6) for a resident of a rural area with only one (1) MCO, the denial of a Medicaid Members’ request to obtain services outside of the Network.

An Adverse Determination is one (1) type of Action.

Acute Care means preventive care, primary care, and other medical care provided under the direction of a physician for a condition having a relatively short duration.

Acute Care Hospital means a Hospital that provides Acute Care Services.

Adjudicate means to deny or pay a Clean Claim.

Administrative Services see MCO Administrative Services.

Administrative Services Contractor see HHSC Administrative Services Contractor.

Adverse Determination means a determination by an MCO or Utilization Review agent that the Health Care Services furnished, or proposed to be furnished to a patient, are not Medically Necessary or not appropriate.

Affiliate means any individual or entity that meets any of the following criteria:
(1) owns or holds more than a five percent (5%) interest in the MCO (either directly, or through one (1) or more intermediaries);
(2) in which the MCO owns or holds more than a five percent (5%) interest (either directly, or through one (1) or more intermediaries);
(3) any parent entity or subsidiary entity of the MCO, regardless of the organizational structure of the entity;
(4) any entity that has a common parent with the MCO (either directly, or through one (1) or more intermediaries);
(5) any entity that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the MCO; or
(6) any entity that would be considered to be an affiliate by any Securities and Exchange Commission (SEC) or Internal Revenue Service (IRS) regulation, Federal Acquisition Regulations (FAR), or by another applicable regulatory body.

Agreement or Contract means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

Allowable Expenses means all expenses related to the Contract between HHSC and the MCO that are incurred during the Contract Period, are not reimbursable or recovered from another source, and that conform with the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

Appeal (CHIP and CHIP Perinatal Program only) means the formal process by which a Utilization Review agent addresses Adverse Determinations.

Appeal (Medicaid only) means the formal process by which a Member or his or her representative request a review of the MCO’s Action, as defined above.

Approved Non-Profit Health Corporation (ANHC) means an organization formed in compliance with Chapter 844 of the Texas Insurance Code and licensed by TDI. See also MCO.

Auxiliary Aids and Services includes:
(1) qualified interpreters or other effective methods of making aurally delivered materials understood by persons with hearing impairments;
(2) taped texts, large print, Braille, or other effective methods to ensure visually delivered materials are available to individuals with visual impairments; and
(3) other effective methods to ensure that materials (delivered both aurally and visually) are available to those with cognitive or other Disabilities affecting communication.
Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. In managed care, batch billing is a technique that allows providers to send billing information all at once in a “batch” rather than in separate individual transactions.

Behavioral Health Services means Covered Services for the treatment of mental, emotional, or chemical dependency disorders.

Benchmark means a target or standard based on historical data or an objective/goal.

Business Continuity Plan or BCP means a plan that provides for a quick and smooth restoration of MIS operations after a disruptive event. BCP includes business impact analysis, BCP development, testing, awareness, training, and maintenance. This is a day-to-day plan.

Business Day means any day other than a Saturday, Sunday, or a state or federal holiday on which HHSC’s offices are closed, unless the context clearly indicates otherwise.

CAHPS means the Consumer Assessment of Healthcare Providers and Systems. This survey is conducted annually by the EQRO.

Call Coverage means arrangements made by a facility or an attending physician with an appropriate level of health care provider who agrees to be available on an as-needed basis to provide medically appropriate services for routine, high risk, or Emergency Medical Conditions or Emergency Behavioral Health Conditions that present without being scheduled at the facility or when the attending physician is unavailable.

Capitation Payment means the aggregate amount paid by HHSC to the MCO on a monthly basis for the provision of Covered Services to enrolled Members (including associated Administrative Services) in accordance with the Capitation Rates in the Contract.

Capitation Payment means the aggregate amount paid by HHSC to the MCO on a monthly basis for the provision of Covered Services to enrolled Members in accordance with the Capitation Rates in the Contract.

Capitation Rate means a fixed predetermined fee paid by HHSC to the MCO each month in accordance with the Contract, for each enrolled Member in a defined Rate Cell, in exchange for the MCO arranging for or providing a defined set of Covered Services to such a Member, regardless of the amount of Covered Services used by the enrolled Member.

Case Head means the head of the household that is applying for Medicaid.

Case Management for Children and Pregnant Women is a Medicaid program for children with a health condition/health risk, birth through 20 years of age and for women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.


Chemical Dependency Treatment means treatment provided for a chemical dependency condition by a Chemical Dependency Treatment facility, chemical dependency counselor or Hospital.

Child (or Children) with Special Health Care Needs (CSHCN) means a child (or children) eligible for, and enrolled in, the DSHS CSHCN Program, as further defined in Tex. Health & Safety Code § 35.0022.

Children’s Health Insurance Program or CHIP means the health insurance program authorized and funded pursuant to Title XXI, Social Security Act (42 U.S.C. §§ 1397aa-1397jj) and administered by HHSC. The CHIP Perinatal Program is a subprogram of CHIP.

CHIP MCO Program, or CHIP Program, means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Members.

CHIP MCOs means MCOs participating in the CHIP MCO Program.

CHIP Perinatal MCOs means MCOs participating in the CHIP Perinatal Program, a subprogram of CHIP.

CHIP Perinatal Program means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Perinate and CHIP Perinate Newborn Members. Although the CHIP Perinatal Program is part of the CHIP Program, for Contract administration purposes it is sometimes identified independently in this Contract.

CHIP Perinate means a CHIP Perinatal Program Member identified prior to birth (an unborn child).

CHIP Perinate Newborn means a CHIP Perinate who has been born alive and whose family income meets the criteria for continued participation in the CHIP Perinatal Program (refer to Section 5.04.1 for information concerning eligibility).

Chronic or Complex Condition means a physical, behavioral, or developmental condition which may have no known cure and/or is progressive and/or can be debilitating or fatal if left untreated or under-treated.

Clean Claim means a claim submitted by a physician or provider for health care services rendered to a Member, with the data necessary for the MCO or subcontracted claims processor to adjudicate and accurately report the claim. A Clean Claim other than a Nursing Facility Services Clean Claim must meet all requirements for accurate and complete data as defined in the appropriate claim type encounter guides as follows:

(1) 837 Professional Combined Implementation Guide;
(2) 837 Institutional Combined Implementation Guide;
(3) 837 Professional Companion Guide;
(4) 837 Institutional Companion Guide; or
The MCO may not require a physician or provider to submit documentation that conflicts with the requirements of 28 Tex. Admin. Code, Chapter 21, Subchapters C and T.

Claims submitted by a Nursing Facility must meet DADS’ criteria for clean claims submission as described in UMCM Chapter 2.3, Nursing Facility Claims Manual.

Clinical Edit means a process for verifying that a Member’s medical condition matches the clinical criteria for dispensing a requested drug. Clinical Edits must be based on evidence-based clinical criteria and nationally recognized peer-reviewed information. If the information about a Member’s medical condition meets the Clinical Edit criteria, the claim can be approved. If a Member’s medical condition does not meet the Clinical Edit criteria, then prior authorization is required.

CMS means the Centers for Medicare and Medicaid Services, which is the federal agency responsible for administering Medicare and overseeing state administration of Medicaid and CHIP.

Cognitive Rehabilitation Therapy means an HCBS STAR+PLUS Waiver service that assists a Member in learning or relearning cognitive skills that have been lost or altered as a result of damage to brain cells/chemistry in order to enable the Member to compensate for the lost cognitive functions. Cognitive rehabilitation therapy may be provided when an appropriate professional assesses the Member and determines it is medically necessary. Cognitive rehabilitation therapy it is provided in accordance with the plan of care developed by the assessor, and includes reinforcing, strengthening, or reestablishing previously learned patterns of behavior, or establishing new patterns of cognitive activity or compensatory mechanisms for impaired neurological systems.

COLA means the Cost of Living Adjustment.

Community-based Long Term Services and Supports means services provided to STAR+PLUS Members in their home or other community based settings necessary to provide assistance with activities of daily living to allow the Member to remain in the most integrated setting possible. Community-based Long-term Services and Supports includes services available to all STAR+PLUS Members as well as those services available only to STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services.

Community Health Worker: Also called a promotor(a), a community health worker is a trusted member of the community, and has a close understanding of the ethnicity, language, socio-economic status, and life experiences of the community served. A community health worker helps people gain access to needed services, increase health knowledge, and become self-sufficient through outreach, patient navigation and follow-up, community health education and information, informal counseling, social support, advocacy, and more.

Community Resource Coordination Groups (CRCGs) means a statewide system of local interagency groups, including both public and private providers, which coordinate services for "multi-need" children and youth. CRCGs develop individual service plans for children and adolescents whose needs can be met only through interagency cooperation. CRCGs address Complex Needs in a model that promotes local decision-making and ensures that children receive the integrated combination of social, medical and other services needed to address their individual problems.

Community Services Specialist (CSSP) means a Mental Health Rehabilitative Service provider who meets the following minimum requirements: (1) high school diploma or high school equivalency, and (2) three continuous years of documented full-time experience in the provisions of Mental Health Rehabilitative Services and demonstrated competency in the provision and documentation of Mental Health Rehabilitative Services.

Complainant means a Member or a treating provider or other individual designated to act on behalf of the Member who filed the Complaint.

Complaint (CHIP Program only) means any dissatisfaction, expressed by a Complainant, orally or in writing to the MCO, with any aspect of the MCO’s operation, including, but not limited to, dissatisfaction with plan administration, procedures related to review or Appeal of an Adverse Determination, as defined in Texas Insurance Code, Chapter 843, Subchapter G; the denial, reduction, or termination of a service for reasons not related to Medical Necessity; the way a service is provided; or disenrollment decisions. The term does not include misinformation that is resolved promptly by supplying the appropriate information or clearing up the misunderstanding to the satisfaction of the CHIP Member.

Complaint (Medicaid only) means an expression of dissatisfaction expressed by a Complainant, orally or in writing to the MCO, about any matter related to the MCO other than an Action. As provided by 42 C.F.R. §438.400, possible subjects for Complaints include, but are not limited to, the quality of care of services provided, and aspects of interpersonal relationships such as rudeness of a provider or employee, or failure to respect the Medicaid Member’s rights.

Complex Need means a condition or situation resulting in a need for coordination or access to services beyond what a PCP would normally provide, triggering the MCOs determination that Care Coordination is required.

Comprehensive Care Program: see definition for Texas Health Steps.

Confidential Information means any communication or record (whether oral, written, electronically stored or transmitted, or in any other form) consisting of:

1. Confidential Client information, including HIPAA-defined protected health information;
2. All non-public budget, expense, payment and other financial information;
3. All Privileged Work Product;
(4) All information designated by HHSC or any other State agency as confidential, and all information designated as confidential under the Texas Public Information Act;
(5) Information utilized, developed, received, or maintained by HHSC, the MCO, or participating State agencies for the purpose of fulfilling a duty or obligation under this Contract and that has not been disclosed publicly.

Consolidated FSR Report or Consolidated Basis, means FSR reporting results for all Programs and all SDAs operated by the MCO or its Affiliates, including those under separate contracts between the MCO or its Affiliates and HHSC. Consolidated FSR Reporting does not include any of the MCO's or its Affiliates' business outside of the HHSC Programs.

Consumer-Directed Services means the Member or his legal guardian is the employer of and retains control over the hiring, management, and termination of an individual providing personal assistance or respite.

Continuity of Care means care provided to a Member by the same PCP or specialty provider to ensure that the delivery of care to the Member remains stable, and services are consistent and unduplicated.

Contract or Agreement means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

Contract Period or Contract Term means the Initial Contract Period plus any and all Contract extensions.

Contractor or MCO means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

Copayment (CHIP only) means the amount that a Member is required to pay when utilizing certain CHIP Covered Services. Once the copayment is made, further payment is not required by the Member.

Corrective Action Plan means the detailed written plan that may be required by HHSC to correct or resolve a deficiency or event causing the assessment of a remedy or damage against MCO.

Court-Ordered Commitment means a commitment of a Member to an inpatient mental health facility for treatment ordered by a court of law pursuant to Texas Health and Safety Code, Chapters 573 or 574.

Covered Services means Health Care Services the MCO must arrange to provide to Members, including all services required by the Contract and state and federal law, and all Value-added Services negotiated by the Parties (see Attachments B-2, B-2.1, B-2.2 and B-3 of the HHSC Managed Care Contract relating to “Covered Services” and “Value-added Services”).

CPW means Case Management for Children and Pregnant Women; a Medicaid program for children with a health condition/health risk, birth through 20 years of age and to women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.

Credentialing means the process of collecting, assessing, and validating qualifications and other relevant information pertaining to a health care provider to determine eligibility and to deliver Covered Services.

Cultural Competency means the ability of individuals and systems to provide services effectively to people of various cultures, races, ethnic backgrounds, and religions in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves their dignity.

DADS means the Texas Department of Aging and Disability Services or its successor agency (formerly Department of Human Services).

Date of Disenrollment means the last day of the last month for which MCO receives payment for a Member.

Day means a calendar day unless specified otherwise.

Default Enrollment means the processes established by HHSC to assign an enrollee who has not selected an MCO to an MCO. See 1 Tex. Admin. Code § 353.403 for Medicaid default enrollment processes, and 1 Tex. Admin. Code § 370.303 for CHIP default enrollment processes.

Deliverable means a written or recorded work product or data prepared, developed, or procured by MCO as part of the Services under the Contract for the use or benefit of HHSC or the State of Texas.

Delivery Supplemental Payment means a one-time per pregnancy supplemental payment for STAR, CHIP and CHIP Perinatal MCOs.

Designated Provider means a physician, clinical practice or clinical group practice, rural clinic, community health center, community mental health center, home health agency, or any other entity or provider (including pediatricians, gynecologists, and obstetricians) that are determined by the State and approved by the U.S. Secretary of Health and Human Services to be qualified to be a Health Home for Members with chronic conditions on the basis of documentation that the physician practice or clinic (A) has the systems and infrastructure in place to provide Health Home services and (B) satisfies the qualification standards established by the U.S. Secretary of Health and Human Services.

Diagnostic means assessment that may include gathering of information through interview, observation, examination, and use of specific tests that allows a provider to diagnose existing conditions.

Disabled Person or Person with Disability means a person under 65 years of age, including a child, who qualifies for Medicaid services because of a disability.

Disability means a physical or mental impairment that substantially limits one (1) or more of an individual's major life activities, such as caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and/or working.
**Disability-related Access** means that facilities are readily accessible to and usable by individuals with disabilities, and that auxiliary aids and services are provided to ensure effective communication, in compliance with Title III of the Americans with Disabilities Act.

**Disaster Recovery Plan** means the document developed by the MCO that outlines details for the restoration of the MIS in the event of an emergency or disaster.

**Discharge** means a formal release of a Member from an Inpatient Hospital stay when the need for continued care at an inpatient level has concluded. Movement or Transfer from one (1) Acute Care Hospital or Long Term Care Hospital /facility and readmission to another within 24 hours for continued treatment is not a discharge under this Contract.

**Disease Management** means a system of coordinated healthcare interventions and communications for populations with conditions in which patient self-care efforts are significant.

**Disproportionate Share Hospital (DSH)** means a Hospital that serves a higher than average number of Medicaid and other low-income patients and receives additional reimbursement from the State.

**DSHS** means the Texas Department of State Health Services or its successor agency (formerly Texas Department of Health and Texas Department of Mental Health and Mental Retardation).

**DSM** means the most current edition of the Diagnostic and Statistical Manual of Mental Disorders, which is the American Psychiatric Association's official classification of behavioral health disorders, or its replacement.

**Dual Eligibles** means Medicaid recipients who are also eligible for Medicare.

**ECI** means Early Childhood Intervention, a federally mandated program for infants and toddlers under the age of three with developmental delays or disabilities. See 34 C.F.R. § 303.1 et seq. and 40 Tex. Admin. Code § 108.101 et seq. for further clarification.

**EDI** means electronic data interchange.

**Effective Date** means the effective date of this Contract, as specified in the HHSC Managed Care Contract document.

**Effective Date of Coverage** means the first day of the month for which the MCO has received payment for a Member.

**Electronic Visit Verification (EVV)** is the electronic verification and documentation of visit data, such as the date and time the provider begins and ends the delivery of services, the attendant, the recipient, and the location of services provided.

**Eligibles** means individuals residing in one (1) of the Service Areas and eligible to enroll in a STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO, as applicable.

**Emergency Behavioral Health Condition** means any condition, without regard to the nature or cause of the condition, which in the opinion of a prudent layperson possessing an average knowledge of health and medicine:

1. requires immediate intervention and/or medical attention without which Members would present an immediate danger to themselves or others, or
2. renders Members incapable of controlling, knowing or understanding the consequences of their actions.

**Emergency Medical Condition** means a medical condition manifesting itself by acute symptoms of recent onset and sufficient severity (including severe pain), such that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical care could result in:

1. placing the patient’s health in serious jeopardy;
2. serious impairment to bodily functions;
3. serious dysfunction of any bodily organ or part;
4. serious disfigurement; or
5. in the case of a pregnant women, serious jeopardy to the health of a woman or her unborn child.

**Emergency Services** means covered inpatient and outpatient services furnished by a provider that is qualified to furnish such services under the Contract and that are needed to evaluate or stabilize an Emergency Medical Condition and/or an Emergency Behavioral Health Condition, including Post-stabilization Care Services.

**Employment Assistance** means assistance provided as an HCBS STAR+PLUS Waiver service to a Member to help the Member locate paid employment in the community. Employment assistance includes:

- identifying an individual's employment preferences, job skills, and requirements for a work setting and work conditions;
- locating prospective employers offering employment compatible with an individual's identified preferences, skills, and requirements; and contacting a prospective employer on behalf of an individual and negotiating the individual's employment.

Employment Assistance is not available to Members receiving services through a program funded by the Rehabilitation Act of 1973 or the Individuals with Disabilities Education Act. For any Member receiving one of those waiver services, the MCO must document that the Employment Assistance service is not available to the Member in the Member's record.

**Encounter** means a Covered Service or group of Covered Services delivered by a Provider to a Member during a visit between the Member and Provider. This also includes Value-added Services.

**Encounter Data** means data elements from Fee-for-Service claims or capitated services proxy claims that are submitted to HHSC by the MCO in accordance with HHSC’s required format for Medicaid and CHIP MCOs.
**Enrollment Report/Enrollment File** means the daily or monthly list of Eligibles that are enrolled with an MCO as Members on the day or for the month the report is issued.

**EPSDT** means the federally mandated Early and Periodic Screening, Diagnosis and Treatment program contained at 42 U.S.C. 1396d(r). The name has been changed to Texas Health Steps in the State of Texas.

**Exclusive Provider Organization (EPO)** means an insurer with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212

**Expansion Area** means a county or Service Area that has not previously provided healthcare to HHSC’s MCO Program Members utilizing a managed care model.

**Expansion Service Areas** are the Hidalgo and Medicaid Rural Service Areas for the STAR Program; and the El Paso, Hidalgo, and Lubbock Service Areas for the STAR+PLUS Program.

**Expedited Appeal** means an appeal to the MCO in which the decision is required quickly based on the Member's health status, and the amount of time necessary to participate in a standard appeal could jeopardize the Member's life or health or ability to attain, maintain, or regain maximum function.

**Experience Rebate** means the portion of the MCO’s Net Income Before Taxes that is returned to the State in accordance with Section 10.10 for the STAR, CHIP and CHIP Perinatal Programs and 10.10.1 for the STAR+PLUS Program (“Experience Rebate”).

**Expiration Date** means the expiration date of this Contract, as specified in HHSC’s Managed Care Contract document.

**External Quality Review Organization (EQRO)** means the entity that contracts with HHSC to provide external review of access to and quality of healthcare provided to Members of HHSC’s MCO Programs.

**Fair Hearing** means the process adopted and implemented by HHSC in 1 T.A.C. Chapter 357, in compliance with federal regulations and state rules relating to Medicaid Fair Hearings.

**Family Partner** means a Mental Health Rehabilitation Service provider who meets the following minimum requirements: (1) high school diploma or high school equivalency, and (2) one cumulative year of participating in mental health services as the parent or legally authorized representative of a child receiving mental health services.

**Farm Worker Child (FWC)** means a child birth through age 20 of a Migrant Farm Worker.

**Federal Poverty Level (FPL)** means the Federal poverty level updated periodically in the Federal Register by the Secretary of Health and Human Services under the authority of 42 U.S.C. § 9902(2) and as in effect for the applicable budget period used to determine an individual’s eligibility in accordance with 42 C.F.R. § 435.603(h).

**Fee-for-Service (FFS)** means the traditional Medicaid Health Care Services payment system under which providers receive a payment for each unit of service, after the service is provided, according to rules adopted pursuant to Chapter 32, Texas Human Resources Code.

**Financial Statistical Report** (see FSR below).

**Force Majeure Event** means any failure or delay in performance of a duty by a Party under this Contract that is caused by fire, flood, hurricane, tornadoes, earthquake, an act of God, an act of war, riot, civil disorder, or any similar event beyond the reasonable control of such Party and without the fault or negligence of such Party.

**Former Foster Care Child (FFCC) Member** means a young adult who has aged out of the foster care system and has previously received Medicaid while in foster care. FFCC Members may be enrolled in the STAR or STAR Health Program. The FFCC Member may be enrolled until the last day of the month of his or her 26th birthday.

**FPL** means the Federal Poverty Level.

**FQHC** means a Federally Qualified Health Center, certified by CMS to meet the requirements of §1861(aa)(3) of the Social Security Act as a federally qualified health center, that is enrolled as a provider in the Texas Medicaid program.

**Fraud** means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under applicable federal or state law.

**FSR** means Financial Statistical Report. The FSR is a report designed by HHSC, and submitted to HHSC by the MCO in accordance with Contract requirements. The FSR is a form of modified income statement, subject to audit, and contains revenue, cost, and other data, as defined by the Contract. Not all incurred expenses may be included in the FSR.

**FSR Reporting Period** is the period of months that are measured on a given FSR. Generally, the FSR Reporting Period is a twelve-calendar-month period corresponding to the State Fiscal Year, but it can vary by Contract and by year. If an FSR Reporting Period is not defined in the Contract, then it will be deemed to be the twelve months following the end of the prior FSR Reporting Period.

**FSR Reporting Period 12/13** means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. This is the first FSR Reporting Period under this Contract.

**FSR Reporting Period 14** means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

**Functionally Necessary Covered Services** means Community-based Long Term Services and Supports services provided to assist STAR+PLUS Members with activities of daily living based on a functional assessment of the Member’s activities of daily living and a determination of the amount of supplemental supports necessary for the STAR+PLUS Member to remain independent or in the most integrated setting possible.
Habilitative and Rehabilitative Services means Health Care Services described in Attachment B-2 that may be required by children who fail to reach (habilitative) or have lost (rehabilitative) age appropriate developmental milestones.

HCBS STAR+PLUS Waiver means the HHSC program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Members who qualify for HCBS STAR+PLUS Waiver are eligible to receive the home and community based services component of the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver as described in Attachment B-2 STAR+PLUS Covered Services, under the heading HCBS STAR+PLUS Waiver services for those Members who qualify for such services.

Health and Human Services Commission or HHSC means the administrative agency within the executive department of Texas state government established under Chapter 531, Texas Government Code, or its designee, including, but not limited to, the HHS Agencies.

Health Care Services means the Acute Care, Behavioral Health Care, and health-related services that an enrolled population might reasonably require in order to be maintained in good health.

Health Home means a Designated Provider (including a provider that operates in coordination with a team of health care professionals) or a Health Team selected by a Member with chronic conditions to provide Health Home Services.

Health Home Services means comprehensive and timely high-quality services that are provided by a Designated Provider, a Team of Health Care Professionals operating with such a provider, or a Health Team. Health Home Services include:

1. Comprehensive care management;
2. Care coordination and health promotion;
3. Comprehensive transitional care, including appropriate follow-up, from inpatient to other settings;
4. Patient and family support (including authorized representatives);
5. Referral to community and social support services, if relevant; and
6. Use of health information technology to link services, as feasible and appropriate.

Health-related Materials are materials developed by the MCO or obtained from a third party relating to the prevention, diagnosis or treatment of a medical condition.

Health Team means such term as described in Section 3502 of the Patient Protection and Affordable Care Act, P.L. 111-148 (March 23, 2010), as amended or modified.

HEDIS, the Healthcare Effectiveness Data and Information Set, is a registered trademark of NCQA. HEDIS is a set of standardized performance measures designed to reliably compare the performance of managed health care plans. HEDIS is sponsored, supported and maintained by NCQA.

HHS Agency means the Texas health and human service agencies subject to HHSC’s oversight under Chapter 531, Texas Government Code, and their successor agencies.

HHSC Administrative Services Contractor (ASC) means an entity performing MCO administrative services functions, including member enrollment functions, for the STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO Programs under contract with HHSC.

HHSC MCO Programs or MCO Programs mean the STAR, STAR+PLUS, and CHIP MCO Programs.


Home and Community Support Services Agency or HCSSA means an entity licensed to provide home health, hospice, or personal assistance services provided to individuals in their own home or independent living environment as prescribed by a physician or individualized service plan. Each HCSS must provide clients with a plan of care that includes specific services the agency agrees to perform. The agencies are licensed and monitored by DADS or its successor.

Hospital means a licensed public or private institution as defined by Chapter 241, Texas Health and Safety Code, or in Subtitle C, Title 7, Texas Health and Safety Code.

ICF-IID Program means the Medicaid program serving individuals with intellectual disabilities or related conditions who receive care in intermediate care facilities other than a state supported living center.

ICF-MR means an intermediate care facility for the mentally retarded.

IDD Waiver means the Community Living Assistance and Support Services Waiver program (CLASS), the Deaf-Blind with Multiple Disabilities Waiver program (DBMD), the Home and Community-Based Services Waiver program (HCS), or the Texas Home Living Waiver program (TxHmL).

Individual Family Service Plan (IFSP) means the plan for services required by the Early Childhood Intervention (ECI) Program and developed by an interdisciplinary team.

Initial Contract Period means the Effective Date of the Contract through August 31, 2015.

Inpatient Stay means at least a 24-hour stay in a facility licensed to provide Hospital care.

JCAHO means Joint Commission on Accreditation of Health Care Organizations.

Joint Interface Plan (JIP) means a document used to communicate basic system interface information. This information includes: file structure, data elements, frequency, media, type of file, receiver and sender of the file, and file I.D. The JIP must include each of the MCO’s interfaces required to conduct business under this Contract. The JIP must address the coordination with each of the MCO’s interface partners to ensure the development and maintenance of the interface; and the timely transfer of required data elements between contractors and partners.
Key MCO Personnel means the critical management and technical positions identified by the MCO in accordance with Article 4.

Licensed Medical Personnel means, in the context of Mental Health Rehabilitative Services day programs, the following provider types: physician; advanced practice registered nurse (APRN); physician assistant (PA); registered nurse (RN); licensed vocational nurse (LVN); or pharmacists.

Licensed Practitioner of the Healing Arts (LPHA) means a person who is:

1. a physician;
2. a licensed professional counselor;
3. a licensed clinical social worker;
4. a licensed psychologist;
5. an advanced practice nurse; or
6. a licensed marriage and family therapist.

Linguistic Access means translation and interpreter services, for written and spoken language to ensure effective communication. Linguistic access includes sign language interpretation, and the provision of other auxiliary aids and services to persons with disabilities.

Local Health Department means a local health department established pursuant to Health and Safety Code, Title 2, Local Public Health Reorganization Act §121.031.

Local IDD Authority has the meaning assigned in Health and Safety Code § 531.002(11).

Local Mental Health Authority (LMHA) has the meaning assigned in Health and Safety Code § 531.002(10).

Major Population Group means any population that represents at least 10% of the Medicaid, CHIP, and/or CHIP Perinatal Program population in the Service Area served by the MCO.

Mandated or Required Services means services that a state is required to offer to categorically needy clients under a state Medicaid plan.

Marketing means any communication from the MCO to a Medicaid or CHIP Eligible who is not enrolled with the MCO that can reasonably be interpreted as intended to influence the Eligible to:

1. enroll with the MCO; or
2. not enroll in, or to disenroll from, another MCO.

Marketing Materials means materials that are produced in any medium by or on behalf of the MCO and can reasonably be interpreted as intending to market to potential Members. Health-related Materials are not Marketing Materials.

Material Subcontract means any contract, Subcontract, or agreement between the MCO and another entity that meets any of the following criteria:

- the other entity is an Affiliate of the MCO;
- the Subcontract is considered by HHSC to be for a key type of service or function, including
  - Administrative Services (including but not limited to third party administrator, Network administration, and claims processing);
  - delegated Networks (including but not limited to behavioral health, dental, pharmacy, and vision);
  - management services (including management agreements with parent)
  - reinsurance;
  - Disease Management;
  - pharmacy benefit management (PBM) or pharmacy administrative services; or
  - call lines (including nurse and medical consultation); or
- any other Subcontract that exceeds, or is reasonably expected to exceed, the lesser of: a) $500,000 per year, or b) 1% of the MCO’s annual Revenues under this Contract. Any Subcontracts between the MCO and a single entity that are split into separate agreements by time period, Program, or SDA, etc., will be consolidated for the purpose of this definition.

For the purposes of this Agreement, Material Subcontracts do not include contracts with any non-Affiliates for any of the following, regardless of the value of the contract: utilities (e.g., water, electricity, telephone, Internet, trash), mail/shipping, office space, maintenance, security, or computer hardware.

Material Subcontract means any contract, Subcontract, or agreement between the MCO and another entity that meets any of the following criteria:

- the other entity is an Affiliate of the MCO;
- the Subcontract is considered by HHSC to be for a key type of service or function, including
  - Administrative Services (including but not limited to third party administrator, Network administration, and claims processing);
  - delegated Networks (including but not limited to behavioral health, dental, pharmacy, and vision);
  - management services (including management agreements with parent)
  - reinsurance;
  - Disease Management;
pharmacy benefit management (PBM) or pharmacy administrative services; or
- call lines (including nurse and medical consultation); or
- any other Subcontract that exceeds, or is reasonably expected to exceed, the lesser of: a) $500,000 per year, or b) 1% of the MCO’s annual Revenues under this Contract. Any Subcontracts between the MCO and a single entity that are split into separate agreements by time period, Program, or SDA, etc., will be consolidated for the purpose of this definition.

For the purposes of this Agreement, Material Subcontracts do not include contracts with any non-Affiliates for any of the following, regardless of the value of the contract: utilities (e.g., water, electricity, telephone, Internet), mail/shipping, office space, or computer hardware.

**Material Subcontractor or Major Subcontractor** means any entity with a Material Subcontract with the MCO. For the purposes of this Agreement, Material Subcontractors do not include providers in the MCO’s Provider Network. Material Subcontractors may include, without limitation, Affiliates, subsidiaries, and affiliated and unaffiliated third parties.

**MCO** means managed care organization.

**MCO or Contractor** means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

**MCO Administrative Services** means the performance of services or functions, other than the direct delivery of Covered Services, necessary for the management of the delivery of and payment for Covered Services, including Network, utilization, clinical or quality management, service authorization, claims processing, management information systems operation, and reporting. This term also includes the infrastructure development for, preparation of, and delivery of, all required Deliverables under the Contract, outside of the Covered Services.

**MCO’s Service Area** means all the counties included in any HHSC-defined Service Area, as applicable, to each MCO Program and within which the MCO has been selected to provide MCO services.

**Medicaid** means the medical assistance entitlement program authorized and funded pursuant to Title XIX, Social Security Act (42 U.S.C. §1396 et seq.) and administered by HHSC.

**Medicaid MCOs** means contracted MCOs participating in STAR, STAR+PLUS, and/or STAR Health.

**Medical Assistance Only (MAO)** means a person that does not receive SSI benefits but qualifies financially and functionally for limited Medicaid assistance.

**Medical Home** means a person who:

1. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
2. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included as a voluntary participant in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
3. has met CHIP eligibility criteria and is enrolled in the MCO’s CHIP MCO; or
4. has met CHIP Perinatal Program eligibility criteria and is enrolled in the MCO's CHIP Perinatal Program.

**Member** means a person who:

1. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
2. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included as a voluntary participant in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
3. has met CHIP eligibility criteria and is enrolled in the MCO’s CHIP MCO; or
4. has met CHIP Perinatal Program eligibility criteria and is enrolled in the MCO’s CHIP Perinatal Program.

**Member Materials** means all written materials produced or authorized by the MCO and distributed to Members or potential members containing information concerning the MCO Program(s). Member Materials include, but are not limited to, Member ID cards, Member handbooks, Provider directories, and Marketing Materials.

**Member Month** means one (1) Member enrolled with the MCO during any given month. The total Member Months for each month of a year comprise the annual Member Months.

**Member(s) with Special Health Care Needs (MSHCN)** means a Member, including a Child or Children with Special Health Care Needs (CSHCN), who:

1. has a serious ongoing illness, a Chronic or Complex Condition, or a Disability that has lasted or is anticipated to last for a significant period of time, and
2. requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel.

**Mental Health Rehabilitative Services** are those age-appropriate services determined by HHSC and Federally-approved protocol as medically necessary to reduce a Member’s disability resulting from severe mental illness for adults, or serious emotional, behavioral, or mental disorders for children, and to restore the Member to his or her best possible functioning level in the community. Services that provide assistance in maintaining functioning may be considered rehabilitative when necessary to help a Member achieve a rehabilitation goal as defined in the Member’s rehabilitation plan.

**Migrant Farm Worker** means a migratory agricultural worker, generally defined as an individual:

1. whose principal employment is in agriculture on a seasonal basis;
2. who has been so employed within the last twenty-four months;
3. who performs any activity directly related to the production or processing of crops, dairy products, poultry, or livestock for initial commercial sale or as a principal means of personal subsistence; and
(4) who establishes for the purposes of such employment a temporary abode.

MIS means Management Information System.

National Committee for Quality Assurance (NCQA) means the independent organization that accredits MCOs, managed behavioral health organizations, and accredits and certifies disease management programs. HEDIS and the Quality Compass are registered trademarks of NCQA.

Net Income Before Taxes or Pre-tax Income means an aggregate excess of Revenues over Allowable Expenses.

Network or Provider Network means all Providers that have entered into Network Provider agreements with the MCO or its Subcontractor for the delivery of Medicaid or CHIP Covered Services to the MCO’s Members.

Network Provider or Provider means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Network Provider Agreement or Provider Agreement means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

Non-capitated Services means those Medicaid services identified in Attachment B-1, Section 8.2.2.8.

Non-provider Subcontracts means contracts between the MCO and a third party that performs a function, excluding delivery of Health Care Services, that the MCO is required to perform under its Contract with HHSC.

Non-Urban County or Rural County means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

Nursing Facility (also called nursing home or skilled nursing facility) means an entity or institution that provides organized and structured nursing care and services, and is subject to licensure under Texas Health and Safety Code, Chapter 242, as defined in 40 Tex. Admin. Code § 19.101 and 1 Tex. Admin. Code § 358.103.

Nursing Facility Cost Ceiling means the annualized cost of serving a client in a nursing facility. A per diem cost is established for each Medicaid nursing facility resident based on the level of care needed. This level of care is referred to as the Texas Index for Level of Effort or the TILE level. The per diem cost is annualized to achieve the nursing facility ceiling.

Nursing Facility Level of Care means the determination that the level of care required to adequately serve a STAR+PLUS Member is at or above the level of care provided by a nursing facility.

OB/GYN means obstetrician-gynecologist.

Open Panel means PCPs who are accepting new patients for the MCO Program(s) served.

Operational Start Date means the first day on which an MCO is responsible for providing Covered Services to MCO Program Members and all related Contract functions in a Service Area. The Operational Start Date may vary per MCO Program and Service Area. The Operational Start Date(s) applicable to this Contract are set forth in the HHSC Managed Care Contract document.

Operations Phase means the period of time when MCO is responsible for providing the Covered Services and all related Contract functions for a Service Area. The Operations Phase begins on the Operational Start Date, and may vary by MCO Program and Service Area.

Out-of-Network (OON) means an appropriately licensed individual, facility, agency, institution, organization or other entity that has not entered into a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Outpatient Hospital Services means diagnostic, therapeutic, and rehabilitative services that are provided to Members in an organized medical facility, for less than a 24-hour period, by or under the direction of a physician.

Parties means HHSC and MCO, collectively.

Party means either HHSC or MCO, individually.

PASRR means the Preadmission Screening and Resident Review, a federally mandated program applied to all individuals seeking admission to a Medicaid-certified Nursing Facility. PASRR helps ensure that individuals are not inappropriately placed in nursing homes for long-term care and requires that all applicants to a Medicaid-certified nursing facility: (1) be evaluated for mental illness, intellectual disability, or both; (2) be offered the most appropriate setting for their needs (in the community, a nursing facility, or acute care settings); and (3) receive the services they need in those settings.

PASRR Level I Screening has the meaning assigned in 40 Tex. Admin. Code § 17.102(16).

PASRR Level II Evaluation has the meaning assigned in 40 Tex. Admin. Code § 17.102(24).

PASRR Specialized Services has the meaning assigned in 40 Tex. Admin. Code § 17.102(33).

Peer Provider means a Mental Health Rehabilitative Service provider who meets the following minimum requirements: (1) high school diploma or high school equivalency and (2) one cumulative year of receiving mental health services.

Pended Claim means a claim for payment that requires additional information before the claim can be Adjudicated as a Clean Claim.

Pharmacy Benefit Manager (PBM) is a third party administrator of prescription drug programs.

Population Risk Group means a distinct group of members identified by age, age range, gender, type of program, eligibility category, or other criteria established by HHSC.

Post-stabilization Care Services means Covered Services, related to an Emergency Medical Condition that are provided after a Member is stabilized in order to maintain the stabilized condition, or, for a Medicaid Member, under the
circumstances described in 42 §§C.F.R. 438.114(b)&(c) and 42 C.F.R. §422.113(c)(iii) to improve or resolve the Medicaid Member’s condition.

**PPACA** – means the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), together known as the Affordable Care Act (ACA).

**Pre-tax Income** or **Net Income Before Taxes** means an aggregate excess of Revenues over Allowable Expenses.

**Primary Care Physician or Primary Care Provider (PCP)** means a physician or provider who has agreed with the MCO to provide a Medical Home to Members and who is responsible for providing initial and primary care to patients, maintaining the continuity of patient care, and initiating referral for care.

**Program** means a managed care program operated by HHSC. Depending on the context, the term may include one or more of the following: STAR, STAR+PLUS, STAR Health, CHIP, Children’s Medicaid Dental Services or CHIP Dental Services.

**Proposal** means the proposal submitted by the MCO in response to the RFP.

**Provider or Network Provider** means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

**Provider Agreement or Network Provider Agreement** means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

**Provider Materials** means all written materials produced or authorized by the MCO or its Administrative Services Subcontractors concerning the MCO Program(s) that are distributed to Network Providers. Provider Materials include the MCO's Provider Manual, training materials regarding MCO Program requirements, and mass communications directed to all or a large group of Network Providers (e-mail or fax blasts). Provider Materials do not include written correspondence between the MCO or its Administrative Services Subcontractors and a provider regarding individual business matters.

**Provider Network or Network** means all Providers that have contracted with the MCO for the applicable MCO Program.

**Proxy Claim Form** means a form submitted by Providers to document services delivered to Members under a capitated arrangement. It is not a claim for payment.

**Public Health Entity** means a HHSC Public Health Region, a Local Health Department, or a Hospital District.

**Public Information** means information that:

1. Is collected, assembled, or maintained under a law or ordinance or in connection with the transaction of official business by a governmental body or for a governmental body; and
2. The governmental body owns or has a right of access to.

**Qualified and Disabled Working Individual (QDWI)** means an individual whose only Medicaid benefit is payment of the Medicare Part A premium.

**Qualified Medicare Beneficiary (QMB)** means a Medicare beneficiary whose only Medicaid benefits are payment of Medicare premiums, deductibles, and coinsurance for individuals who are entitled to Medicare Part A, whose income does not exceed 100% of the federal poverty level, and whose resources do not exceed twice the resource limit of the SSI program.

**Quality Improvement** means a system to continuously examine, monitor and revise processes and systems that support and improve administrative and clinical functions.

**Rate Cell** means a Population Risk Group for which a Capitation Rate has been determined.

**Rate Period 1** means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. For purposes of rate setting only, Rate Period 1 will be divided into three sub-periods: March 1, 2012 through August 31, 2012, September 1, 2012 to May 31, 2013, and June 1, 2013 to August 31, 2013.

**Rate Period 2** means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

**Readiness Review** means the assurances made by a selected MCO and the examination conducted by HHSC, or its agents, of MCO’s ability, preparedness, and availability to fulfill its obligations under the Contract.

**Real-Time Captioning** (also known as CART, Communication Access Real-Time Translation) means a process by which a trained individual uses a shorthand machine, a computer, and real-time translation software to type and simultaneously translate spoken language into text on a computer screen. Real Time Captioning is provided for individuals who are deaf, have hearing impairments, or have unintelligible speech. It is usually used to interpret spoken English into text English but may be used to translate other spoken languages into text.

**Request for Proposals** or **RFP** means the procurement solicitation instrument issued by HHSC under which this Contract was awarded and all RFP addenda, corrections or modifications, if any.

**Revenue** means all revenue received by the MCO pursuant to this Contract, including retroactive adjustments made by HHSC. Revenue includes any funds earned on Medicaid or CHIP managed care funds such as investment income and earned interest. Revenue excludes any reinsurance recoveries, which shall be shown as a contra-cost, or reported offset to reinsurance expense. Revenues are reported at gross, and are not netted for any reinsurance premiums paid. See also the Uniform Managed Care Manual’s “Cost Principles for Expenses.”
**Risk** means the potential for loss as a result of expenses and costs of the MCO exceeding payments made by HHSC under the Contract.

**Routine Care** means health care for covered preventive and medically necessary Health Care Services that are non-emergent or non-urgent.

**Rural County** or **Non-Urban County** means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

**Rural Health Clinic (RHC)** means an entity that meets all of the requirements for designation as a rural health clinic under 1861(aa)(1) of the Social Security Act and approved for participation in the Texas Medicaid Program.

**Scope of Work** means the description of Services and Deliverables specified in this Contract, the RFP, the MCO’s Proposal, and any attachments and modifications to these documents.

**SDX** means State Data Exchange.

**Security Plan** means a document that contains detailed management, operational, and technical information about a system, its security requirements, and the controls implemented to provide protection against risks and vulnerabilities.

**SED** means severe emotional disturbance.

**Service Area** means the counties included in any HHSC-defined areas as applicable to each MCO Program.

**Service Coordination** means a specialized care management service that is performed by a Service Coordinator and that includes but is not limited to:

1. Identification of needs, including physical health, mental health services and for STAR+PLUS Members, long term support services,
2. Development of a Service Plan to address those identified needs;
3. Assistance to ensure timely and a coordinated access to an array of providers and Covered Services;
4. Attention to addressing unique needs of Members; and
5. Coordination of Covered Services with Non-capitated Services, as necessary and appropriate.

**Service Coordinator** means the person with primary responsibility for providing service coordination and care management to STAR+PLUS Members.

**Service Management** means an administrative service in the STAR, and CHIP Programs performed by the MCO to facilitate development of a Service Plan and coordination of services among a Member’s PCP, specialty providers and non-medical providers to ensure Members with Special Health Care Needs and/or Members needing high-cost treatment have access to, and appropriately utilize, Medically Necessary Covered Services, Non-capitated Services, and other services and supports.

**Service Plan (SP)** means an individualized plan developed with and for Members with Special Health Care Needs, including persons with disabilities or chronic or complex conditions.

**Services** means the tasks, functions, and responsibilities assigned and delegated to the MCO under this Contract.

**Significant Traditional Provider** or **STP** means primary care providers, long term services and supports providers, and pharmacy providers identified by HHSC as having provided a significant level of care to Medicaid or CHIP clients. Disproportionate Share Hospitals (DSH) are also Medicaid STPs.

**Skilled Nursing Facility Services (CHIP only)** Services provided in a facility that provides nursing or rehabilitation services and Medical supplies and use of appliances and equipment furnished by the facility.

**Software** means all operating system and applications software used by the MCO to provide the Services under this Contract.

**Specialty Hospital** means any inpatient Hospital that is not a general Acute Care Hospital.

**Specified Low-Income Medicare Beneficiary (SLMB)** means a Medicare beneficiary whose only Medicaid benefit is payment of the Medicare Part B premium.

**SPMI** means severe and persistent mental illness.

**SSA** means the Social Security Administration.

**Stabilize** means to provide such medical care as to assure within reasonable medical probability that no deterioration of the condition is likely to result from, or occur from, or occur during discharge, transfer, or admission of the Member.

**STAR+PLUS or STAR+PLUS Program** means the State of Texas Medicaid managed care program in which HHSC contracts with MCOs to provide, arrange, and coordinate preventive, primary, acute and Long-term Services and Supports Covered Services to adult persons with disabilities and elderly persons age 65 and over who qualify for Medicaid through the SSI program and/or the MAO program. Children birth through age 20 who qualify for Medicaid through the SSI program, may voluntarily participate in the STAR+PLUS program.

**STAR+PLUS MCOs** means contracted MCOs participating in the STAR+PLUS Program.

**State Fiscal Year (SFY)** means a 12-month period beginning on September 1 and ending on August 31 the following year.

**Subcontract** means any agreement between the MCO and another party to fulfill the requirements of the Contract.

**Subcontractor** means any individual or entity, including an Affiliate, that has entered into a Subcontract with MCO.

**Subsidiary** means an Affiliate controlled by such person or entity directly or indirectly through one (1) or more intermediaries.
Supplemental Security Income (SSI) means a Federal income supplement program funded by general tax revenues (not Social Security taxes) designed to help aged, blind and disabled people with little or no income by providing cash to meet basic needs for food, clothing and shelter.

Supported Employment means assistance provided as an HCBS STAR+PLUS Waiver service, in order to sustain paid employment, to a Member who, because of a disability, requires intensive, ongoing support to be self-employed, work from home, or perform in a work setting at which Members without disabilities are employed. Supported Employment includes employment adaptations, supervision, and training related to a Member's diagnosis.

Employment Assistance is not available to Members receiving services through a program funded by the Rehabilitation Act of 1973 or the Individuals with Disabilities Education Act. For any Member receiving one of those waiver services, the MCO must document that the Employment Assistance service is not available to the Member in the Member's record.

T.A.C. means Texas Administrative Code.

Targeted Case Management means services designed to assist Members with gaining access to needed medical, social, educational, and other services and supports. Members are eligible to receive these if they have been assessed and diagnosed with a severe and persistent mental illness (SPMI) or a severe emotional disturbance (SED) and they are authorized to receive Mental Health Rehabilitative Services.

TDD means telecommunication device for the deaf. It is interchangeable with the term Teletype machine or TTY.

TDI means the Texas Department of Insurance.

Team of Health Care Professionals means physicians and other professionals, such as a nurse care coordinator, nutritionist, social worker, behavioral health professional, or any professionals deemed appropriate by HHSC and approved by CMS. The team may be free-standing, virtual, or based at a Hospital, community health center, community mental health center, rural clinic, clinical practice or clinical group practice, academic health center, or any entity deemed appropriate by HHSC and approved by CMS.

Temporary Assistance to Needy Families (TANF) means the federally funded program that provides assistance to single parent families with children who meet the categorical requirements for aid. This program was formerly known as the Aid to Families with Dependent Children (AFDC) program.

Texas Health Steps is the name adopted by the State of Texas for the federally mandated Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program. It includes the State’s Comprehensive Care Program extension to EPSDT, which adds benefits to the federal EPSDT requirements contained in 42 U.S.C. §1396d(r), and defined and codified at 42 C.F.R. §§440.40 and 441.56-62. HHSC’s rules are contained in 25 T.A.C., Chapter 33 (relating to Early and Periodic Screening, Diagnosis and Treatment).

Texas Medicaid Provider Procedures Manual means the policy and procedures manual published by or on behalf of HHSC that contains policies and procedures required of all health care providers who participate in the Texas Medicaid program. The manual is published annually and is updated as needed.

Texas Public Information Act refers to the provisions of Chapter 552 of the Texas Government Code.

Third Party Liability (TPL) means the legal responsibility of another individual or entity to pay for all or part of the services provided to Members under the Contract (see 1 TAC §354.2301 et seq., relating to Third Party Resources).

Third Party Recovery (TPR) means the recovery of payments on behalf of a Member by HHSC or the MCO from an individual or entity with the legal responsibility to pay for the Covered Services.

Transfer means the movement of the Member from one (1) Acute Care Hospital or Long Term Care Hospital/facility and readmission to another Acute Care Hospital or Long Term Care Hospital/facility within 24 hours for continued treatment.

Transition Phase includes all activities the MCO is required to perform between the Contract Effective Date and the Operational Start Date for an MCO Program and all or part of a Service Area.

Turnover Phase includes all activities the MCO is required to perform in order to close out the Contract and/or transition Contract activities and operations to HHSC or a subsequent contractor.

Turnover Plan means the written plan developed by MCO, approved by HHSC, to be employed during the Turnover Phase.

Uniform Managed Care Manual (UMCM) means the manual published by or on behalf of HHSC that contains policies and procedures required of all MCOs participating in the HHSC Programs. The UMCM, as amended or modified, is incorporated by reference into the Contract.

URAC /American Accreditation Health Care Commission means the independent organization that accredits Utilization Review functions and offers a variety of other accreditation and certification programs for health care organizations.

Urban County means any county with 50,000 or more residents as reported by the Texas Association of Counties at: http://www.county.org/.

Urgent Behavioral Health Situation means a behavioral health condition that requires attention and assessment within 24 hours but which does not place the Member in immediate danger to himself or herself or others and the Member is able to cooperate with treatment.

Urgent Condition means a health condition including an Urgent Behavioral Health Situation that is not an emergency but is severe or painful enough to cause a prudent layperson, possessing the average knowledge of medicine, to believe that his
or her condition requires medical treatment evaluation or treatment within 24 hours by the Member’s PCP or PCP designee to prevent serious deterioration of the Member’s condition or health.

**Utilization Review** means the system for retrospective, concurrent, or prospective review of the Medical Necessity and appropriateness of Health Care Services provided, being provided, or proposed to be provided to a Member. The term does not include elective requests for clarification of coverage.

**Value-added Services** means additional services for coverage beyond those specified in Attachments B-2, B-2.1, and B-2.2. Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improve health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

**Waste** means practices that are not cost-efficient.

**Wrap-Around Services** means services for Dual Eligible Members that are covered by Medicaid:

1. when the Dual Eligible Member has exceeded the Medicare coverage limit; or
2. that are not covered by Medicare.

### Article 3. General Terms & Conditions

#### Section 3.01 Contract elements.

(a) Contract documentation.

The Contract between the Parties will consist of the HHSC Managed Care Contract document and all attachments and amendments.

(b) Order of documents.

In the event of any conflict or contradiction between or among the contract documents, the documents must control in the following order of precedence:

1. The final executed HHSC Managed Care Contract document, and all amendments thereto;
2. HHSC Managed Care Contract Attachment A – “Uniform Managed Care Contract Terms and Conditions,” and all amendments thereto;
3. HHSC Managed Care Contract Attachment B – “Scope of Work/Performance Measures,” and all attachments and amendments thereto;
4. The Uniform Managed Care Manual, and all attachments and amendments thereto; and
5. HHSC Managed Care Contract Attachment C-1 – “MCO’s Proposal.”

#### Section 3.02 Term of the Contract.

The term of the Contract will begin on the Effective Date and will conclude on the Expiration Date. The Parties may renew the Contract for an additional period or periods, but the Contract Term may not exceed a total of eight (8) operational years. All reserved contract extensions beyond the Expiration Date will be subject to good faith negotiations between the Parties and mutual agreement to the extension(s).

#### Section 3.03 Funding.

This Contract is expressly conditioned on the availability of state and federal appropriated funds. MCO will have no right of action against HHSC in the event that HHSC is unable to perform its obligations under this Contract as a result of the suspension, termination, withdrawal, or failure of funding to HHSC or lack of sufficient funding of HHSC for any activities or functions contained within the scope of this Contract. If funds become unavailable, the provisions of Article 12, “Remedies and Disputes” will apply. HHSC will use all reasonable efforts to ensure that such funds are available, and will negotiate in good faith with MCO to resolve any MCO claims for payment that represent accepted Services or Deliverables that are pending at the time funds become unavailable. HHSC must make best efforts to provide reasonable written advance notice to MCO upon learning that funding for this Contract may be unavailable.

#### Section 3.04 Delegation of authority.

Whenever, by any provision of this Contract, any right, power, or duty is imposed or conferred on HHSC, the right, power, or duty so imposed or conferred is possessed and exercised by the Executive Commissioner unless any such right, power, or duty is specifically delegated to the duly appointed agents or employees of HHSC. The Commissioner will reduce any such delegation of authority to writing and provide a copy to MCO on request.
Section 3.05 No waiver of sovereign immunity.

The Parties expressly agree that no provision of this Contract is in any way intended to constitute a waiver by HHSC or the State of Texas of any immunities from suit or from liability that HHSC or the State of Texas may have by operation of law.

Section 3.06 Force Majeure.

Neither Party will be liable for any failure or delay in performing its obligations under the Contract if such failure or delay is due to a Force Majeure Event. The existence of such causes of delay or failure will extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. Each Party must inform the other in writing with proof of receipt within five (5) Business Days of the existence of a Force Majeure Event.

Section 3.07 Publicity.

(a) MCO may use the name of HHSC, the State of Texas, any HHS Agency, and the name of the HHSC MCO Program in any media release, public announcement, or public disclosure relating to the Contract or its subject matter only if, at least seven (7) calendar days prior to distributing the material, the MCO submits the information to HHSC for review and comment. If HHSC has not responded within seven (7) calendar days, the MCO may use the submitted information. HHSC reserves the right to object to and require changes to the publication if, at HHSC’s sole discretion, it determines that the publication does not accurately reflect the terms of the Contract or the MCO’s performance under the Contract.

(b) MCO will provide HHSC with one (1) electronic copy of any information described in Subsection 3.07(a) prior to public release. MCO will provide additional copies, including hard copies, at the request of HHSC.

(c) The requirements of Subsection 3.07(a) do not apply to:

(1) proposals or reports submitted to HHSC, an administrative agency of the State of Texas, or a governmental agency or unit of another state or the federal government;

(2) information concerning the Contract’s terms, subject matter, and estimated value:

(a) in any report to a governmental body to which the MCO is required by law to report such information, or

(b) that the MCO is otherwise required by law to disclose; and

(3) Member Materials (the MCO must comply with the Uniform Managed Care Manual’s provisions regarding the review and approval of Member Materials).

Section 3.08 Assignment.

(a) Assignment by MCO.

MCO must not assign all or any portion of its rights under or interests in the Contract or delegate any of its duties without prior written consent of HHSC. Any written request for assignment or delegation must be accompanied by written acceptance of the assignment or delegation by the assignee or delegation by the delegate. Except where otherwise agreed in writing by HHSC, assignment or delegation will not release MCO from its obligations pursuant to the Contract. An HHSC-approved Material Subcontract will not be considered to be an assignment or delegation for purposes of this section.

(b) Assignment by HHSC.

MCO understands and agrees HHSC may in one (1) or more transactions assign, pledge, transfer, or hypothecate the Contract. This assignment will only be made to another State agency or a non-State agency that is contracted to perform agency support.

(c) Assumption.

Each party to whom a transfer is made (an "Assignee") must assume all or any part of MCO’S or HHSC’s interests in the Contract, the product, and any documents executed with respect to the Contract.

Section 3.09 Cooperation with other vendors and prospective vendors.

HHSC may award supplemental contracts for work related to the Contract, or any portion thereof. MCO will reasonably cooperate with such other vendors, and will not commit or permit any act that may interfere with the performance of work by any other vendor.

Section 3.10 Renegotiation and reprocurement rights.

(a) Renegotiation of Contract terms.
Notwithstanding anything in the Contract to the contrary, HHSC may at any time during the term of the Contract exercise the option to notify MCO that HHSC has elected to renegotiate certain terms of the Contract. Upon MCO’s receipt of any notice pursuant to this Section, MCO and HHSC will undertake good faith negotiations of the subject terms of the Contract, and may execute an amendment to the Contract in accordance with Article 8.

(b) Reprocurement of the services or procurement of additional services.
Notwithstanding anything in the Contract to the contrary, whether or not HHSC has accepted or rejected MCO’s Services and/or Deliverables provided during any period of the Contract, HHSC may at any time issue requests for proposals or offers to other potential contractors for performance of any portion of the Scope of Work covered by the Contract or Scope of Work similar or comparable to the Scope of Work performed by MCO under the Contract.

(c) Termination rights upon reprocurement.
If HHSC elects to procure the Services or Deliverables or any portion of the Services or Deliverables from another vendor in accordance with this Section, HHSC will have the termination rights set forth in Article 12, “Remedies and Disputes.”

Section 3.11 RFP errors and omissions.
MCO will not take advantage of any errors and/or omissions in the RFP or the resulting Contract. MCO must promptly notify HHSC of any such errors and/or omissions that are discovered.

Section 3.12 Enforcement Costs.
In the event of any litigation, appeal, or other legal action to enforce any provision of the Contract, MCO agrees to pay all reasonable expenses of such action, if HHSC is the prevailing Party.

Section 3.13 Preferences under service contracts.
MCO is required in performing the Contract to purchase products and materials produced in the State of Texas when they are available at a price and time comparable to products and materials produced outside the State.

Section 3.14 Time of the essence.
In consideration of the need to ensure uninterrupted and continuous MCO Program performance, time is of the essence in the performance of the Scope of Work under the Contract.

Section 3.15 Notice
(a) Any notice or other legal communication required or permitted to be made or given by either Party pursuant to the Contract will be in writing and in English, and will be deemed to have been given:
(1) Three (3) Business Days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
(2) When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or
(3) When delivered if delivered personally or sent by express courier service.
(b) The notices described in this Section may not be sent by electronic mail.
(c) All notices must be sent to the Project Manager identified in the HHSC Managed Care Contract document. In addition, legal notices must be sent to the Legal Contact identified in the HHSC Managed Care Contract document.
(d) Routine communications that are administrative in nature will be provided in a manner agreed to by the Parties.

Article 4. Contract Administration & Management

Section 4.01 Qualifications, retention and replacement of MCO employees.
MCO agrees to maintain the organizational and administrative capacity and capabilities to carry out all duties and responsibilities under this Contract. The personnel MCO assigns to perform the duties and responsibilities under this Contract will be properly trained and qualified for the functions they are to perform. Notwithstanding transfer or turnover of personnel, MCO remains obligated to perform all duties and responsibilities under this Contract without degradation and in accordance with the terms of this Contract.

Section 4.02 MCO’s Key Personnel.
(a) Designation of Key Personnel.
MCO must designate key management and technical personnel who will be assigned to the Contract. For the purposes of this requirement, Key Personnel are those with management responsibility or principal technical responsibility for the following functional areas for each MCO Program included within the scope of the Contract:

(1) Member Services;
(2) Management Information Systems;
(3) Claims Processing;
(4) Provider Network Development and Management;
(5) Benefit Administration and Utilization and Care Management;
(6) Quality Improvement;
(7) Behavioral Health Services;
(8) Financial Functions;
(9) Reporting;
(10) Executive Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.03, “Executive Director”;
(11) Medical Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.04, “Medical Director”; and
(12) Management positions for STAR+PLUS Service Coordinators for STAR+PLUS MCOs as defined in Section 4.04.1, “STAR+PLUS Service Coordinator.”

(b) Support and Replacement of Key Personnel.
The MCO must maintain, throughout the Contract Term, the ability to supply its Key Personnel with the required resources necessary to meet Contract requirements and comply with applicable law. The MCO must ensure project continuity by timely replacement of Key Personnel, if necessary, with a sufficient number of persons having the requisite skills, experience and other qualifications. Regardless of specific personnel changes, the MCO must maintain the overall level of expertise, experience, and skill reflected in the Key MCO Personnel job descriptions and qualifications included in the MCO’s proposal.

(c) Notification of replacement of Key Personnel.
MCO must notify HHSC within 15 Business Days of any change in Key Personnel. Hiring or replacement of Key Personnel must conform to all Contract requirements. If HHSC determines that a satisfactory working relationship cannot be established between certain Key Personnel and HHSC, it will notify the MCO in writing. Upon receipt of HHSC’s notice, HHSC and MCO will attempt to resolve HHSC’s concerns on a mutually agreeable basis.

Section 4.03 Executive Director.

(a) The MCO must employ a qualified individual to serve as the Executive Director for its HHSC MCO Program(s). Such Executive Director must be employed full-time by the MCO, be primarily dedicated to HHSC MCO Program(s), and must hold a Senior Executive or Management position in the MCO’s organization, except that the MCO may propose an alternate structure for the Executive Director position, subject to HHSC’s prior written approval.

(b) The Executive Director must be authorized and empowered to represent the MCO regarding all matters pertaining to the Contract prior to such representation. The Executive Director must act as liaison between the MCO and the HHSC and must have responsibilities that include, but are not limited to, the following:

(1) ensuring the MCO’s compliance with the terms of the Contract, including securing and coordinating resources necessary for such compliance;
(2) receiving and responding to all inquiries and requests made by HHSC related to the Contract, in the timeframes and formats specified by HHSC. Where practicable, HHSC must consult with the MCO to establish timeframes and formats reasonably acceptable to the Parties;
(3) attending and participating in regular HHSC MCO Executive Director meetings or conference calls;
(4) attending and participating in regular HHSC Regional Advisory Committees (RACs) for managed care (the Executive Director may designate key personnel to attend a RAC if the Executive Director is unable to attend);
(5) making best efforts to promptly resolve any issues identified either by the MCO or HHSC that may arise and are related to the Contract;
(6) meeting with HHSC representative(s) on a periodic or as needed basis to review the MCO’s performance and resolve issues, and
(7) meeting with HHSC at the time and place requested by HHSC, if HHSC determines that the MCO is not in compliance with the requirements of the Contract.

Section 4.04 Medical Director.

(a) The MCO must have a qualified individual to serve as the Medical Director for its HHSC MCO Program(s). The Medical Director must be currently licensed in Texas under the Texas Medical Board as an M.D. or D.O. with no
restrictions or other licensure limitations. The Medical Director must comply with the requirements of 28 T.A.C. §11.1606 and all applicable federal and state statutes and regulations.

(b) The Medical Director, or his or her designee, must be available by telephone 24 hours a day, seven (7) days a week, for Utilization Review decisions. The Medical Director, and his/her designee, must either possess expertise with Behavioral Health Services, or ready access to such expertise to ensure timely and appropriate medical decisions for Members, including after regular business hours.

c) The Medical Director, or his or her designee, must be authorized and empowered to represent the MCO regarding clinical issues, Utilization Review and quality of care inquiries. The Medical Director, or his or her designee, must exercise independent medical judgment in all decisions relating to Medical Necessity. The MCO must ensure that its decisions relating to Medical Necessity are not adversely influenced by fiscal management decisions. HHSC may conduct reviews of decisions relating to Medical Necessity upon reasonable notice.

d) For purposes of this section, the Medical Director’s designee must be:

(1) a physician that meets the qualifications for a Medical Director, as described in subparts (a) through (c), above; or
(2) for prior authorization determinations for outpatient pharmacy benefits, a Texas-licensed pharmacist working under the direction of the Medical Director, provided such delegation is included in the MCO’s TDI-approved utilization review plan.

e) The Medical Director, or his or her physician designee, must make determinations regarding Utilization Review appeals, including appeals of prior authorization denials for outpatient pharmacy benefits.

Section 4.04.1 STAR+PLUS Service Coordinator

(a) STAR+PLUS MCOs must employ as Service Coordinators persons experienced in meeting the needs of people with disabilities, old and young, and vulnerable populations who have Chronic or Complex Conditions. A Service Coordinator must have an undergraduate and/or graduate degree in social work or a related field, or be a Registered Nurse, Licensed Vocational Nurse, Advanced Nurse Practitioner, or a Physician Assistant.

(b) The STAR+PLUS MCO must monitor the Service Coordinator’s workload and performance to ensure that he or she is able to perform all necessary Service Coordination functions for the STAR+PLUS Members in a timely manner.

c) The Service Coordinator must be responsible for working with the Member or his or her representative, the PCP and other Providers to develop a seamless package of care in which primary, Acute Care, and Long-term Services and Supports service needs are met through a single, understandable, rational plan. Each Member’s Service Plan must also be well coordinated with the Member’s family and community support systems, including Independent Living Centers, Area Agencies on Aging and Mental Retardation Authorities. The Service Plan should be agreed to and signed by the Member or the Member’s representative to indicate agreement with the plan. The plan should promote consumer direction and self-determination and may include information for services outside the scope of Covered Services such as how to access affordable, integrated housing. For Dual Eligible Members, the STAR+PLUS MCO is responsible for meeting the Member’s Community Long-term Services and Supports needs.

d) The STAR+PLUS MCO must empower its Service Coordinators to authorize the provision and delivery of Covered Services, including Community Long-term Services and Supports Covered Services.

Section 4.05 Responsibility for MCO personnel and Subcontractors.

(a) MCO’s employees and Subcontractors will not in any sense be considered employees of HHSC or the State of Texas, but will be considered for all purposes as the MCO’s employees or its Subcontractor’s employees, as applicable.

(b) Except as expressly provided in this Contract, neither MCO nor any of MCO’s employees or Subcontractors may act in any sense as agents or representatives of HHSC or the State of Texas.

c) MCO agrees that anyone employed by MCO to fulfill the terms of the Contract is an employee of MCO and remains under MCO’s sole direction and control. MCO assumes sole and full responsibility for its acts and the acts of its employees and Subcontractors.

(d) MCO agrees that any claim on behalf of any person arising out of employment or alleged employment by the MCO (including, but not limited to, claims of discrimination against MCO, its officers, or its agents) is the sole responsibility of MCO and not the responsibility of HHSC. MCO will indemnify and hold harmless the State from any and all claims asserted against the State arising out of such employment or alleged employment by the MCO. MCO understands that any person who alleges a claim arising out of employment or alleged employment by MCO will not be entitled to any compensation, rights, or benefits from HHSC (including, but not limited to, tenure rights, medical and hospital care, sick and annual/vacation leave, severance pay, or retirement benefits).

e) MCO agrees to be responsible for the following in respect to its employees:

(1) Damages incurred by MCO’s employees within the scope of their duties under the Contract; and
(2) Determination of the hours to be worked and the duties to be performed by MCO’s employees.
(f) MCO agrees and will inform its employees and Subcontractor(s) that there is no right of subrogation, contribution, or indemnification against HHSC for any duty owed to them by MCO pursuant to this Contract or any judgment rendered against the MCO. HHSC’s liability to the MCO’s employees, agents and Subcontractors, if any, will be governed by the Texas Tort Claims Act, as amended or modified (TEX. CIV. PRACT. & REM. CODE §101.001 et seq.).

(g) MCO understands that HHSC does not assume liability for the actions of, or judgments rendered against, the MCO, its employees, agents or Subcontractors. MCO agrees that it has no right to indemnification or contribution from HHSC for any such judgments rendered against MCO or its Subcontractors.

Section 4.06 Cooperation with HHSC and state administrative agencies.

(a) Cooperation with Other MCOs.
MCO agrees to reasonably cooperate with and work with the other MCOs in the MCO Programs, Subcontractors, and third-party representatives as requested by HHSC. To the extent permitted by HHSC’s financial and personnel resources, HHSC agrees to reasonably cooperate with MCO and to use its best efforts to ensure that other HHSC contractors reasonably cooperate with the MCO.

(b) Cooperation with state and federal administrative agencies.
MCO must ensure that MCO personnel will cooperate with HHSC or other state or federal administrative agency personnel at no charge to HHSC for purposes relating to the administration of MCO Programs including, but not limited to the following purposes:

1. The investigation and prosecution of Fraud, Abuse, and Waste in the HHSC programs;
2. Audit, inspection, or other investigative purposes; and
3. Testimony in judicial or quasi-judicial proceedings relating to the Services and/or Deliverables under this Contract or other delivery of information to HHSC or other agencies’ investigators or legal staff.

Section 4.07 Conduct of MCO personnel and Subcontractors.

(a) While performing the Scope of Work, MCO’s personnel and Subcontractors must:

1. Comply with applicable state rules and regulations and HHSC’s requests regarding personal and professional conduct generally applicable to the service locations; and
2. Otherwise conduct themselves in a businesslike and professional manner.

(b) If HHSC determines in good faith that a particular employee or Subcontractor is not conducting himself or herself in accordance with this Contract, HHSC may provide MCO with notice and documentation concerning such conduct. Upon receipt of such notice, MCO must promptly investigate the matter and take appropriate action that may include:

1. Removing the employee or Subcontractor from the project;
2. Providing HHSC with written notice of such removal; and
3. Replacing the employee or Subcontractor with a similarly qualified individual acceptable to HHSC.

(c) Nothing in the Contract will prevent MCO, at the request of HHSC, from replacing any personnel who are not adequately performing their assigned responsibilities or who, in the reasonable opinion of HHSC’s Project Manager, after consultation with MCO, are unable to work effectively with the members of the HHSC’s staff. In such event, MCO will provide replacement personnel with equal or greater skills and qualifications as soon as reasonably practicable. Replacement of Key Personnel will be subject to HHSC review. The Parties will work together in the event of any such replacement so as not to disrupt the overall project schedule.

(d) MCO agrees that anyone employed or retained by MCO to fulfill the terms of the Contract remains under MCO’s sole direction and control.

(e) MCO must have policies regarding disciplinary action for all employees who have failed to comply with federal and/or state laws and the MCO’s standards of conduct, policies and procedures, and Contract requirements. MCO must have policies regarding disciplinary action for all employees who have engaged in illegal or unethical conduct.

Section 4.08 Subcontractors and Agreements with Third Parties.

(a) MCO remains fully responsible for the obligations, services, and functions performed by its Subcontractors to the same extent as if such obligations, services, and functions were performed by MCO’s employees, and for purposes of this Contract such work will be deemed work performed by MCO. HHSC reserves the right to require the replacement of any Subcontractor found by HHSC to be unacceptable and unable to meet the requirements of the Contract, and to object to the selection of a Subcontractor.

(b) MCO must:
(1) actively monitor the quality of care and services, as well as the quality of reporting data, provided under a Subcontract;
(2) provide HHSC with a copy of TDI filings of delegation agreements;
(3) unless otherwise provided in this Contract, provide HHSC with written notice no later than:

   (i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract;
   (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting;
   (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and
   (iv) 30 calendar days prior to the termination date of any other Material Subcontract.

HHSC may grant a written exception to these notice requirements if, in HHSC’s reasonable determination, the MCO has shown good cause for a shorter notice period.

(c) During the Contract Period, Readiness Reviews by HHSC or its designated agent may occur if:

   (1) a new Material Subcontractor is employed by MCO;
   (2) an existing Material Subcontractor provides services in a new Service Area;
   (3) an existing Material Subcontractor provides services for a new MCO Program;
   (4) an existing Material Subcontractor changes locations or changes its MIS and or operational functions;
   (5) an existing Material Subcontractor changes one (1) or more of its MIS subsystems, claims processing or operational functions; or
   (6) a Readiness Review is requested by HHSC.

The MCO must submit information required by HHSC for each proposed Material Subcontractor as indicated in Section 7, Transition Phase Requirements. Refer to Sections 8.1.1.2, Additional Readiness Reviews and Monitoring Efforts, and 8.1.18, Management Information System Requirements for additional information regarding MCO Readiness Reviews during the Contract Period.

(d) MCO must not disclose Confidential Information of HHSC or the State of Texas to a Subcontractor unless and until such Subcontractor has agreed in writing to protect the confidentiality of such Confidential Information in the manner required of MCO under this Contract.

(e) MCO must identify any Subcontractor that is a subsidiary or entity formed after the Effective Date of the Contract, whether or not an Affiliate of MCO. The MCO must substantiate the proposed Subcontractor’s ability to perform the subcontracted Services, and certify to HHSC that no loss of service will occur as a result of the performance of such Subcontractor. The MCO will be the sole point of contact with regard to contractual matters.

(f) Except as provided herein, all Subcontracts must be in writing and must provide HHSC the right to examine the Subcontract and all Subcontractor records relating to the Contract and the Subcontract. This requirement does not apply to agreements with non-Affiliate utility or mail service providers.

If the MCO intends to report compensation or any other payments paid to any third party (including without limitation an Affiliate) as an Allowable Expense under this Contract, and the amounts paid to the third party exceed $200,000, or are reasonably anticipated to exceed $200,000, in a State Fiscal Year (or in any contiguous twelve-month period), then the MCO’s agreement with the third party must be in writing. The agreement must provide HHSC the right to examine the agreement and all records relating to the agreement.

For any third party agreements not in writing valued under $200,000 per State Fiscal Year that are reported as Allowable Expenses, the MCO still must maintain standard financial records and data sufficient to verify the accuracy of those expenses in accordance with the requirements of Article 9, Audit & Financial Compliance. Any agreements that are, or could be interpreted to be, with a single party, must be in writing if the combined total is more than $200,000. This would include payments to individuals or entities that are related to each other.

(g) A Subcontract or any other agreement in which the MCO receives rebates, recoupments, discounts, payments, incentives, fees, free goods, bundling arrangements, retrocession payments (as described in UMCM Chapter 6.1) or any other consideration from a Subcontractor or any other third party (including without limitation Affiliates) as related to this Contract must be in writing and The MCO must allow HHSC and the Office of the Attorney General to examine the Subcontract or agreement and all related records.

(h) All Subcontracts or agreements described in subsections (f) and (g) must show the dollar amount or the value of any consideration that MCO pays to or receives from the Subcontractor or any other third party.

(i) The MCO must submit a copy of each Material Subcontract and any agreement covered under subsection (g) executed prior to the Effective Date of the Contract to HHSC no later than 30 days after the Effective Date of the Contract. For Material Subcontracts or Section 4.08(g) agreements executed or amended after the Effective Date of the Contract, the MCO must submit a copy to HHSC no later than 5 Business Days after execution or amendment.
Network Provider Contracts must include the mandatory provisions included in Uniform Managed Care Manual Chapter 8.1, Provider Contract Checklist.

HHSC reserves the right to reject any Subcontract or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.

MCO must comply with the requirements of Section 6505 of the PPACA, entitled Prohibition on Payments to Institutions or Entities Located Outside of the United States.

Provider payment must comply with the requirements of Section 2702 of PPACA, entitled Payment Adjustment for Health Acquired Conditions.

The MCO and its Subcontractors must provide all information required under Section 4.08 to HHSC, or to the Office of the Attorney General, if requested, at no cost.

Section 4.09 HHSC’s ability to contract with Subcontractors.

The MCO may not limit or restrict, through a covenant not to compete, employment contract or other contractual arrangement, HHSC’s ability to contract with Subcontractors or former employees of the MCO.

Section 4.10 This section Intentionally left blank

Section 4.11 Prohibition Against Performance Outside the United States.

(a) Findings.

(1) HHSC finds the following:

(A) HHSC is responsible for administering several public programs that require the collection and maintenance of information relating to persons who apply for and receive services from HHSC programs. This information consists of, among other things, personal financial and medical information and information designated “Confidential Information” under state and federal law and this Agreement. Some of this information may, within the limits of the law and this Agreement, be shared from time to time with MCO or a subcontractor for purposes of performing the Services or providing the Deliverables under this Agreement.

(B) HHSC is legally responsible for maintaining the confidentiality and integrity of information relating to applicants and recipients of HHSC services and ensuring that any person or entity that receives such information—including MCO and any subcontractor—is similarly bound by these obligations.

(C) HHSC is also responsible for the development and implementation of computer software and hardware to support HHSC programs. These items are paid for, in whole or in part, with state and federal funds. The federal agencies that fund these items maintain a limited interest in the software and hardware so developed or acquired.

(D) Some of the software used or developed by HHSC may also be subject to statutory restrictions on the export of technology to foreign nations, including but not limited to the Export Administration Regulations, 15 C.F.R. Parts 730-774.

(2) In view of these obligations, and to ensure accountability, integrity, and the security of the information maintained by or for HHSC and the work performed on behalf of HHSC, HHSC DETERMINES that it is necessary and appropriate to require THAT:

(A) All work performed under this Agreement must be performed exclusively within the United States; and

(B) All information obtained by MCO or a subcontractor under this Agreement must be maintained within the United States.

(3) Further, HHSC finds it necessary and appropriate to forbid the performance of any work or the maintenance of any information relating or obtained pursuant to this Agreement to occur outside of the United States except as specifically authorized or approved by HHSC.
(b) **Meaning of “within the United States” and “outside the United States.”**

(1) As used in this Section 4.11, the term “within the United States” means any location inside the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(2) Conversely, the phrase “outside the United States” means any location that is not within the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

c) **Maintenance of Confidential Information.**

(1) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not allow any Confidential Information that MCO receives from or on behalf of HHSC to leave the United States by any means (physical or electronic) at any time, for any period of time, for any reason.

(2) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to have remote access to HHSC information, systems, or Deliverables from a location outside the United States.

d) **Performance of Work under Agreement.**

(1) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must perform all services under the Agreement, including all tasks, functions, and responsibilities assigned and delegated to MCO under this Agreement, within the United States.

(A) This obligation includes, but is not limited to, all Services, including but not limited to information technology services, processing, transmission, storage, archiving, data center services, disaster recovery sites and services, customer support), medical, dental, laboratory and clinical services.

(B) All custom software prepared for performance of this Agreement, and all modifications of custom, third party, or vendor proprietary software, must be performed within the United States.

(2) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to perform work under this Agreement from a location outside the United States.

e) **Exceptions.**

(1) COTS Software. The foregoing requirements will not preclude the acquisition or use of commercial off-the-shelf software that is developed outside the United States or hardware that is generically configured outside the United States.

(2) Foreign-made Products and Supplies. The foregoing requirements will not preclude MCO from acquiring, using, or reimbursing products or supplies that are manufactured outside the United States, provided such products or supplies are commercially available within the United States for acquisition or reimbursement by HHSC.

(3) HHSC Prior Approval. The foregoing requirements will not preclude MCO from performing work outside the United States that HHSC has approved in writing and that HHSC has confirmed will not involve the sharing of Confidential Information outside the United States.

f) **Disclosure.**

MCO must disclose all Services and Deliverables under or related to this Agreement that MCO intends to perform or has performed outside the United States, whether directly or via subcontractors, vendors, agents, or service providers.

g) **Remedy.**
(1) MCO’s violation of this Section 4.11 will constitute a material breach in accordance with Article 12. MCO will be liable to HHSC for all monetary damages, in the form of actual, consequential, direct, indirect, special and/or liquidated damages in accordance with this Agreement.

(2) HHSC may terminate the Agreement with notice to MCO at least one calendar day before the effective date of such termination.

Article 5. Member Eligibility & Enrollment

Section 5.01 Eligibility Determination

The State or its designee will make eligibility determinations for each of the HHSC MCO Programs.

Section 5.02 Member Enrollment & Disenrollment.

(a) HHSC or the HHSC Administrative Services Contractor will enroll and disenroll eligible individuals in the MCO Program. The HHSC Administrative Services Contractor will use HHSC’s default assignment methodologies, as described in 1 Tex. Admin. Code § 353.403 and § 370.303, to enroll individuals who do not select an MCO or PCP. To enroll in an MCO, the Member’s permanent residence must be located within the MCO’s Service Area. The MCO is not allowed to induce or accept disenrollment from a Member. The MCO must refer the Member to the HHSC Administrative Services Contractor.

(b) HHSC makes no guarantees or representations to the MCO regarding the number of eligible Members who will ultimately be enrolled into the MCO or the length of time any such enrolling Members remain enrolled with the MCO. The MCO has no ownership interest in its Member base, and therefore cannot sell or transfer this base to another entity.

(c) The HHSC Administrative Services Contractor will electronically transmit to the MCO new Member information and change information applicable to active Members.

(d) As described in the following Sections, depending on the MCO Program, special conditions may also apply to enrollment and span of coverage for the MCO.

(e) A Medicaid MCO has a limited right to request a Member be disenrolled from MCO without the Member’s consent. HHSC must approve any MCO request for disenrollment of a Member for cause. MCO must take reasonable measures to correct Member behavior prior to requesting disenrollment. Reasonable measures may include providing education and counseling regarding the offensive acts or behaviors. HHSC may permit disenrollment of a Member under the following circumstances:

(1) Member misuses or loans Member’s MCO membership card to another person to obtain services.

(2) Member is disruptive, unruly, threatening or uncooperative to the extent that Member’s membership seriously impairs MCO’s or Provider’s ability to provide services to Member or to obtain new Members, and Member’s behavior is not caused by a physical or behavioral health condition.

(3) Member steadfastly refuses to comply with managed care restrictions (e.g., repeatedly using emergency room in combination with refusing to allow MCO to treat the underlying medical condition).

(f) HHSC must notify the Member of HHSC’s decision to disenroll the Member if all reasonable measures have failed to remedy the problem.

(g) If the Member disagrees with the decision to disenroll the Member from MCO, HHSC must notify the Member of the availability of the Complaint procedure and, for Medicaid Members, HHSC’s Fair Hearing process.

(h) MCO cannot request a disenrollment based on adverse change in the member’s health status or utilization of services that are Medically Necessary for treatment of a member’s condition.
(i) Members taken into conservatorship by the Department of Family and Protective Services (DFPS) will be disenrolled from the MCO effective the date of conservatorship, and enrolled in the STAR Health Program unless otherwise determined by DFPS.

Section 5.03 STAR enrollment for pregnant women and infants.

(a) The HHSC Administrative Services Contractor will retroactively enroll some pregnant Members in a Medicaid MCO based on their date of eligibility.

(b) The HHSC Administrative Services Contractor will enroll newborns born to Medicaid eligible mothers who are enrolled in a STAR MCO in the same MCO for at least 90 days following the date of birth, unless the mother requests a plan change as a special exception. The HHSC Administrative Service Contractor will consider such requests on a case-by-case basis. The HHSC Administrative Services Contractor will retroactively, to date of birth, enroll newborns in the applicable STAR MCO.

Section 5.03.1 Enrollment for infants born to pregnant women in STAR+PLUS.

If a newborn is born to a Medicaid-eligible mother enrolled in a STAR+PLUS MCO, the HHSC Administrative Service Contractor will enroll the newborn into that MCO’s STAR MCO product, if one (1) exists. All rules related to STAR newborn enrollment will apply to the newborn. If the STAR+PLUS MCO does not have a STAR product but the newborn is eligible for STAR, the newborn will be enrolled in traditional Fee-for-Service Medicaid, and given the opportunity to select a STAR MCO.

Section 5.04 CHIP eligibility and enrollment.

(a) Term of coverage.
HHSC or the HHSC Administrative Services Contractor, on HHSC’s behalf, determines CHIP eligibility. HHSC or the HHSC Administrative Services Contractor will enroll and disenroll eligible individuals into and out of CHIP.

(b) Pregnant Members and Infants.

(1) HHSC or the HHSC Administrative Contractor will refer pregnant CHIP Members, with the exception of Legal Permanent Residents and other legally qualified aliens barred from Medicaid due to federal eligibility restrictions, to Medicaid for eligibility determinations. Those CHIP Members who are determined to be Medicaid Eligible will be disenrolled from the MCO’s CHIP plan. Medicaid coverage will be coordinated to begin after CHIP eligibility ends to avoid gaps in health care coverage.

(2) In the event the MCO remains unaware of a CHIP Member’s pregnancy until delivery, the facility and professional costs associated with the delivery will be covered by CHIP in accordance with Attachment B-1.1, CHIP Covered Services. This includes the post-delivery costs for the newborn’s care while in the facility, as described in Attachment B-1.1, CHIP Covered Services., HHSC or the HHSC Administrative Services Contractor will set a pregnant CHIP mother’s eligibility expiration date at the later of (1) the end of the second month following the month of the pregnancy delivery or the pregnancy termination or (2) the Member’s original eligibility expiration date.

HHSC or the Administrative Services Contractor will screen the newborn’s eligibility for Medicaid, and then CHIP (if the newborn is not eligible for Medicaid). If the newborn is eligible for CHIP, the Administrative Services Contractor will enroll the newborn in the mother’s CHIP plan prospectively, following standard cut-off rules. The newborn’s CHIP eligibility ends when the mother’s CHIP eligibility expires, as described above.

Section 5.05 CHIP Perinatal eligibility, enrollment, and disenrollment

(a) HHSC or the HHSC Administrative Contractor will electronically transmit to the MCO new CHIP Perinate Member information based on the appropriate CHIP Perinate or CHIP Perinate Newborn Rate Cell. There is no waiting period for CHIP Perinatal Program Members.

(b) Once born, a CHIP Perinate who lives in a family with an income at or below the Medicaid eligibility threshold will be deemed eligible for 12 months of continuous Medicaid coverage (beginning on the date of birth). A CHIP Perinate will continue to receive coverage through the CHIP Perinatal Program as a CHIP Perinate Newborn after birth if the child’s
family income is above the Medicaid eligibility threshold. A CHIP Perinate Newborn is eligible for 12 months continuous enrollment, beginning with the month of enrollment as a CHIP Perinate (month of enrollment as an unborn child plus 11 months). A CHIP Perinate Newborn will maintain coverage in his or her CHIP Perinatal MCO.

c) When a member of a household enrolls in the CHIP Perinatal Program, all traditional CHIP members in the household will be disenrolled from their current health plans and prospectively enrolled in the CHIP Perinatal Program Member’s health plan. All members of the household must remain in the same health plan until the later of: (1) the end of the CHIP Perinatal Program Member’s enrollment period, or (2) the end of the traditional CHIP members’ enrollment period.

d) Once a CHIP Perinate Newborn Member’s coverage expires, the child will be added to his or her siblings’ active CHIP program case. If there is no active CHIP program case, then in the 10th month of the CHIP Perinate Newborn’s coverage, the family will receive a CHIP renewal form. The family must complete and submit the renewal form, which will be pre-populated to include the CHIP Perinate Newborn’s and the CHIP Program Members’ information.

Section 5.05 CHIP Perinatal eligibility, enrollment, and disenrollment

(a) HHSC or the HHSC Administrative Contractor will electronically transmit to the MCO new CHIP Perinate Member information based on the appropriate CHIP Perinate or CHIP Perinate Newborn Rate Cell. There is no waiting period for CHIP Perinatal Program Members.

(b) Once born, a CHIP Perinate who lives in a family with an income at or below the Medicaid eligibility threshold will be deemed eligible for 12 months of continuous Medicaid coverage (beginning on the date of birth). A CHIP Perinate will continue to receive coverage through the CHIP Perinatal Program as a CHIP Perinate Newborn after birth if the child’s family income is above the Medicaid eligibility threshold. A CHIP Perinate Newborn is eligible for 12 months continuous enrollment, beginning with the month of enrollment as a CHIP Perinate (month of enrollment as an unborn child plus 11 months). A CHIP Perinate Newborn will maintain coverage in his or her CHIP Perinatal MCO.

(c) When a member of a household enrolls in the CHIP Perinatal Program, all traditional CHIP members in the household will be disenrolled from their current health plans and prospectively enrolled in the CHIP Perinatal Program Member’s health plan. All members of the household must remain in the same health plan until the later of: (1) the end of the CHIP Perinatal Program Member’s enrollment period, or (2) the end of the traditional CHIP members’ enrollment period.

d) Once a CHIP Perinate Newborn Member’s coverage expires, the child will be added to his or her siblings’ active CHIP program case. If there is no active CHIP program case, then in the 10th month of the CHIP Perinate Newborn’s coverage, the family will receive a CHIP renewal form. The family must complete and submit the renewal form, which will be pre-populated to include the CHIP Perinate Newborn’s and the CHIP Program Members’ information.

Section 5.06 Span of Coverage (Effective through August 31, 2014)

(a) Medicaid MCOs.
(1) Open Enrollment.
HHSC will conduct continuous open enrollment for Medicaid Eligibles and the MCO must accept all persons who choose to enroll as Members in the MCO or who are assigned as Members in the MCO by HHSC, without regard to the Member’s health status or any other factor.
(2) Enrollment Changes during an Inpatient Stay in a Hospital.
The following table describes payment responsibility for Medicaid enrollment changes that occur during an Inpatient Stay in a Hospital, as of the Member’s Effective Date of Coverage with the receiving MCO (New MCO).
The responsible party will pay the Hospital facility charge until the earlier of: (1) date of Discharge from the Hospital, or (2) loss of Medicaid eligibility. For Members who move from STAR or STAR+PLUS into STAR Health, the date of Discharge from the Hospital for behavioral health stays includes extended stay days, as described in the Texas Medicaid Provider Procedures Manual.

(3) Enrollment Changes between MCOs in the Same Medicaid Program during an Inpatient Stay in a Hospital.

A Member generally cannot move from a STAR MCO to another STAR MCO during an Inpatient Stay in a Hospital, unless the Member becomes qualified for SSI (see Section 5.06(a)(2) and (4)). Additionally, a Member generally cannot move from a STAR+PLUS MCO to another STAR+PLUS MCO during an Inpatient Stay in a Hospital.

A STAR or STAR+PLUS MCO should notify its HHSC Heath Plan Manager if it believes that HHSC has erroneously enrolled a Member during an Inpatient Stay.

(4) Enrollment Changes Due to SSI Status.

When an adult STAR Member without Medicare in the Medicaid Rural Service Area (MRSA) becomes qualified for SSI, the Member will remain in STAR. When a child STAR Member in the MRSA becomes qualified for SSI, the Member may choose to stay in STAR or move to FFS.

When an adult STAR Member in a non-MRSA Service Area becomes qualified for SSI, the Member will move to STAR+PLUS. When a child STAR Member in a non-MRSA Service Area becomes qualified for SSI, the Member will move to FFS or STAR+PLUS. Section 5.06(c) describes how HHSC will determine the effective date of the Member’s SSI status.

(5) Disenrollment from Managed Care during an Inpatient Stay in a Hospital.

Children who are enrolled voluntarily in the STAR MRSA or STAR+PLUS can move to FFS during an Inpatient Stay in a Hospital. STAR and STAR+PLUS Members also can move to FFS during an Inpatient Stay in a Hospital under the limited circumstances described in Section 5.02. (e), regarding disenrollment at the MCO’s request.

The following table describes how MCOs should divide payment responsibility between entities, beginning on the effective date of FFS coverage.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Hospital Facility Charge</th>
<th>All Other Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Member Retroactively Enrolled in STAR or STAR+PLUS</td>
<td>New MCO</td>
<td>New MCO</td>
</tr>
<tr>
<td>2 Member Prospectively Moves from FFS to STAR or STAR+PLUS</td>
<td>FFS</td>
<td>New MCO</td>
</tr>
<tr>
<td>3 Member Moves from STAR to STAR Health</td>
<td>Former STAR MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td>4 Member Moves from STAR+PLUS to STAR Health</td>
<td>Former STAR+PLUS MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td>5 Adult Member Moves from STAR Health to STAR</td>
<td>New MCO</td>
<td>New STAR MCO</td>
</tr>
<tr>
<td>Child Member in Non-MRSA STAR Service Area Moves to STAR+PLUS</td>
<td>New MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td>6 STAR+PLUS (Based on Change in SSI Status)</td>
<td>Former STAR MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td>Adult Member in Non-MRSA STAR Service Area Moves to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 STAR+PLUS (Based on Change in SSI Status)</td>
<td>Former STAR MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
</tbody>
</table>
The responsible party will pay the Hospital facility charge until the earlier of: (1) date of Discharge from the Hospital, or (2) loss of Medicaid eligibility.

(6) Responsibility for Costs Incurred After Loss of Medicaid Eligibility.

Medicaid MCOs are not responsible for services incurred on or after the effective date of loss of Medicaid eligibility.

(7) Reenrollment after Temporary Loss of Medicaid Eligibility.

Members who are disenrolled because they are temporarily ineligible for Medicaid will be automatically re-enrolled into the same MCO, if available. Temporary loss of eligibility is defined as a period of six months or less.

(8) Enrollment Changes during a Chemical Dependency Treatment Facility (CDTF) Stay.

The following table describes payment responsibility for Medicaid enrollment changes that occur during a stay in a residential substance use disorder treatment facility or residential detoxification for substance use disorder treatment facility (collectively, CDTF), beginning on the Member’s Effective Date of Coverage with the New MCO.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>CDTF Charge</th>
<th>All Other Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Member Retroactively Enrolled in STAR or STAR+PLUS</td>
<td>New MCO</td>
<td>New MCO</td>
</tr>
<tr>
<td>2 Member Prospectively Moves from FFS to STAR or STAR+PLUS</td>
<td>New MCO</td>
<td>New MCO</td>
</tr>
<tr>
<td></td>
<td>Former STAR</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td></td>
<td>MCO</td>
<td></td>
</tr>
<tr>
<td>3 Member Moves from STAR to STAR Health</td>
<td>New MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td></td>
<td>Former STAR</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td></td>
<td>MCO</td>
<td></td>
</tr>
<tr>
<td>4 Member Moves from STAR+PLUS to STAR Health</td>
<td>New MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td></td>
<td>Former STAR</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td></td>
<td>MCO</td>
<td></td>
</tr>
<tr>
<td>5 Adult Member Moves from STAR Health to STAR</td>
<td>New MCO</td>
<td>New STAR MCO</td>
</tr>
<tr>
<td>Child Member in Non-MRSA STAR Service Area Moves to STAR+PLUS</td>
<td>New MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td></td>
<td>Former STAR</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td></td>
<td>Health MCO</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MCO</td>
<td></td>
</tr>
<tr>
<td>6 STAR+PLUS (Based on Change in SSI Status)</td>
<td>New MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td>Adult Member in Non-MRSA STAR Service Area Moves to STAR+PLUS</td>
<td>New MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td></td>
<td>Former STAR</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td></td>
<td>MCO</td>
<td></td>
</tr>
</tbody>
</table>

The responsible party will pay the CDTF charge until the earlier of: (1) date of Discharge from the CDTF, or (2) loss of Medicaid eligibility. The New MCO may evaluate for medical necessity of the CDTF stay prior to the end of the authorized services period. For Members who move from STAR or STAR+PLUS into Star Health, the date of Discharge from the CDTF includes extended stay days, as described in the Texas Medicaid Provider Procedures Manual.

(9) Disenrollment from Managed Care during a CDTF Stay.
Children who are enrolled voluntarily in the STAR Medicaid Rural Service Area or STAR+PLUS can move to FFS during a CDTF stay. STAR and STAR+PLUS Members also can move to FFS during a CDTF stay under the limited circumstances described in Section 5.02. (e), regarding disenrollment at the MCO’s request.

The following table describes how payment responsibility is divided between entities, beginning on the effective date of the Member’s FFS coverage.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>CDTF Charge</th>
<th>All Other Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Voluntary Child Member Moves from STAR MRSA to FFS</td>
<td>Former STAR MCO</td>
<td>FFS</td>
</tr>
<tr>
<td>2 Voluntary Child Member Moves from STAR+PLUS to FFS</td>
<td>Former STAR+PLUS MCO</td>
<td>FFS</td>
</tr>
<tr>
<td>3 Member Moves from STAR to FFS (Disenrolled at MCO’s Request)</td>
<td>Former STAR MCO</td>
<td>FFS</td>
</tr>
<tr>
<td>4 Member Moves from STAR+PLUS to FFS (Disenrolled at MCO’s Request)</td>
<td>Former STAR+PLUS MCO</td>
<td>FFS</td>
</tr>
</tbody>
</table>

The responsible party will pay the CDTF charge until the earlier of: (1) date of Discharge from the CDTF, or (2) loss of Medicaid eligibility.

(b) CHIP MCOs.
If a CHIP Program or CHIP Perinatal Program Member’s Effective Date of Coverage occurs while the Member is confined in a Hospital, the MCO is responsible for the Member’s costs of Covered Services beginning on the Effective Date of Coverage. If a Member is disenrolled while the Member is confined in a Hospital, the MCO’s responsibility for the Member’s costs of Covered Services terminates on the Date of Disenrollment.

(c) Effective Date of SSI Status.
In accordance with Attachment B-1, Section 8.2.13, SSI status is effective on the date HHSC’s eligibility system identifies a STAR, CHIP, or CHIP Perinatal Newborn Member as Type Program 13 (TP 13). HHSC will update the eligibility system within 45 days of official notice of the Member’s Federal SSI status by the Social Security Administration (SSA). Once HHSC has updated the State’s eligibility system to identify the STAR, CHIP, or CHIP Perinatal Newborn Member as TP13, following standard eligibility cut-off rules, HHSC will allow the Member to:

1. prospectively move to Medicaid FFS (if the Member is a child in any part of the State);
2. prospectively move to STAR+PLUS (if the Member is a child or adult in a STAR+PLUS Service Area); or
3. remain in STAR (if the Member is a child who is already enrolled in STAR in a Service Area not served by STAR+PLUS).

HHSC will not retroactively disenroll a Member from the STAR, CHIP, or CHIP Perinatal Programs.

Section 5.06 Span of Coverage (Effective Beginning September 1, 2014)

(a) Medicaid MCOs.

1. Open Enrollment.
HHSC will conduct continuous open enrollment for Medicaid Eligibles and the MCO must accept all persons who choose to enroll as Members in the MCO or who are assigned as Members in the MCO by HHSC, without regard to the Member’s health status or any other factor.

2. Enrollment Changes during an Inpatient Stay in a Hospital.

The following table describes payment responsibility for Medicaid enrollment changes that occur during an Inpatient Stay in a Hospital, as of the Member’s Effective Date of Coverage with the receiving MCO (New MCO).
The responsible party will pay the Hospital facility charge until the earlier of: (1) date of Discharge from the Hospital, or (2) loss of Medicaid eligibility.

For Members who move from STAR or STAR+PLUS into STAR Health, the date of Discharge from the Hospital for behavioral health stays includes extended stay days, as described in the Texas Medicaid Provider Procedures Manual.

(3) Enrollment Changes Due to SSI Status.

When an adult STAR Member becomes qualified for SSI, the Member will move to STAR+PLUS. When a child STAR Member becomes qualified for SSI, the Member will move to FFS or STAR+PLUS. Section 5.06(c) describes how HHSC will determine the effective date of the Member’s SSI status.

(4) Disenrollment from Managed Care during an Inpatient Stay in a Hospital.

Children who are voluntarily enrolled in STAR+PLUS can move to FFS during an Inpatient Stay in a Hospital.

STAR and STAR+PLUS Members also can move to FFS during an Inpatient Stay in a Hospital under the limited circumstances described in Section 5.02(e), regarding disenrollment at the MCO’s request.

The following table describes how MCOs should divide payment responsibility between entities, beginning on the effective date of FFS coverage.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Hospital Facility Charge</th>
<th>All Other Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Member Retroactively Enrolled in STAR or STAR+PLUS</td>
<td>New MCO</td>
<td>New MCO</td>
</tr>
<tr>
<td>2 STAR+PLUS</td>
<td>FFS</td>
<td>New MCO</td>
</tr>
<tr>
<td>3 Member Moves between STAR MCOs</td>
<td>Former STAR MCO</td>
<td>New MCO</td>
</tr>
<tr>
<td>4 Member Moves between STAR+PLUS MCOs</td>
<td>Former STAR+PLUS MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td>5 Member Moves from STAR to STAR Health</td>
<td>Former STAR MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td>6 Member Moves from STAR+PLUS to STAR Health</td>
<td>Former STAR+PLUS MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td>7 Member Moves from STAR to STAR+PLUS</td>
<td>Former STAR MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td>8 Adult Member Moves from STAR Health to STAR</td>
<td>Former STAR Health MCO</td>
<td>New STAR MCO</td>
</tr>
</tbody>
</table>

(5) Responsibility for Costs Incurred After Loss of Medicaid Eligibility.

Medicaid MCOs are not responsible for services incurred on or after the effective date of loss of Medicaid eligibility.

(6) Reenrollment after Temporary Loss of Medicaid Eligibility.
Members who are disenrolled because they are temporarily ineligible for Medicaid will be automatically reenrolled into the same MCO, if available. Temporary loss of eligibility is defined as a period of six months or less.

(7) Enrollment Changes during a Chemical Dependency Treatment Facility (CDTF) Stay.

The following table describes payment responsibility for Medicaid enrollment changes that occur during a stay in a residential substance use disorder treatment facility or residential detoxification for substance use disorder treatment facility (collectively, CDTF), beginning on the Member’s Effective Date of Coverage with the New MCO.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>CDTF Charge</th>
<th>All Other Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Member Retroactively Enrolled in STAR or STAR+PLUS</td>
<td>New MCO</td>
<td>New MCO</td>
</tr>
<tr>
<td>2 Member Prospectively Moves from FFS to STAR or STAR+PLUS</td>
<td>New MCO</td>
<td>New MCO</td>
</tr>
<tr>
<td>3 Member Moves from STAR to STAR Health</td>
<td>Former STAR MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td>4 Member Moves from STAR+PLUS to STAR Health</td>
<td>Former STAR MCO</td>
<td>New STAR Health MCO</td>
</tr>
<tr>
<td>5 Adult Member Moves from STAR Health to STAR</td>
<td>Former STAR Health MCO</td>
<td>New STAR MCO</td>
</tr>
<tr>
<td>6 STAR+PLUS (Based on Change in SSI Status)</td>
<td>Former STAR MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td>7 STAR+PLUS (Based on Change in SSI Status)</td>
<td>Former STAR MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
</tbody>
</table>

The responsible party will pay the CDTF charge until the earlier of: (1) date of Discharge from the CDTF, or (2) loss of Medicaid eligibility. The New MCO may evaluate for medical necessity of the CDTF stay prior to the end of the authorized services period. For Members who move from STAR or STAR+PLUS into Star Health, the date of Discharge from the CDTF includes extended stay days, as described in the Texas Medicaid Provider Procedures Manual.

(8) Disenrollment from Managed Care during a CDTF Stay.

Children who are enrolled voluntarily in STAR+PLUS can move to FFS during a CDTF Stay. STAR and STAR+PLUS Members also can move to FFS during a CDTF stay under the limited circumstances described in Section 5.02. (e), regarding disenrollment at the MCO’s request.

The following table describes how payment responsibility is divided between entities, beginning on the effective date of the Member’s FFS coverage.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>CDTF Charge</th>
<th>All Other Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Voluntary Child Member Moves from STAR+PLUS to FFS</td>
<td>Former STAR+PLUS MCO</td>
<td>FFS</td>
</tr>
<tr>
<td>2 Member Moves from STAR to FFS (Disenrolled at MCO’s Request)</td>
<td>Former STAR MCO</td>
<td>FFS</td>
</tr>
<tr>
<td>3 Member Moves from STAR+PLUS to FFS (Disenrolled at MCO’s Request)</td>
<td>Former STAR+PLUS MCO</td>
<td>FFS</td>
</tr>
</tbody>
</table>

The responsible party will pay the CDTF charge until the earlier of: (1) date of Discharge from the CDTF, or (2) loss of Medicaid eligibility.

(9) Enrollment Changes during a Nursing Facility Stay.
The following table describes payment responsibility for Medicaid enrollment changes that occur during a Nursing Facility stay, beginning on the Member’s Effective Date of Coverage with the New MCO.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Nursing Facility Charge</th>
<th>All Other Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Member Moves from FFS to STAR+PLUS</td>
<td>New STAR+PLUS MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
<tr>
<td>2 Member Moves between STAR+PLUS MCOs</td>
<td>New STAR+PLUS MCO</td>
<td>New STAR+PLUS MCO</td>
</tr>
</tbody>
</table>

(b) CHIP MCOs.

If a CHIP Program or CHIP Perinatal Program Member’s Effective Date of Coverage occurs while the Member is confined in a Hospital, the MCO is responsible for the Member’s costs of Covered Services beginning on the Effective Date of Coverage. If a Member is disenrolled while the Member is confined in a Hospital, the MCO’s responsibility for the Member’s costs of Covered Services terminates on the Date of Disenrollment.

(c) Effective Date of SSI Status.

In accordance with Section 8.2.12, SSI status is effective on the date HHSC’s eligibility system identifies a STAR, CHIP, or CHIP Perinate Newborn Member as Type Program 13 (TP 13). HHSC is will update the eligibility system within 45 days of official notice of the Member’s Federal SSI status by the Social Security Administration (SSA). Once HHSC has updated the eligibility system to identify the STAR, CHIP, or CHIP Perinate Newborn Member as TP13, following standard eligibility cut-off rules, HHSC will allow the Member to choose to:

1) prospectively move to Medicaid FFS (if the Member is a child) or
2) prospectively move to STAR+PLUS (if the Member is a child or adult).

HHSC will not retroactively disenroll a Member from the STAR, CHIP, or CHIP Perinatal Programs.

Section 5.07 Verification of Member Eligibility.

Medicaid MCOs are prohibited from entering into an agreement to share information regarding their Members with an external vendor that provides verification of Medicaid recipients’ eligibility to Medicaid providers. All such external vendors must contract with the State and obtain eligibility information from the State.

Section 5.08 Modified Default Enrollment Process

Under The circumstances described in HHSC's administrative rules at 1 Tex. Admin. Code § 353.403 and 1 Tex. Admin. Code § 370.303, HHSC may implement a modified default enrollment process to equitably assign enrollees who have not selected an MCO. To the extent possible, HHSC will make assignments based on an enrollee's prior history with and geographic proximity to a PCP. HHSC will determine the length of the modified default enrollment period by considering factors such as MCO market share, viability, and Member Choice. HHSC reserves the right to extend the modified default period, or implement additional modified default periods as it determines necessary and with prior written notice to impacted MCOs.

Section 5.09 This Section Intentionally Left Blank

Section 5.10 This Section Intentionally Left Blank

Section 5.11 This Section Intentionally Left Blank

Article 6. Service Levels & Performance Measurement

Section 6.01 Performance measurement.
Satisfactory performance of this Contract will be measured by:
(a) Adherence to this Contract, including all representations and warranties;
(b) Delivery of the Services and Deliverables;
(c) Results of audits performed by HHSC or its representatives in accordance with Article 9, “Audit and Financial Compliance”;
(d) Timeliness, completeness, and accuracy of required reports; and
(e) Achievement of performance measures developed by MCO and HHSC and as modified from time to time by written agreement during the term of this Contract.

Section 7.01 Governing law and venue.
This Contract is governed by the laws of the State of Texas and interpreted in accordance with Texas law. Provided MCO first complies with the procedures set forth in Section 12.13, “Dispute Resolution,” proper venue for claims arising from this Contract will be in the State District Court of Travis County, Texas.

Section 7.02 MCO responsibility for compliance with laws and regulations.
(a) MCO must comply, to the satisfaction of HHSC, with all provisions set forth in this Contract, all provisions of state and federal laws, rules, regulations, federal waivers, policies and guidelines, and any court-ordered consent decrees, settlement agreements, or other court orders that govern the performance of the Scope of Work including, but not limited to, all applicable provisions of the following:
   (1) Titles XIX and XXI of the Social Security Act;
   (2) Chapters 62 and 63, Texas Health and Safety Code;
   (3) Chapters 531 and 533, Texas Government Code;
   (4) 42 C.F.R. Parts 417, 455, and 457, as applicable;
   (5) 45 C.F.R. Parts 74 and 92;
   (6) 48 C.F.R. Part 31, or OMB Circular A-122, based on whether the entity is for-profit or nonprofit;
   (7) 1 T.A.C. Part 15, Chapters 361, 370, 371, 391, and 392;
   (8) Consent Decree and Corrective Action Orders, Frew, et al. v. Janek, et al., (applies to Medicaid MCOs only);
   (9) partial settlement agreements, Alberto N., et al. v. Janek, et al., (applies to Medicaid MCOs only);
   (10) Texas Human Resources Code Chapters 32 and 36;
   (11) Texas Penal Code Chapter 35A (Medicaid Fraud);
   (12) 1 T.A.C. Chapter 353;
   (13) 1 T.A.C. Chapter 354, Subchapters B, J, and F, with the exception of the following provisions in Subchapter F: 1 T.A.C. §354.1865, §354.1867, §354.1873, and Division 6, Pharmacy Claims; and §354.3047:
   (14) 1 T.A.C. Chapter 354, Subchapters I and K, as applicable;
   (15) The Patient Protection and Affordable Care Act (PPACA; Public Law 111-148);
   (16) The Health Care and Education Reconciliation Act of 2010 (HCERA; Public Law 111-152) 42 CFR Part 455;
   (17) The Immigration and Nationality Act (8 U.S.C § 1101 et seq.) and all subsequent immigration laws and amendments; and
   (18) all State and Federal tax laws, State and Federal employment laws, State and Federal regulatory requirements, and licensing provisions.
(b) The Parties acknowledge that the federal and/or state laws, rules, regulations, policies, or guidelines, and court-ordered consent decrees, settlement agreements, or other court orders that affect the performance of the Scope of Work may change from time to time or be added, judicially interpreted, or amended by competent authority. MCO acknowledges that the MCO Programs will be subject to continuous change during the term of the Contract and, except as provided in Section 8.02, MCO has provided for or will provide for adequate resources, at no additional charge to HHSC, to reasonably accommodate such changes. The Parties further acknowledge that MCO was selected, in part, because of its expertise, experience, and knowledge concerning applicable Federal and/or state laws, regulations, policies, or guidelines that affect the performance of the Scope of Work. In keeping with HHSC’s reliance on this knowledge and expertise, MCO is responsible for identifying the impact of changes in applicable Federal or state legislative enactments and regulations that affect the performance of the Scope of Work or the State’s use of the Services and Deliverables. MCO must timely notify HHSC of such changes and must work with HHSC to identify the impact of such changes.
(c) HHSC will notify MCO of any changes in applicable law, regulation, policy, or guidelines that HHSC becomes aware of in the ordinary course of its business.
(d) MCO is responsible for any fines, penalties, or disallowances imposed on the State or MCO arising from any noncompliance with the laws and regulations relating to the delivery of the Services or Deliverables by the MCO, its Subcontractors or agents.

(e) MCO is responsible for ensuring each of its employees, agents or Subcontractors who provide Services under the Contract are properly licensed, certified, and/or have proper permits to perform any activity related to the Services.

(f) MCO warrants that the Services and Deliverables will comply with all applicable Federal, State, and County laws, regulations, codes, ordinances, guidelines, and policies. MCO will indemnify HHSC from and against any losses, liability, claims, damages, penalties, costs, fees, or expenses arising from or in connection with MCO's failure to comply with or violation of any such law, regulation, code, ordinance, or policy.

Section 7.03 TDI licensure/ANHC certification and solvency.

(a) Licensure

MCO must receive TDI approval to operate in all counties of the Service Areas included within the scope of the Contract.

(b) Solvency

MCO must maintain compliance with the Texas Insurance Code and rules promulgated and administered by the TDI requiring a fiscally sound operation. MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

1. continuation of benefits, until the time of discharge, to Members who are confined on the date of insolvency in a Hospital or other inpatient facility;
2. payment to unaffiliated health care providers and affiliated health care providers whose agreements do not contain member “hold harmless” clauses acceptable to TDI for required services rendered to Members for the duration of the Contract period for which HHSC has paid a Capitation Payment, and
3. continuation of benefits for the duration of the Contract period for which HHSC has paid a Capitation Payment.

Provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI.

Section 7.04 This Section Intentionally Left Blank

Section 7.05 Compliance with state and federal anti-discrimination laws.

(a) MCO agrees to comply with state and federal anti-discrimination laws, including without limitation:

1. Title VI of the Civil Rights Act of 1964 (42 U.S.C. §§2000d et seq.);
2. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794);
4. Age Discrimination Act of 1975 (42 U.S.C. §§6101-6107);
5. Title IX of the Education Amendments of 1972 (20 U.S.C. §§1681-1688);
6. Food Stamp Act of 1977 (7 U.S.C. §200 et seq.); and
7. The HHS agency’s administrative rules, as set forth in the Texas Administrative Code, to the extent applicable to this Agreement.

MCO agrees to comply with all amendments to the above-referenced laws, and all requirements imposed by the regulations issued pursuant to these laws. These laws provide in part that no persons in the United States may, on the grounds of race, color, national origin, sex, age, disability, political beliefs, or religion, be excluded from participation in or denied any aid, care, service or other benefits provided by Federal or State funding, or otherwise be subjected to discrimination.

(b) MCO agrees to comply with Title VI of the Civil Rights Act of 1964, and its implementing regulations at 45 C.F.R. Part 80 or 7 C.F.R. Part 15, prohibiting a contractor from adopting and implementing policies and procedures that exclude or have the effect of excluding or limiting the participation of clients in its programs, benefits, or activities on the basis of national origin. Applicable state and federal civil rights laws require contractors to provide alternative methods for ensuring access to services for applicants and recipients who cannot express themselves fluently in English. MCO agrees to ensure that its policies do not have the effect of excluding or limiting the participation of persons in its programs, benefits, and activities on the basis of national origin. MCO also agrees to take reasonable steps to provide services and information, both orally and in writing, in appropriate languages other than English, in order to ensure that persons with limited English proficiency are effectively informed and can have meaningful access to programs, benefits, and activities.

(c) MCO agrees to comply with Executive Order 13279, and its implementing regulations at 45 C.F.R. Part 87 or 7 C.F.R. Part 16. These provide in part that any organization that participates in programs funded by direct financial assistance from the United States Department of Agriculture or the United States Department of Health and Human Services must not, in providing services, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.
Upon request, MCO will provide HHSC Civil Rights Office with copies of all of the MCO’s civil rights policies and procedures.

MCO must notify HHSC’s Civil Rights Office of any civil rights complaints received relating to its performance under this Agreement. This notice must be delivered no more than ten (10) calendar days after receipt of a complaint. Notice provided pursuant to this section must be directed to:

HHSC Civil Rights Office
701 W. 51st Street, Mail Code W206
Austin, Texas 78751
Phone Toll Free: (888) 388-6332
Phone: (512) 438-4313
TTY Toll Free: (877) 432-7232
Fax: (512) 438-5885.

Section 7.06 Environmental protection laws.

MCO must comply with the applicable provisions of federal environmental protection laws as described in this Section:

(a) Pro-Children Act of 1994.
MCO must comply with the Pro-Children Act of 1994 (20 U.S.C. §6081 et seq.), as applicable, regarding the provision of a smoke-free workplace and promoting the non-use of all tobacco products.

(b) National Environmental Policy Act of 1969.
MCO must comply with any applicable provisions relating to the institution of environmental quality control measures contained in the National Environmental Policy Act of 1969 (42 U.S.C. §4321 et seq.) and Executive Order 11514 (“Protection and Enhancement of Environmental Quality”).

(c) Clean Air Act and Water Pollution Control Act regulations.
MCO must comply with any applicable provisions relating to required notification of facilities violating the requirements of Executive Order 11738 (“Providing for Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans”).

(d) State Clean Air Implementation Plan.
MCO must comply with any applicable provisions requiring conformity of federal actions to State (Clean Air) Implementation Plans under §176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §740 et seq.).


Section 7.07 HIPAA.

(a) MCO must comply with applicable provisions of HIPAA. This includes, but is not limited to, the requirement that the MCO’s MIS system comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to HIPAA. MCO must comply with HIPAA EDI requirements.

(b) Additionally, MCO must comply with HIPAA notification requirements, including those set forth in the Health Information Technology for Economic and Clinical Health Act (HITECH Act) at 42 U.S.C. 17931 et seq. MCO must notify HHSC of all breaches or potential breaches of unsecured protected health information, as defined by the HITECH Act, without unreasonable delay and in no event later than 60 calendar days after discovery of the breach or potential breach. If, in HHSC’s determination, MCO has not provided notice in the manner or format prescribed by the HITECH Act, then HHSC may require the MCO to provide such notice.

Section 7.08 Historically Underutilized Business Participation Requirements

(a) Definitions.
For purposes of this Section:

(1) “Historically Underutilized Business” or “HUB” means a minority or women-owned business as defined by Texas Government Code, Chapter 2161.

(2) “HSP” means a HUB Subcontracting Plan.

(b) HUB Requirements.

(1) In accordance with Attachment B-1, Section 8.1.20.2, the MCO must submit an HSP for HHSC’s approval during the Transition Phase, and maintain the HSP thereafter.
(2) MCO must report to HHSC’s contract manager and HUB Office monthly, in the format required by Chapter 5.4.4.5 of the Uniform Managed Care Manual, its use of HUB subcontractors to fulfill the subcontracting opportunities identified in the HSP.

(3) MCO must obtain prior written approval from the HHSC HUB Office before making any changes to the HSP. The proposed changes must comply with HHSC’s good faith effort requirements relating to the development and submission of HSPs.

(i) The MCO must submit a revised HSP to the HHSC HUB Office when it: changes the dollar amount of, terminates, or modifies an existing Subcontract for MCO Administrative Services; or enters into a new Subcontract for MCO Administrative Services. All proposed changes to the HSP must comply with the requirements of this Agreement.

(4) HHSC will determine if the value of Subcontracts to HUBs meet or exceed the HUB subcontracting provisions specified in the MCO's HSP. If HHSC determines that the MCO's subcontracting activity does not demonstrate a good faith effort, the MCO may be subject to provisions in the Vendor Performance and Debarment Program (Title 34, Part 1, Chapter 20, Subchapter C, Rule §20.105), and subject to remedies for Breach.

Article 8. Amendments & Modifications

Section 8.01 Mutual agreement.

This Contract may be amended at any time by mutual agreement of the Parties. The amendment must be in writing and signed by individuals with authority to bind the Parties.

Section 8.02 Changes in law or contract.

If Federal or State laws, rules, regulations, policies or guidelines are adopted, promulgated, judicially interpreted or changed, or if contracts are entered or changed, the effect of which is to alter the ability of either Party to fulfill its obligations under this Contract, the Parties will promptly negotiate in good faith appropriate modifications or alterations to the Contract. Such modifications or alterations must be in writing and signed by individuals with authority to bind the parties, equitably adjust the terms and conditions of this Contract, and must be limited to those provisions of this Contract affected by the change.

Section 8.03 Modifications as a remedy.

This Contract may be modified under the terms of Article 12, “Remedies and Disputes.”

Section 8.04 Modification Process.

(a) If HHSC seeks modifications to the Contract, HHSC’s notice to MCO will specify those modifications to the Scope of Work, the Contract pricing terms, or other Contract terms and conditions.

(b) MCO must respond to HHSC’s proposed modification within the timeframe specified by HHSC, generally within ten (10) Business Days of receipt. Upon receipt of MCO’s response to the proposed modifications, HHSC may enter into negotiations with MCO to arrive at mutually agreeable Contract amendments. In the event that HHSC determines that the Parties will be unable to reach agreement on mutually satisfactory contract modifications, then HHSC will provide written notice to MCO of its intent to terminate the Contract, or not to extend the Contract beyond the current Contract Term.

Section 8.05 Modification of the Uniform Managed Care Manual.

(a) HHSC will provide MCO with at least ten (10) Business Days advance written notice before implementing a substantive and material change in the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). The Uniform Managed Care Manual, and all modifications thereto made during the Contract Term, are incorporated by reference into this Contract. HHSC will provide MCO with a reasonable amount of time to comment on such changes, generally at least five (5) Business Days. HHSC is not required to provide advance written notice of changes that are not material and substantive in nature, such as corrections of clerical errors or policy clarifications.

(b) The Parties agree to work in good faith to resolve disagreements concerning material and substantive changes to the Uniform Managed Care Manual. If the Parties are unable to resolve issues relating to material and substantive changes, then either Party may terminate the agreement in accordance with Article 12, “Remedies and Disputes.”

(c) Changes will be effective on the date specified in HHSC’s written notice, which will not be earlier than the MCO’s response deadline, and such changes will be incorporated into the Uniform Managed Care Manual. If the MCO has raised an objection to a material and substantive change to the Uniform Managed Care Manual and submitted a notice of
termination in accordance with Section 12.04(c), HHSC will not enforce the policy change for the objecting MCO during the period of time between the receipt of the notice and the date of Contract termination.

**Section 8.06 CMS approval of amendments**

Amendments, modifications, and changes to the Contract are subject to the approval of the Centers for Medicare and Medicaid Services ("CMS.")

**Section 8.07 Required compliance with amendment and modification procedures.**

No different or additional services, work, or products will be authorized or performed except as authorized by this Article. No waiver of any term, covenant, or condition of this Contract will be valid unless executed in compliance with this Article. MCO will not be entitled to payment for any services, work or products that are not authorized by a properly executed Contract amendment or modification.

**Article 9. Audit & Financial Compliance**

**Section 9.01 Record retention and audit.**

MCO agrees to maintain, and require its Subcontractors to maintain, records, books, documents, and information (collectively “records”) that are adequate to ensure that services are provided and payments are made in accordance with the requirements of this Contract, including applicable Federal and State requirements (e.g., 45 CFR §74.53). Such records must be retained by MCO or its Subcontractors for a period of five (5) years after the Contract Expiration Date or until the resolution of all litigation, claim, financial management review or audit pertaining to this Contract, whichever is longer.

**Section 9.02 Access to records, books, and documents.**

(a) Upon reasonable notice, MCO must provide, and cause its Subcontractors to provide, at no cost to the officials and entities identified in this Section prompt, reasonable, and adequate access to any records that are related to the scope of this Contract.

(b) MCO and its Subcontractors must provide the access described in this Section upon HHSC's request. This request may be for, but is not limited to, the following purposes:

   1. Examination;
   2. Audit;
   3. Investigation;
   4. Contract administration; or
   5. The making of copies, excerpts, or transcripts.

(c) The access required must be provided to the following officials and/or entities:

   1. The United States Department of Health and Human Services or its designee;
   2. The Comptroller General of the United States or its designee;
   3. MCO Program personnel from HHSC or its designee;
   4. The Office of Inspector General;
   5. The Medicaid Fraud Control Unit of the Texas Attorney General's Office or its designee;
   6. Any independent verification and validation contractor, audit firm, or quality assurance contractor acting on behalf of HHSC;
   7. The Office of the State Auditor of Texas or its designee;
   8. A State or Federal law enforcement agency;
   9. A special or general investigating committee of the Texas Legislature or its designee; and
   10. Any other state or federal entity identified by HHSC, or any other entity engaged by HHSC.

(d) MCO agrees to provide the access described wherever MCO maintains such books, records, and supporting documentation. MCO further agrees to provide such access in reasonable comfort and to provide any furnishings, equipment, and other conveniences deemed reasonably necessary to fulfill the purposes described in this Section. MCO will require its Subcontractors to provide comparable access and accommodations.

(e) Upon request, the MCO must provide copies of the information described in this Section free of charge to HHSC and the entities described in subsection (c).

(f) In accordance with Texas Government Code §533.012(e), any information submitted to HHSC or the Texas Attorney General's Office pursuant to Texas Government Code §533.012(a)(1) is confidential and is not subject to disclosure under the Texas Public Information Act.
Section 9.03 Audits of Services, Deliverables and inspections.

(a) Upon reasonable notice from HHSC, MCO will provide, and will cause its Subcontractors to provide, such auditors and inspectors as HHSC may from time to time designate, with access to:
   (1) service locations, facilities, or installations;
   (2) records; and
   (3) Software and Equipment.

(b) The access described in this Section will be for the purpose of examining, auditing, or investigating:
   (1) MCO’s capacity to bear the risk of potential financial losses;
   (2) the Services and Deliverables provided;
   (3) a determination of the amounts payable under this Contract;
   (4) a determination of the allowability of costs reported under this Contract;
   (5) an examination of Subcontract terms and/or transactions;
   (6) an assessment of financial results under this Contract;
   (7) detection of Fraud, Waste and/or Abuse; or
   (8) other purposes HHSC deems necessary to perform its oversight function and/or enforce the provisions of this Contract.

(c) MCO must provide, as part of the Scope of Work, any assistance that such auditors and inspectors reasonably may require to complete such audits or inspections.

(d) If, as a result of an audit or review of payments made to the MCO, HHSC discovers a payment error or overcharge, HHSC will notify the MCO of such error or overcharge. HHSC will be entitled to recover such funds as an offset to future payments to the MCO, or to collect such funds directly from the MCO. MCO must return funds owed to HHSC within 30 days after receiving notice of the error or overcharge, or interest will accrue on the amount due. HHSC will calculate interest at 12% per annum, compounded daily. In the event that an audit reveals that errors in reporting by the MCO have resulted in errors in payments to the MCO or errors in the calculation of the Experience Rebate, the MCO will indemnify HHSC for any losses resulting from such errors, including the cost of audit. If the interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

Section 9.04 SAO Audit

The MCO understands that acceptance of funds under this Contract acts as acceptance of the authority of the State Auditor's Office (SAO), or any successor agency, to conduct an investigation in connection with those funds. The MCO further agrees to cooperate fully with the SAO or its successor in the conduct of the audit or investigation, including providing all records requested at no cost. The MCO will ensure that this clause concerning the authority to audit funds and the requirement to cooperate is included in any Subcontract, and in any third party agreements described in Section 4.10, "MCO Agreements with Third Parties."

Section 9.05 Response/compliance with audit or inspection findings.

(a) MCO must take action to ensure its or a Subcontractor’s compliance with or correction of any finding of noncompliance with any law, regulation, audit requirement, or generally accepted accounting principle relating to the Services and Deliverables or any other deficiency contained in any audit, review, or inspection conducted under this Article. This action will include MCO’s delivery to HHSC, for HHSC’S approval, a Corrective Action Plan that addresses deficiencies identified in any audit, review, or inspection within 30 calendar days of the close of the audit, review, or inspection.

(b) MCO must bear the expense of compliance with any finding of noncompliance under this Section that is:
   (1) Required by Texas or Federal law, regulation, rule, court order, or other audit requirement relating to MCO's business;
   (2) Performed by MCO as part of the Scope of Work; or
   (3) Necessary due to MCO's noncompliance with any law, regulation, rule, court order, or audit requirement imposed on MCO.

(c) As part of the Scope of Work, MCO must provide to HHSC upon request a copy of those portions of MCO's and its Subcontractors' internal audit reports relating to the Services and Deliverables provided to HHSC under the Contract.

Section 9.06 Notification of Legal and Other Proceedings, and Related Events.
Article 10. Terms & Conditions of Payment

Section 10.01 Calculation of monthly Capitation Payment.

(a) This is a Risk-based contract. For each applicable MCO Program, HHSC will pay the MCO fixed monthly Capitation Payments based on the number of eligible enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Members in each Rate Cell category by the Capitation Rate for each Rate Cell. In consideration of the Monthly Capitation Payments, the MCO agrees to provide the Services and Deliverables described in this Contract.

(b) MCO will be required to provide timely financial and statistical information necessary in the Capitation Rate determination process. Encounter Data provided by MCO must conform to all HHSC requirements. Encounter Data containing non-compliant information, including, but not limited to, inaccurate Member identification numbers, inaccurate provider identification numbers, or diagnosis or procedures codes insufficient to adequately describe the diagnosis or medical procedure performed, will not be considered in the MCO’s experience for rate-setting purposes.

(c) Information or data, including complete and accurate Encounter Data, as requested by HHSC for rate-setting purposes, must be provided to HHSC: (1) within 30 days of receipt of the letter from HHSC requesting the information or data; and (2) no later than March 31st of each year.

(d) The fixed monthly Capitation Rate consists of the following components:

1. an amount for Health Care Services performed during the month;
2. an amount for administering the MCO Program, and
3. an amount for the MCO’s Risk margin.

Capitation Rates for each MCO Program may vary by Service Area and MCO. HHSC will employ or retain qualified actuaries to perform data analysis and calculate the Capitation Rates for each Rate Period.

(e) MCO understands and expressly assumes the risks associated with the performance of the duties and responsibilities under this Contract, including the failure, termination or suspension of funding to HHSC, delays or denials of required approvals, and cost overruns not reasonably attributable to HHSC.

Section 10.02 Time and Manner of Payment.

(a) During the Contract Term and beginning after the Operational Start Date, HHSC will pay the monthly Capitation Payments by the 10th Business Day of each month.

(b) The MCO must accept Capitation Payments by direct deposit into the MCO’s account.

(c) HHSC may adjust the monthly Capitation Payment to the MCO in the case of an overpayment to the MCO; for Experience Rebate amounts due and unpaid, including any associated interest; and if monetary damages (including any associated interest) are assessed in accordance with Article 12, Remedies and Disputes.

(d) HHSC’s payment of monthly Capitation Payments is subject to availability of federal and state appropriations. If appropriations are not available to pay the full monthly Capitation Payment, HHSC may:

1. equitably adjust Capitation Payments for all participating MCOs, and reduce scope of service requirements as appropriate in accordance with Article 8, Amendments and Modifications, or
2. terminate the Contract in accordance with Article 12, Remedies and Disputes.

Section 10.03 Certification of Capitation Rates.

HHSC will employ or retain a qualified actuary to certify the actuarial soundness of the Capitation Rates, and all revisions or modifications thereto.

Section 10.04 Modification of Capitation Rates.
The Parties expressly understand and agree that the agreed Capitation Rates are subject to modification in accordance with Article 8, “Amendments and Modifications,” if changes in state or federal laws, rules, regulations, guidelines, policies, or court orders affect the rates or the actuarial soundness of the rates. HHSC will provide the MCO notice of a modification to the Capitation Rates at least 60 days prior to the effective date of the change, unless HHSC determines that circumstances warrant a shorter notice period. If the MCO does not accept the rate change, either Party may terminate the Contract in accordance with Article 12, “Remedies and Disputes.”

**Section 10.05 STAR and STAR+PLUS Capitation Structure.**

(a) STAR Rate Cells.

STAR Capitation Rates are defined on a per Member per month basis by Rate Cells and Service Areas. STAR Rate Cells are:

1. Under Age 1 Child;
2. Age 1-5 Child;
3. Age 6-14 Child;
4. Age 15-18 Child;
5. Age 19-20 Child;
6. TANF adults; and
7. Pregnant women; and
8. SSI (applies to the Medicaid Rural Service Area only).

These Rate Cells are subject to change.

(b) STAR+PLUS Rate Cells.

STAR+PLUS Capitation Rates are defined on a per Member per month basis by Rate Cells. STAR+PLUS Rate Cells are based on client category as follows:

1. Medicaid Only Standard Rate
2. Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor
3. Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor
4. Dual Eligible Standard Rate
5. Dual Eligible HCBS STAR+PLUS Waiver Rate - Above Floor
6. Dual Eligible HCBS STAR+PLUS Waiver Rate - Below Floor
7. Nursing Facility - Medicaid only
8. Nursing Facility - Dual Eligible

These Rate Cells are subject to change.

(c) STAR and STAR+PLUS Capitation Rate development:

(1) Capitation Rates for Service Areas with historical Medicaid MCO Program participation.

For Service Areas where HHSC operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will develop base Capitation Rates by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area (e.g., Capitation Rates for the STAR Program will be based on STAR Program historical Encounter Data and financial data for the Service Area). This analysis will apply to all MCOs in the Service Area, including MCOs that have no historical participation in the Medicaid MCO Program in Service Area. The analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. If the MCO participated in the Medicaid MCO Program in the Service Area prior to the Effective Date of this Contract, HHSC may modify the Service Area base Capitation Rates using diagnosis-based risk adjusters to yield the final Capitation Rates.

(2) Capitation Rates for Rate Periods 1 and 2 for Service Areas with no historical STAR Program participation.

For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for Rate Periods 1 and 2 by analyzing Fee-for-Service claims data for the Medicaid MCO Program and Service Area (e.g., Capitation Rates for the STAR Program will be based fee-for-service data in the Service Area). This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

(3) Capitation Rates for subsequent Rate Periods for Service Areas with no historical STAR Program participation.

For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for the Rate Periods following Rate Period 2 by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

(d) Acuity adjustment.
HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

e) Value-added Services. Value-added Services will not be included in the rate-setting process.

(f) Delay in Increased STAR+PLUS Capitation Level for Certain Members Receiving Waiver Services. Once a current STAR+PLUS MCO Member has been certified to receive STAR+PLUS Waiver (SPW) services, there is a two (2) month delay before the MCO will begin receiving the higher capitation payment.

Non-Waiver Members who qualify for STAR+PLUS based on eligibility for SPW services and Waiver recipients who transfer from another region will not be subject to this two (2) month delay in the increased capitation payment.

All SPW recipients will be registered into Service Authorization System Online (SASO). The Premium Payment System (PPS) will process data from the SASO system in establishing a Member's correct capitation payment.

Section 10.06 CHIP Capitation Rates Structure.

(a) CHIP Rate Cells. CHIP Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Rate Cells are based on the Member’s age group as follows:

1. under age one (1);
2. ages one (1) through five (5);
3. ages six (6) through fourteen (14); and
4. ages fifteen (15) through eighteen (18).

(b) CHIP Perinatal Program Rate Cells. CHIP Perinatal Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Perinatal Rate Cells are based on the Member’s birth status and household income as follows:

1. CHIP Perinate at or Below Medicaid Eligibility Threshold (an unborn child who will qualify for Medicaid once born);
2. CHIP Perinate Above Medicaid Eligibility Threshold (an unborn child who will not qualify for Medicaid once born); and
3. CHIP Perinate Newborn Above Medicaid Eligibility Threshold (newborn that does not qualify for Medicaid).

(c) CHIP and CHIP Perinatal Program Capitation Rate development: HHSC will establish base Capitation Rates by analyzing Encounter Data and financial data for each Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. HHSC may modify the Service Area base Capitation Rate using diagnosis based risk adjusters to yield the final Capitation Rates.

(d) Acuity adjustment. HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services. Value-added Services will not be included in the rate-setting process.
(a) In Service Areas with historical STAR or STAR+PLUS Program participation, MCO must provide certified Encounter Data and financial data as prescribed in Uniform Managed Care Manual Chapter 5.0, “Deliverable Matrix.” Such information may include, without limitation: claims lag information by Rate Cell, capitation expenses, and stop loss reinsurance expenses. HHSC may request clarification or for additional financial information from the MCO. HHSC will notify the MCO of the deadline for submitting a response, which will include a reasonable amount of time for response.

(b) HHSC will allow the MCO to review and comment on data used by HHSC to determine base Capitation Rates. In Service Areas with no historical STAR or STAR+PLUS Program participation, this will include Fee-for-Service data for Rate Periods 1 and 2. HHSC will notify the MCO of deadline for submitting comments, which will include a reasonable amount of time for response. HHSC will not consider comments received after the deadline in its rate analysis.

(c) During the rate setting process, HHSC will conduct at least two (2) meetings with the MCOs. HHSC may conduct the meetings in person, via teleconference, or by another method deemed appropriate by HHSC. Prior to the first meeting, HHSC will provide the MCO with proposed Capitation Rates. During the first meeting, HHSC will describe the process used to generate the proposed Capitation Rates, discuss major changes in the rate setting process, and receive input from the MCO. HHSC will notify the MCO of the deadline for submitting comments, which will include a reasonable amount of time to review and comment on the proposed Capitation Rates and rate setting process. After reviewing such comments, HHSC will conduct a second meeting to discuss the final Capitation Rates and changes resulting from MCO comments, if any.

Section 10.08 Adjustments to Capitation Payments.

(a) Adjustment. HHSC may adjust a payment made to the MCO for a Member if:

(1) a Member’s eligibility status or program type is changed, corrected as a result of error, or is retroactively adjusted;
(2) the Member is enrolled into the MCO in error;
(3) the Member moves outside the United States;
(4) the Member dies before the first day of the month for which the payment was made; or
(5) payment has been denied by the CMS in accordance with the requirements in 42 C.F.R. § 438.730.

(b) Appeal of adjustment. The MCO may appeal the adjustment of capitations in the above circumstances using the HHSC dispute resolution process set forth in Section 12.13, Dispute Resolution.

Section 10.09 Delivery Supplemental Payment for CHIP, CHIP Perinatal and STAR MCOs.

(a) The Delivery Supplemental Payment (DSP) is a function of the average delivery cost in each Service Area. Delivery costs include facility and professional charges.

(b) CHIP and STAR MCOs will receive a Delivery Supplemental Payment (DSP) from HHSC for each live or stillbirth by a Member. CHIP Perinatal MCOs will receive a DSP from HHSC for each live or stillbirth of a CHIP Perinate above the Medicaid eligibility threshold (i.e., a Perinate who does not qualify for Medicaid once born, measured at the time of enrollment in the CHIP Perinatal subprogram). CHIP Perinatal MCOs will not receive a DSP from HHSC for a live or stillbirth of a CHIP Perinate at or below the Medicaid eligibility threshold (i.e., a Perinate who qualifies for Medicaid once born). For STAR and CHIP and CHIP Perinatal Program MCOs, the one-time DSP payment is made in the amount identified in the HHSC Managed Care Contract document regardless of whether there is a single birth or there are multiple births at time of delivery. A delivery is the birth of a live born infant, regardless of the duration of the pregnancy, or a stillborn (fetal death) infant of twenty (20) weeks or more of gestation. A delivery does not include a spontaneous or induced abortion, regardless of the duration of the pregnancy.

(c) MCO must submit a monthly DSP Report as described in, Section 8.1.20.2, Reports to the RFP, in the format prescribed in Uniform Managed Care Manual Chapter 5.3.9, Disproportionate Share Hospital Report.

(d) HHSC will pay the Delivery Supplemental Payment within twenty (20) Business Days after receipt of a complete and accurate report from the MCO.

(e) The MCO will not be entitled to Delivery Supplemental Payments for deliveries that are not reported to HHSC within 210 days after the date of delivery, or within thirty (30) days from the date of discharge from the Hospital for the stay related to the delivery, whichever is later.
Section 10.10 Experience Rebate

(a) MCO’s duty to pay.

(1) General.

At the end of each FSR Reporting Period beginning with FSR Reporting Period 12/13, the MCO must pay an Experience Rebate if the MCO’s Net Income Before Taxes is greater than the percentage set forth below of the total Revenue for the period. The Experience Rebate is calculated in accordance with the tiered rebate method set forth below. The Net Income Before Taxes and the total Revenues are as measured by the FSR, as reviewed and confirmed by HHSC. The final amount used in the calculation of the percentage may be impacted by various factors herein, including the Loss Carry Forward, the Admin Cap, and/or the Reinsurance Cap.

(2) Basis of Consolidation.

The percentages are calculated on a Consolidated Basis, and include the consolidated Net Income Before Taxes for all of the MCO’s and its Affiliates’ Texas HHSC Programs and Service Areas.

(b) Graduated Experience Rebate Sharing Method.

<table>
<thead>
<tr>
<th>Pre-tax Income as a % of Revenues</th>
<th>MCO Share</th>
<th>HHSC Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 3%</td>
<td>100%</td>
<td>—%</td>
</tr>
<tr>
<td>&gt; 3% and ≤ 5%</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>&gt; 5% and ≤ 7%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>&gt; 7% and ≤ 9%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>&gt; 9% and ≤ 12%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>&gt; 12%</td>
<td>—%</td>
<td>100%</td>
</tr>
</tbody>
</table>

HHSC and the MCO will share the consolidated Net Income Before Taxes for its HHSC Programs as follows, unless HHSC provides the MCO an Experience Rebate Reward in accordance with Section 6, “Premium Payment Incentives and Disincentives,” and Uniform Managed Care Manual Chapter 6.2, “Financial Incentive Methodology”:

(1) The MCO will retain all the Net Income Before Taxes that is equal to or less than 3% of the total Revenues received by the MCO;

(2) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 3% and less than or equal to 5% of the total Revenues received, with 80% to the MCO and 20% to HHSC.

(3) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 5% and less than or equal to 7% of the total Revenues received, with 60% to the MCO and 40% to HHSC.

(4) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 7% and less than or equal to 9% of the total Revenues received, with 40% to the MCO and 60% to HHSC.

(5) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 9% and less than or equal to 12% of the total Revenues received, with 20% to the MCO and 80% to HHSC.

(6) HHSC will be paid the entire portion of the Net Income Before Taxes that exceeds 12% of the total Revenues.

(c) Net income Before taxes.

(1) The MCO must compute the Net Income Before Taxes in accordance with applicable federal regulations and Uniform Managed Care Manual Chapter 6.1 “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and similar such instructions for other HHSC Programs. The Net Income Before Taxes will be confirmed by HHSC or its agent for the FSR Reporting Period relating to all Revenues and Allowable Expenses incurred pursuant to the Contract. HHSC reserves the right to modify the “Cost Principles for Expenses” and “FSR Instructions for Completion” found in the Uniform Managed Care Manual in accordance with Section 8.05, “Modification of the Uniform Managed Care Manual.”

(2) For purposes of calculating Net Income Before Taxes certain items are omitted from the calculation, as they are not Allowable Expenses; these include:

(i) the payment of an Experience Rebate;

(ii) any interest expense associated with late or underpayment of the Experience Rebate;

(iii) financial incentives, including without limitation the Quality Challenge Award described in Attachment B-1, Section 6.3.2.3; and
(iv) financial disincentives, including without limitation: the Performance-based Capitation Rate Program described in Attachment B-1, Section 6.3.2.2; and
(v) liquidated damages, and any interest expense associated, as described in Attachment B-5.

See Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(3) Financial incentives will not be reduced by potential increased Experience Rebate payments. Financial disincentives will not be offset in whole or part by potential decreases in Experience Rebate payments.

(4) For FSR reporting purposes, financial incentives incurred must not be reported as an increase in Revenues or as an offset to costs, and any award of such will not increase reported income. Financial disincentives incurred must not be included as reported expenses, and must not reduce reported income. The reporting or recording of any of these incurred items will be done on a memo basis, which is below the income line, and will be listed as separate items.

(d) Carry forward of prior FSR Reporting Period losses.

(1) General.

Losses incurred on a Consolidated Basis for a given FSR Reporting Period may be carried forward to the next FSR Reporting Period, and applied as an offset against consolidated pre-tax net income for determination of any Experience Rebate due. Any such prior losses may be carried forward for the next two (2) contiguous FSR Reporting Periods.

In the case when a loss in a given FSR Reporting Period is carried forward and applied against profits in either or both of the next two (2) FSR Reporting Periods, the loss must first be applied against the first subsequent FSR Reporting Period such that the profit in the first subsequent FSR Reporting Period is reduced to a zero pre-tax income; any additional loss then remaining unapplied may be carried forward to any profit in the next subsequent FSR Reporting Period. In such case, the revised income in the third FSR Reporting Period would be equal to the cumulative income of the three (3) contiguous FSR Reporting Periods. In no case could the loss be carried forward to the fourth FSR Reporting Period or beyond.

Carrying forward of losses may be impacted by the Admin Cap; see Section 10.10.2 (f) below.

Losses incurred in the last or next-to-last FSR Reporting Period of a prior contiguous contract with HHSC may be carried forward up to two (2) FSR Reporting Periods into the first or potentially second FSR Reporting Period of this Contract, if such losses meet all other requirements of both the prior and current contracts.

(2) Basis of consolidation.

In order for a loss to be eligible for potential carry forward as an offset against future income, the MCO must have a negative Net Income Before Taxes for an FSR Reporting Period on a Consolidated Basis.

(e) Settlements for payment.

(1) There may be one or more MCO payment(s) of the State share of the Experience Rebate on income generated for a given FSR Reporting Period under the applicable Programs. The first scheduled payment (the “Primary Settlement”) will equal 100% of the State share of the Experience Rebate as derived from the FSR, and will be paid on the same day the 90-day FSR Report is submitted to HHSC.

The “Primary Settlement,” as utilized herein, refers strictly to what should be paid with the 90-day FSR, and does not refer to the first instance in which an MCO may tender a payment. For example, an MCO may submit a 90-day FSR indicating no Experience Rebate is due, but then submit a 334-day FSR with a higher income and a corresponding Experience Rebate payment. In such case, this initial payment would be subsequent to the Primary Settlement.

(2) The next scheduled payment will be an adjustment to the Primary Settlement, if required, and will be paid on the same day that the 334-day FSR Report is submitted to HHSC if the adjustment is a payment from the MCO to HHSC. Section 10.10(f) describes the interest expenses associated with any payment after the Primary Settlement.
An MCO may make non-scheduled payments at any time to reduce the accumulation of interest under Section 10.10(f). For any non-scheduled payments prior to the 334-day FSR, the MCO is not required to submit a revised FSR, but is required to submit an Experience Rebate calculation form and an adjusted summary page of the FSR. The FSR summary page is labeled “Summary Income Statements (Dollars), All Coverage Groups Combined (FSR, Part I).”

(3) HHSC or its agent may audit or review the FSRs. If HHSC determines that corrections to the FSRs are required, based on an HHSC audit/review or other documentation acceptable to HHSC, then HHSC will make final adjustments. Any payment resulting from an audit or final adjustment will be due from the MCO within 30 days of the earlier of:

   (i) the date of the management representation letter resulting from the audit; or

   (ii) the date of any invoice issued by HHSC.

Payment within this 30-day timeframe will not relieve the MCO of any interest payment obligation that may exist under Section 10.10(f).

(4) In the event that any Experience Rebates and/or corresponding interest payments owed to the State are not paid by the required due dates, then HHSC may offset such amounts from any future Capitation Payments, or collect such sums directly from the MCO. HHSC may adjust the Experience Rebate if HHSC determines the MCO has paid amounts for goods or services that are not reasonable, necessary, or allowable in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and the Federal Acquisition Regulations (FAR), or other applicable federal or state regulations. HHSC has final authority in auditing and determining the amount of the Experience Rebate.

(f) Interest on Experience Rebate.

(1) Interest on any Experience Rebate owed to HHSC will be charged beginning 35 days after the due date of the Primary Settlement, as described in Section 10.10(e)(1). Thus, any Experience Rebate due or paid on or after the Primary Settlement will accrue interest starting at 35 days after the due date for the 90-day FSR Report. For example, any Experience Rebate payment(s) made in conjunction with the 334-day FSR, or as a result of audit findings, will accrue interest back to 35 days after the due-date for submission of the 90-day FSR.

The MCO has the option of preparing an additional FSR based on 120 days of claims run-out (a “120- day FSR”). If a 120-day FSR, and an Experience Rebate payment based on it, are received by HHSC before the interest commencement date above, then such a payment would be counted as part of the Primary Settlement.

(2) If an audit or adjustment determines a downward revision of income after an interest payment has previously been required for the same State Fiscal Year, then HHSC will recalculate the interest and, if necessary, issue a full or partial refund or credit to the MCO.

(3) Any interest obligations that are incurred pursuant to Section 10.10 that are not timely paid will be subject to accumulation of interest as well, at the same rate as applicable to the underlying Experience Rebate.

(4) All interest assessed pursuant to Section 10.10 will continue to accrue until such point as a payment is received by HHSC, at which point interest on the amount received will stop accruing. If a balance remains at that point that is subject to interest, then the balance will continue to accrue interest. If interim payments are made, then any interest that may be due will only be charged on amounts for the time period during which they remained unpaid. By way of example only, if $100,000 is subject to interest commencing on a given day, and a payment is received for $75,000 45 days after the start of interest, then the $75,000 will be subject to 45 days of interest, and the $25,000 balance will continue to accrue interest until paid. The accrual of interest as defined under Section 10.10(f) will not stop during any period of dispute. If a dispute is resolved in the MCO’s favor, then interest will only be assessed on the revised unpaid amount.
If the MCO incurs an interest obligation pursuant to Section 10.10 for an Experience Rebate payment HHSC will assess such interest at 12% per annum, compounded daily. If any interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

Any such interest expense incurred pursuant to Section 10.10 is not an Allowable Expense for reporting purposes on the FSR.

Section 10.10.1 This Section Intentionally Left Blank

Section 10.10.2 Administrative Expense Cap.

(a) General requirement.

The calculation methodology of Experience Rebates described in Section 10.10 will be adjusted by an Administrative Expense Cap (“Admin Cap.”) The Admin Cap is a calculated maximum amount of administrative expense dollars that can be deducted from Revenues for purposes of determining income subject to the Experience Rebate. While Administrative Expenses may be limited by the Admin Cap to determine Experience Rebates, all valid Allowable Expenses will continue to be reported on the Financial Statistical Reports (FSRs). Thus, the Admin Cap does not impact FSR reporting, but may impact any associated Experience Rebate calculation.

The calculation of any corresponding Experience Rebate due will be subject to limitations on total deductible administrative expenses.

Such limitations will be calculated as follows:

(b) Calculation methodology.

HHSC will determine the administrative expense component of the applicable Capitation Rate structure for each Program prior to each applicable Rate Period. At the conclusion of an FSR Reporting Period, HHSC will apply that predetermined administrative expense component against the MCO’s actually incurred number of Member Months and aggregate premiums received (monthly Capitation Payments plus any Delivery Supplemental Payments, which excludes any investment income or interest earned), to determine the specific Admin Cap, in aggregate dollars, for a given MCO.

If rates are changed during the FSR Reporting Period, HHSC will use this same methodology of multiplying the predetermined HHSC rates for a given month against the ultimate actual number of member months or Revenues that occurred during that month, such that HHSC will apply each month’s actual results against the rates that were in effect for that month.

(c) Data sources.

In determining the amount of Experience Rebate payment to include in the Primary Settlement (or in conjunction with any subsequent payment or settlement), the MCO will need to make the appropriate calculation, in order to assess the impact, if any, of the Admin Cap.

(1) The total premiums paid by HHSC (received by the MCO), and corresponding Member Months, will be taken from the relevant FSR (or audit report) for the FSR Reporting Period.

(2) There are three components of the administrative expense portion of the Capitation Rate structure:

(i) the percentage rate to apply against the total premiums paid (the “percentage of premium” within the administrative expenses),
(ii) the dollar rate per Member Month (the “fixed amount” within the administrative expenses), and
(iii) the portion incorporated into the pharmacy (prescription expense) rate that pertains to prescription administrative expenses.

These will be taken from the supporting details associated with the official notification of final Capitation Rates, as supplied by HHSC. This notification is sent to the MCOs during the annual rate setting process via email, labeled as “the final rate exhibits for your health plan.” The email has one (1) or more spreadsheet files attached, which are particular to
The components of the administrative expense portion of the Capitation Rate can also be found on HHSC’s Medicaid website, under “Rate Analysis for Managed Care Services.” Under each Program, there is a separate Rate Setting document for each Rate Period that describes the development of the Capitation Rates. Within each such document, there is a section entitled “Administrative Fees,” where it refers to “the amount allocated for administrative expenses.”

(3) In cases where the administrative expense portion of the Capitation Rate refers to “the greater of (a) [one (1) set of factors], and (b) [another set of factors],” then the Admin Cap will be calculated each way, and the larger of the two (2) results will be the Admin Cap utilized for the determination of any Experience Rebates due.

(d) Example of calculation.

By way of example only, HHSC will calculate the Admin Cap for an FSR Reporting Period as follows:

(1) Multiply the predetermined administrative expense rate structure “fixed amount,” or dollar rate per Member Month (for example, $8.00), by the actual number of Member Months for a given Program and Service Area during the Rate Period (for example, 70,000):
• $8.00 x 70,000 = $560,000.

(2) Multiply the predetermined percent of premiums in the administrative expense rate structure (for example, 5.75%), by the actual aggregate premiums earned for the Program and Service Area during the Rate Period (for example, $6,000,000).
• 5.75% x $6,000,000 = $345,000.

(3) Multiply the predetermined pharmacy administrative expense rate (for example, $1.80), by the actual number of Member Months for the Program during the FSR Reporting Period (for example, 70,000):
• $1.80 x 70,000 = $126,000.

(4) Add the totals of items 1, 2 and 3 plus applicable premium taxes and maintenance taxes (for example, $112,000), to determine the Admin Cap for the Program:
• ($560,000 + $345,000 + $126,000) + $112,000 = $1,143,000.

In this example, $1,143,000 would be the Admin Cap for a single Program for an MCO in a particular FSR Reporting Period.

(e) Consolidation and offsets.

The Admin Cap will be first calculated individually by Program, and then totaled and applied on a Consolidated Basis. There will be one aggregate amount of dollars determined as the Admin Cap for each MCO, which will cover all of an MCO’s and its Affiliates’ Programs and Service Areas. This consolidated Admin Cap will be applied to the administrative expenses of the MCO on a Consolidated Basis. The net impact of the Admin Cap will be applied to the Experience Rebate calculation. Calculation details are provided in the applicable FSR Templates and FSR Instructions in the Uniform Managed Care Manual.

(f) Impact on Loss carry-forward.

For Experience Rebate calculation purposes, the calculation of any loss carry-forward, as described in Section 10.10(d), will be based on the allowable pre-tax loss as determined under the Admin Cap.

(g) MCOs entering a Service Delivery Area or Program.

If an MCO enters a new Service Area or offers a Program that it did not offer under a previous contract, it may be exempt from the Admin Cap for those Service Areas and Programs for a period of time to be determined by HHSC, up through the first FSR Reporting Period or portion thereof.

(h) Service Delivery Areas with only one (1) MCO in a Program.
In Service Areas operating with only one (1) MCO for a Program, HHSC may, at its sole discretion, revise the Admin Cap if its application would create an undue hardship on the MCO.

(i) Unforeseen events.

If, in HHSC’s sole discretion, it determines that unforeseen events have created significant hardships for one (1) or more MCOs, HHSC may revise or temporarily suspend the Admin Cap as it deems necessary.

Section 10.10.3 Reinsurance Cap

Beginning with FSR Reporting Period 12/13, the MCO is subject to the Reinsurance Cap. Reinsurance is reported on HHSC's FSR report format as: 1) gross reinsurance premiums paid, and 2) reinsurance recoveries received. The premiums paid are treated as a part of medical expenses, and the recoveries received are treated as an offset to those medical expenses (also known as a contra-cost). The net of the gross premiums paid minus the recoveries received is called the net reinsurance cost. The net reinsurance cost, as measured in aggregate dollars over the FSR Reporting Period, divided by the number of member-months for that same period, is referred to as the net reinsurance cost per-member-per-month (PMPM).

The MCO will be limited to a maximum amount of net reinsurance cost PMPM for purposes of calculating the pre-tax net income that is subject to the Experience Rebate. This limitation does not impact an MCO's ability to purchase or arrange for reinsurance. It only impacts what is factored into the Experience Rebate calculation. The maximum amount of allowed net reinsurance cost PMPM (Reinsurance Cap) varies by MCO Program, and is equal to 110% of the net reinsurance cost PMPM contained in the Capitation Rates for the Program during the FSR Reporting Period.

Regardless of the maximum amounts as represented by the Reinsurance Cap, all reinsurance reported on the FSR is subject to audit, and must comply with the UMCM Cost Principles.

Section 10.11 Restriction on assignment of fees.

During the term of the Contract, MCO may not, directly or indirectly, assign to any third party any beneficial or legal interest of the MCO in or to any payments to be made by HHSC pursuant to this Contract. This restriction does not apply to fees the MCO pays to Subcontractors for the performance of the Scope of Work.

Section 10.12 Liability for taxes.

HHSC is not responsible in any way for the payment of any Federal, state or local taxes related to or incurred in connection with the MCO's performance of this Contract. MCO must pay and discharge any and all such taxes, including any penalties and interest. In addition, HHSC is exempt from Federal excise taxes, and will not pay any personal property taxes or income taxes levied on MCO or any taxes levied on employee wages.

Section 10.13 Liability for employment-related charges and benefits.

MCO will perform work under this Contract as an independent contractor and not as agent or representative of HHSC. MCO is solely and exclusively liable for payment of all employment-related charges incurred in connection with the performance of this Contract, including but not limited to salaries, benefits, employment taxes, workers compensation benefits, unemployment insurance and benefits, and other insurance or fringe benefits for Staff.

Section 10.14 No additional consideration.

(a) MCO will not be entitled to nor receive from HHSC any additional consideration, compensation, salary, wages, charges, fees, costs, or any other type of remuneration for Services and Deliverables provided under the Contract, except by properly authorized and executed Contract amendments.

(b) No other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services and Deliverables due under the Agreement.

(c) MCO will not be entitled by virtue of the Contract to consideration in the form of overtime, health insurance benefits, retirement benefits, disability retirement benefits, sick leave, vacation time, paid holidays, or other paid leaves of absence of any type or kind whatsoever.

Section 10.15 Federal Disallowance
If the federal government recoups money from the state for expenses and/or costs that are deemed unallowable by the federal government, the state has the right to, in turn, recoup payments made to the MCOs for these same expenses and/or costs, even if they had not been previously disallowed by the state and were incurred by the MCO, and any such expenses and/or costs would then be deemed unallowable by the state. If the state retroactively recoups money from the MCOs due to a federal disallowance, the state will recoup the entire amount paid to the MCO for the federally disallowed expenses and/or costs, not just the federal portion.

Section 10.16 Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products

The capitation rates do not include the costs of Medicaid wrap-around services for outpatient drugs and biological products for STAR+PLUS Members, as described in Attachment B-1, Section 8.2.13.1.

HHSC will make supplemental payments to the MCO for these Medicaid wrap-around services, based on encounter data received by HHSC’s Administrative Services Contractor during an encounter reporting period. The first supplemental payment will cover encounter data received from March 1, 2012, to February 28, 2013. Thereafter, supplemental payments will cover six-month encounter reporting periods. HHSC will make supplemental payments within a reasonable amount of time after the encounter reporting period, generally no later than 95 calendar days after HHSC’s Administrative Services Contractor has processed the encounter data. Supplemental payments will be limited to the actual amounts paid to pharmacy providers for these Medicaid wrap-around services, as represented in “Net Amount Due” field (Field 281) on the National Council for Prescription Drug Programs (NCPDP) encounter transaction. To be eligible for reimbursement, encounters must contain a Financial Arrangement Code “14” in the “Line of Business” field (Field 270) on the NCPDP encounter transaction.

Section 10.17 Pass-through Payments for Provider Rate Increases

The capitation rates do not include the costs of federally-mandated provider rate increases, per PPACA as amended by Section 1202 of the Health Care and Education Reconciliation Act. HHSC will make supplemental payments to the MCO for these rate increases, and the MCO will pass through the full amount of the supplemental payments to qualified providers no later than 30 calendar days after receipt of HHSC's supplemental payment report, contingent upon the receipt of HHSC's payment allocation. Additional information regarding these requirements is located in Attachment B-1, Section 8.2.16, “Supplemental Payments for Qualified Providers.”

Article 11. Disclosure & Confidentiality of Information

Section 11.01 Confidentiality.

(a) MCO and all Subcontractors, consultants, or agents must treat all information that is obtained through performance of the Services under the Contract, including information relating to applicants or recipients of HHSC Programs, as Confidential Information to the extent that confidential treatment is provided under state and federal law, rules, and regulations.

(b) MCO is responsible for understanding the degree to which information obtained through performance of this Contract is confidential under State and Federal law, rules, and regulations.

(c) MCO and all Subcontractors, consultants, or agents may not use any information obtained through performance of this Contract in any manner except as is necessary for the proper discharge of obligations and securing of rights under the Contract.

(d) MCO must have a system in effect to protect all records and all other documents deemed confidential under this Contract that are maintained in connection with the activities funded under the Contract. Any disclosure or transfer of Confidential Information by MCO, including information required by HHSC, will be in accordance with applicable law. If the MCO receives a request for information deemed confidential under this Contract, the MCO will immediately notify HHSC of such request, and will make reasonable efforts to protect the information from public disclosure.

(e) In addition to the requirements expressly stated in this Section, MCO must comply with any policy, rule, or reasonable requirement of HHSC that relates to the safeguarding or disclosure of information relating to Members, MCO’s operations, or MCO’s performance of the Contract.
(f) In the event of the expiration of the Contract or termination of the Contract for any reason, all Confidential Information disclosed to and all copies thereof made by the MCOI must be returned to HHSC or, at HHSC’s option, erased or destroyed. MCO must provide HHSC certificates evidencing such destruction.

(g) The obligations in this Section must not restrict any disclosure by the MCO pursuant to any applicable law, or by order of any court or government agency, provided that the MCO must give prompt notice to HHSC of such order.

(h) With the exception of confidential Member information, Confidential Information must not be afforded the protection of the Contract if such data was:
   (1) Already known to the receiving Party without restrictions at the time of its disclosure by the furnishing Party;
   (2) Independently developed by the receiving Party without reference to the furnishing Party's Confidential Information;
   (3) Rightfully obtained by the other Party without restriction from a third party after its disclosure by the furnishing Party;
   (4) Publicly available other than through the fault or negligence of the other Party; or
   (5) Lawfully released without restriction to anyone.

Section 11.02 Disclosure of HHSC’s Confidential Information.

(a) MCO will immediately report to HHSC any and all unauthorized disclosures or uses of HHSC’s Confidential Information of which it or its Subcontractors, consultants, or agents is aware or has knowledge. MCO acknowledges that any publication or disclosure of HHSC’s Confidential Information to others may cause immediate and irreparable harm to HHSC and may constitute a violation of State or federal laws. If MCO, its Subcontractors, consultants, or agents should publish or disclose such Confidential Information to others without authorization, HHSC will immediately be entitled to injunctive relief or any other remedies to which it is entitled under law or equity. HHSC will have the right to recover from MCO, its Subcontractors, consultants, or agents' failure to protect HHSC’s Confidential Information. MCO will defend with counsel approved by HHSC, indemnify and hold harmless HHSC from all damages, costs, liabilities, and expenses caused by or arising from MCO’s or its Subcontractors’, consultants’ or agents’ failure to protect HHSC’s Confidential Information. HHSC will not unreasonably withhold approval of counsel selected by the MCO.

(b) MCO will require its Subcontractors, consultants, and agents to comply with the terms of this provision.

Section 11.03 Member Records

(a) MCO must comply with the requirements of state and federal laws, including the HIPAA requirements set forth in Section 7.07, regarding the transfer of Member Records.

(b) If at any time during the Contract Term this Contract is terminated, HHSC may require the transfer of Member Records, upon written notice to MCO, to another entity, as consistent with federal and state laws and applicable releases.

(c) The term “Member Record” for this Section means only those administrative, enrollment, case management and other such records maintained by MCO and is not intended to include patient records maintained by participating Network Providers.

Section 11.04 Requests for public information.

(a) When the MCO produces reports or other forms of information that the MCO believes consist of proprietary or otherwise confidential information, the MCO must clearly mark such information as confidential information or provide written notice to HHSC that it considers the information confidential.

(b) If HHSC receives a request, filed in accordance with the Texas Public Information Act (“Act,”) seeking information that has been identified by the MCO as proprietary or otherwise confidential, HHSC will deliver a copy of the request for public information to MCO, in accordance with the requirements of the Act.

(c) With respect to any information that is the subject of a request for disclosure, MCO is required to demonstrate to the Texas Office of Attorney General the specific reasons why the requested information is confidential or otherwise excepted from required public disclosure under law. MCO will provide HHSC with copies of all such communications.

Section 11.05 Privileged Work Product.

(a) MCO acknowledges that HHSC asserts that privileged work product may be prepared in anticipation of litigation and that MCO is performing the Services with respect to privileged work product as an agent of HHSC, and that all matters

(b) HHSC will notify MCO of any privileged work product to which MCO has or may have access. After the MCO is notified or otherwise becomes aware that such documents, data, database, or communications are privileged work product, only MCO personnel, for whom such access is necessary for the purposes of providing the Services, may have access to privileged work product.

(c) If MCO receives notice of any judicial or other proceeding seeking to obtain access to HHSC’s privileged work product, MCO will:
(1) Immediately notify HHSC; and
(2) Use all reasonable efforts to resist providing such access.

(d) If MCO resists disclosure of HHSC’s privileged work product in accordance with this Section, HHSC will, to the extent authorized under Civil Practices and Remedies Code or other applicable State law, have the right and duty to:
(1) Represent MCO in such resistance;
(2) Retain counsel to represent MCO; or
(3) Reimburse MCO for reasonable attorneys’ fees and expenses incurred in resisting such access.

(e) If a court of competent jurisdiction orders MCO to produce documents, disclose data, or otherwise breach the confidentiality obligations imposed in the Contract, or otherwise with respect to maintaining the confidentiality, proprietary nature, and secrecy of privileged work product, MCO will not be liable for breach of such obligation.

Section 11.06 Unauthorized acts.

Each Party agrees to:
(1) Notify the other Party promptly of any unauthorized possession, use, or knowledge, or attempt thereof, by any person or entity that may become known to it, of any HHSC Confidential Information or any information identified by the MCO as confidential or proprietary;
(2) Promptly furnish to the other Party full details of the unauthorized possession, use, or knowledge, or attempt thereof, and use reasonable efforts to assist the other Party in investigating or preventing the reoccurrence of any unauthorized possession, use, or knowledge, or attempt thereof, of Confidential Information;
(3) Cooperate with the other Party in any litigation and investigation against third Parties deemed necessary by such Party to protect its proprietary rights; and
(4) Promptly prevent a reoccurrence of any such unauthorized possession, use, or knowledge such information.

Section 11.07 Legal action.

Neither party may commence any legal action or proceeding in respect to any unauthorized possession, use, or knowledge, or attempt thereof by any person or entity of HHSC’s Confidential Information or information identified by the MCO as confidential or proprietary, which action or proceeding identifies the other Party’s information without such Party’s consent.

Section 11.08 Information Security

The HMO and all Subcontractors, consultants, or agents must comply with all applicable laws, rules, and regulations regarding information security, including without limitation the following:
(1) Health and Human Services Enterprise Information Security Standards and Guidelines;
(2) Title 1, Sections 202.1 and 202.3 through 202.28, Texas Administrative Code;
(3) The Health Insurance Portability and Accountability Act of 1996 (HIPAA); and
(4) The Health Information Technology for Economic and Clinical Health Act (HITECH Act).

Article 12. Remedies & Disputes

Section 12.01 Understanding and expectations.

The remedies described in this Section are directed to MCO’s timely and responsive performance of the Services and production of Deliverables, and the creation of a flexible and responsive relationship between the Parties. The MCO is expected to meet or exceed all HHSC objectives and standards, as set forth in the Contract. All areas of responsibility and all Contract requirements will be subject to performance evaluation by HHSC. Performance reviews may be conducted at the discretion of HHSC at any time and may relate to any responsibility and/or requirement. Any and all responsibilities and/or requirements not fulfilled may be subject to the remedies set forth in the Contract.
Section 12.02 Tailored remedies.

(a) Understanding of the Parties.
MCO agrees and understands that HHSC may pursue tailored contractual remedies for noncompliance with the Contract. At any time and at its discretion, HHSC may impose or pursue one (1) or more remedies for each item of noncompliance and will determine remedies on a case-by-case basis. HHSC’s pursuit or non-pursuit of a tailored remedy does not constitute a waiver of any other remedy that HHSC may have at law or equity.

(b) Notice and opportunity to cure for non-material breach.
(1) HHSC will notify MCO in writing of specific areas of MCO performance that fail to meet performance expectations, standards, or schedules set forth in the Contract, but that, in the determination of HHSC, do not result in a material deficiency or delay in the implementation or operation of the Services.
(2) MCO will, within five (5) Business Days (or another date approved by HHSC) of receipt of written notice of a non-material deficiency, provide the HHSC Project Manager a written response that:
   (i) Explains the reasons for the deficiency, MCO’s plan to address or cure the deficiency, and the date and time by which the deficiency will be cured; or
   (ii) If MCO disagrees with HHSC’s findings, its reasons for disagreeing with HHSC’s findings.
(3) MCO’s proposed cure of a non-material deficiency is subject to the approval of HHSC. MCO’s repeated commission of non-material deficiencies or repeated failure to resolve any such deficiencies may be regarded by HHSC as a material deficiency and entitle HHSC to pursue any other remedy provided in the Contract or any other appropriate remedy HHSC may have at law or equity.

(c) Corrective action plan.
(1) At its option, HHSC may require MCO to submit to HHSC a written plan (the “Corrective Action Plan”) to correct or resolve a material breach of this Contract, as determined by HHSC.
(2) The Corrective Action Plan must provide:
   (i) A detailed explanation of the reasons for the cited deficiency;
   (ii) MCO’s assessment or diagnosis of the cause; and
   (iii) A specific proposal to cure or resolve the deficiency.
(3) The Corrective Action Plan must be submitted by the deadline set forth in HHSC’s request for a Corrective Action Plan. The Corrective Action Plan is subject to approval by HHSC, which will not unreasonably be withheld.
(4) HHSC will notify MCO in writing of HHSC’s final disposition of HHSC’s concerns. If HHSC accepts MCO’s proposed Corrective Action Plan, HHSC may:
   (i) Condition such approval on completion of tasks in the order or priority that HHSC may reasonably prescribe;
   (ii) Disapprove portions of MCO’s proposed Corrective Action Plan; or
   (iii) Require additional or different corrective action(s).

Notwithstanding the submission and acceptance of a Corrective Action Plan, MCO remains responsible for achieving all written performance criteria.
(5) HHSC’s acceptance of a Corrective Action Plan under this Section will not:
   (i) Excuse MCO’s prior substandard performance;
   (ii) Relieve MCO of its duty to comply with performance standards; or
   (iii) Prohibit HHSC from assessing additional tailored remedies or pursuing other appropriate remedies for continued substandard performance.

(d) Administrative remedies.
(1) At its discretion, HHSC may impose one (1) or more of the following remedies for each item of material noncompliance and will determine the scope and severity of the remedy on a case-by-case basis:
   (i) Assess liquidated damages in accordance with Attachment B-3, “Liquidated Damages Matrix;”
   (ii) Conduct accelerated monitoring of the MCO. Accelerated monitoring includes more frequent or more extensive monitoring by HHSC or its agent;
   (iii) Require additional, more detailed, financial and/or programmatic reports to be submitted by MCO;
   (iv) Require additional and/or more detailed financial and/or programmatic audits or other reviews of the MCO;
   (v) Decline to renew or extend the Contract;
   (vi) Appoint temporary management under the circumstances described in 42 C.F.R. §438.706;
   (vii) Initiate disenrollment of a Member or Members;
   (viii) Suspend enrollment of Members;
   (ix) Withhold or recoup payment to MCO;
   (x) Require forfeiture of all or part of the MCO’s bond; or
   (xi) Any other remedy provided in the Contract or any other appropriate remedy HHSC may have at law or equity.
(xi) Terminate the Contract in accordance with Section 12.03, “Termination by HHSC.”

(2) For purposes of the Contract, an item of material noncompliance means a specific action of MCO that:

(i) Violates a material provision of the Contract;
(ii) Fails to meet an agreed measure of performance; or
(iii) Represents a failure of MCO to be reasonably responsive to a reasonable request of HHSC relating to the Scope of Work for information, assistance, or support within the timeframe specified by HHSC.

(3) HHSC will provide notice to MCO of the imposition of an administrative remedy in accordance with this Section, with the exception of accelerated monitoring, which may be unannounced. HHSC may require MCO to file a written response in accordance with this Section.

(4) The Parties agree that a State or Federal statute, rule, regulation, or Federal guideline will prevail over the provisions of this Section unless the statute, rule, regulation, or guidelines can be read together with this Section to give effect to both.

e) Damages.

(1) HHSC will be entitled to monetary damages in the form of actual, consequential, direct, indirect, special, and/or liquidated damages resulting from Contractor’s Breach of this Agreement. In some cases, the actual damage to HHSC or State of Texas as a result of MCO’s failure to meet any aspect of the responsibilities of the Contract and/or to meet specific performance standards set forth in the Contract are difficult or impossible to determine with precise accuracy. Therefore, liquidated damages will be assessed in writing against and paid by the MCO in for failure to meet any aspect of the responsibilities of the Contract and/or to meet the specific performance standards identified by the HHSC in Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Liquidated damages will be assessed if HHSC determines such failure is the fault of the MCO (including the MCO’S Subcontractors, agents and/or consultants) and is not materially caused or contributed to by HHSC or its agents. If at any time HHSC determines the MCO has not met any aspect of the responsibilities of the Contract and/or the specific performance standards due to mitigating circumstances, HHSC reserves the right to waive all or part of the liquidated damages. All such waivers must be in writing, contain the reasons for the waiver, and be signed by the appropriate executive of HHSC.

(2) The liquidated damages prescribed in this Section are not intended to be in the nature of a penalty, but are intended to be reasonable estimates of HHSC’s projected financial loss and damage resulting from the MCO’s nonperformance, including financial loss as a result of project delays. Accordingly, in the event MCO fails to perform in accordance with the Contract, HHSC may assess liquidated damages as provided in this Section.

(3) If MCO fails to perform any of the Services described in the Contract, HHSC may assess liquidated damages for each occurrence of a liquidated damages event, to the extent consistent with HHSC’s tailored approach to remedies and Texas law.

(4) HHSC may elect to collect liquidated damages:

(i) Through direct assessment and demand for payment delivered to MCO; or
(ii) By deduction of amounts assessed as liquidated damages as set-off against payments then due to MCO or that become due at any time after assessment of the liquidated damages. HHSC will make deductions until the full amount payable by the MCO is collected by HHSC.

(f) Equitable Remedies

(1) MCO acknowledges that, if MCO breaches (or attempts or threatens to breach) its material obligation under this Contract, HHSC may be irreparably harmed. In such a circumstance, HHSC may proceed directly to court to pursue equitable remedies.

(2) If a court of competent jurisdiction finds that MCO breached (or attempted or threatened to breach) any such obligations, MCO agrees that without any additional findings of irreparable injury or other conditions to injunctive relief, it will not oppose the entry of an appropriate order compelling performance by MCO and restraining it from any further breaches (or attempted or threatened breaches).

(g) Suspension of Contract

(1) HHSC may suspend performance of all or any part of the Contract if:

(i) HHSC determines that MCO has committed a material breach of the Contract;
(ii) HHSC has reason to believe that MCO has committed, or assisted in the commission of, Fraud, Abuse, Waste, malfeasance, misfeasance, or nonfeasance by any party concerning the Contract;
(iii) HHSC determines that the MCO knew, or should have known, of Fraud, Abuse, Waste, malfeasance, or nonfeasance by any party concerning the Contract, and the MCO failed to take appropriate action; or
(iv) HHSC determines that suspension of the Contract in whole or in part is in the best interests of the State of Texas or the HHSC Programs.

(2) HHSC will notify MCO in writing of its intention to suspend the Contract in whole or in part. Such notice will:

(i) Be delivered in writing to MCO;
(ii) Include a concise description of the facts or matter leading to HHSC’s decision; and
(iii) Unless HHSC is suspending the contract for convenience, request a Corrective Action Plan from MCO or describe actions that MCO may take to avoid the contemplated suspension of the Contract.

Section 12.03 Termination by HHSC.

This Contract will terminate upon the Expiration Date. In addition, prior to completion of the Contract Term, all or a part of this Contract may be terminated for any of the following reasons:

(a) Termination in the best interest of HHSC.
HHSC may terminate the Contract without cause at any time when, in its sole discretion, HHSC determines that termination is in the best interests of the State of Texas. HHSC will provide reasonable advance written notice of the termination, as it deems appropriate under the circumstances. The termination will be effective on the date specified in HHSC’s notice of termination.

(b) Termination for cause.
HHSC reserves the right to terminate this Contract, in whole or in part, upon the following conditions:

1. Assignment for the benefit of creditors, appointment of receiver, or inability to pay debts.
   HHSC may terminate this Contract at any time if MCO:
   (i) Makes an assignment for the benefit of its creditors;
   (ii) Admits in writing its inability to pay its debts generally as they become due; or
   (iii) Consents to the appointment of a receiver, trustee, or liquidator of MCO or of all or any part of its property.

2. Failure to adhere to laws, rules, ordinances, or orders.
   HHSC may terminate this Contract if a court of competent jurisdiction finds MCO failed to adhere to any laws, ordinances, rules, regulations or orders of any public authority having jurisdiction and such violation prevents or substantially impairs performance of MCO’s duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

   HHSC may terminate this Contract at any time if MCO breaches confidentiality laws with respect to the Services and Deliverables provided under this Contract.

4. Failure to maintain adequate personnel or resources.
   HHSC may terminate this Contract if, after providing notice and an opportunity to correct, HHSC determines that MCO has failed to supply personnel or resources and such failure results in MCO’s inability to fulfill its duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

5. Termination for gifts and gratuities.
   (i) HHSC may terminate this Contract at any time following the determination by a competent judicial or quasi-judicial authority and MCO’s exhaustion of all legal remedies that MCO, its employees, agents or representatives have either offered or given any thing of value to an officer or employee of HHSC or the State of Texas in violation of state law.
   (ii) MCO must include a similar provision in each of its Subcontracts and must enforce this provision against a Subcontractor who has offered or given any thing of value to any of the persons or entities described in this Section, whether or not the offer or gift was in MCO’s behalf.
   (iii) Termination of a Subcontract by MCO pursuant to this provision will not be a cause for termination of the Contract unless:
       (a) MCO fails to replace such terminated Subcontractor within a reasonable time; and
       (b) Such failure constitutes cause, as described in this Subsection 12.03(b).
   (iv) For purposes of this Section, a “thing of value” means any item of tangible or intangible property that has a monetary value of more than $50.00 and includes, but is not limited to, cash, food, lodging, entertainment, and charitable contributions. The term does not include contributions to holders of public office or candidates for public office that are paid and reported in accordance with state and/or federal law.

6. Termination for non-appropriation of funds.
Notwithstanding any other provision of this Contract, if funds for the continued fulfillment of this Contract by HHSC are at any time not forthcoming or are insufficient, through failure of any entity to appropriate funds or otherwise, then HHSC will have the right to terminate this Contract at no additional cost and with no penalty whatsoever by giving prior written notice documenting the lack of funding. HHSC will provide at least 30 days advance written notice of such termination. HHSC will use reasonable efforts to ensure appropriated funds are available.

(7) Judgment and execution.

(i) HHSC may terminate the Contract at any time if judgment for the payment of money in excess of $500,000.00 that is not covered by insurance, is rendered by any court or governmental body against MCO, and MCO does not:
   (a) Discharge the judgment or provide for its discharge in accordance with the terms of the judgment;
   (b) Procure a stay of execution of the judgment within 30 days from the date of entry thereof; or
   (c) Perfect an appeal of such judgment and cause the execution of such judgment to be stayed during the appeal, providing such financial reserves as may be required under generally accepted accounting principles.

(ii) If a writ or warrant of attachment or any similar process is issued by any court against all or any material portion of the property of MCO, and such writ or warrant of attachment or any similar process is not released or bonded within 30 days after its entry, HHSC may terminate the Contract in accordance with this Section.

(8) Termination for Criminal Conviction
HHSC will have the right to terminate the Contract in whole or in part, or require the replacement of a Material Subcontractor, if the MCO or a Material Subcontractor is convicted of a criminal offense in a state or federal court:

(i) Related to the delivery of an item or service;
(ii) Related to the neglect or abuse of patients in connection with the delivery of an item or service;
(iii) Consisting of a felony related to fraud, theft, embezzlement, breach of fiduciary responsibility, or other financial misconduct, or
(iv) resulting in a penalty or fine in the amount of $500,000 or more in a state or federal administrative proceeding.

(9) Termination for MCO’S material breach of the Contract.
HHSC will have the right to terminate the Contract in whole or in part if HHSC determines, at its sole discretion, that MCO has materially breached the Contract. HHSC will provide at least 30 days advance written notice of such termination, unless HHSC in its reasonable determination finds that a shorter notice period is warranted.

Section 12.04 Termination by MCO.

(a) Failure to pay.
MCO may terminate this Contract if HHSC fails to pay the MCO undisputed charges when due as required under this Contract. Retaining premium, recoupment, sanctions, or penalties that are allowed under this Contract or that result from the MCO’s failure to perform or the MCO’s default under the terms of this Contract is not cause for termination. Termination for failure to pay does not release HHSC from the obligation to pay undisputed charges for services provided prior to the termination date.

If HHSC fails to pay undisputed charges when due, then the MCO may submit a notice of intent to terminate for failure to pay in accordance with the requirements of Subsection 12.04(d). If HHSC pays all undisputed amounts then due within 30 days after receiving the notice of intent to terminate, the MCO cannot proceed with termination of the Contract under this Article.

(b) Change to HHSC Uniform Managed Care Manual.
MCO may terminate this agreement if the Parties are unable to resolve a dispute concerning a material and substantive change to the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). MCO must submit a notice of intent to terminate due to a material and substantive change in the Uniform Managed Care Manual no later than 30 days after the effective date of the policy.
change. HHSC will not enforce the policy change for the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(c) Change to Capitation Rate.
If HHSC proposes a modification to the Capitation Rate that is unacceptable to the MCO, the MCO may terminate the Contract. MCO must submit a written notice of intent to terminate due to a change in the Capitation Rate no later than 30 days after HHSC’s notice of the proposed change. HHSC will not enforce the rate change against the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(d) Notice of intent to terminate.
In order to terminate the Contract pursuant to this Section, MCO must give HHSC at least 90 days written notice of intent to terminate. The termination date will be calculated as the last day of the month following 90 days from the date the notice of intent to terminate is received by HHSC.

**Section 12.05 Termination by mutual agreement.**

This Contract may be terminated by mutual written agreement of the Parties.

**Section 12.06 Effective date of termination.**

Except as otherwise provided in this Contract, termination will be effective as of the date specified in the notice of termination.

**Section 12.07 Extension of termination effective date.**

The Parties may extend the effective date of termination one (1) or more times by mutual written agreement.

**Section 12.08 Payment and other provisions at Contract termination.**

(a) In the event of termination pursuant to this Article, HHSC will pay the Capitation Payment for Services and Deliverables rendered through the effective date of termination. All pertinent provisions of the Contract will form the basis of settlement.
(b) MCO must provide HHSC all reasonable access to records, facilities, and documentation as is required to efficiently and expeditiously close out the Services and Deliverables provided under this Contract.
(c) MCO must prepare a Turnover Plan, which is acceptable to and approved by HHSC. The Turnover Plan will be implemented during the time period between receipt of notice and the termination date, in accordance with Attachment B-1, RFP Section 9.

**Section 12.09 Modification of Contract in the event of remedies.**

HHSC may propose a modification of this Contract in response to the imposition of a remedy under this Article. Any modifications under this Section must be reasonable, limited to the matters causing the exercise of a remedy, in writing, and executed in accordance with Article 8, “Amendments and Modifications.” MCO must negotiate such proposed modifications in good faith.

**Section 12.10 Turnover assistance.**

Upon receipt of notice of termination of the Contract by HHSC, MCO will provide any turnover assistance reasonably necessary to enable HHSC or its designee to effectively close out the Contract and move the work to another vendor or to perform the work itself.

**Section 12.11 Rights upon termination or expiration of Contract.**

In the event that the Contract is terminated for any reason, or upon its expiration, HHSC will, at HHSC's discretion, retain ownership of any and all associated work products, Deliverables and/or documentation in whatever form that they exist.

**Section 12.12 MCO responsibility for associated costs.**

If HHSC terminates the Contract for Cause, the MCO will be responsible to HHSC for all reasonable costs incurred by HHSC, the State of Texas, or any of its administrative agencies to replace the MCO. These costs include, but are not
Section 12.13 Dispute resolution.

(a) General agreement of the Parties. The Parties mutually agree that the interests of fairness, efficiency, and good business practices are best served when the Parties employ all reasonable and informal means to resolve any dispute under this Contract. The Parties express their mutual commitment to using all reasonable and informal means of resolving disputes prior to invoking a remedy provided elsewhere in this Section.

(b) Duty to negotiate in good faith. Any dispute that in the judgment of any Party to this Contract may materially or substantially affect the performance of any Party will be reduced to writing and delivered to the other Party. The Parties must then negotiate in good faith and use every reasonable effort to resolve such dispute and the Parties must not resort to any formal proceedings unless they have reasonably determined that a negotiated resolution is not possible. The resolution of any dispute disposed of by Contract between the Parties must be reduced to writing and delivered to all Parties within ten (10) Business Days.

(c) Claims for breach of Contract.

(1) General requirement. MCO’s claim for breach of this Contract will be resolved in accordance with the dispute resolution process established by HHSC in accordance with Chapter 2260, Texas Government Code.

(2) Negotiation of claims. The Parties expressly agree that the MCO’s claim for breach of this Contract that the Parties cannot resolve in the ordinary course of business or through the use of all reasonable and informal means will be submitted to the negotiation process provided in Chapter 2260, Subchapter B, Texas Government Code.

(i) To initiate the process, MCO must submit written notice to HHSC that specifically states that MCO invokes the provisions of Chapter 2260, Subchapter B, Texas Government Code. The notice must comply with the requirements of Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.

(ii) The Parties expressly agree that the MCO’s compliance with Chapter 2260, Subchapter B, Texas Government Code, will be a condition precedent to the filing of a contested case proceeding under Chapter 2260, Subchapter C, of the Texas Government Code.

(3) Contested case proceedings. The contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be MCO’s sole and exclusive process for seeking a remedy for any and all alleged breaches of contract by HHSC if the Parties are unable to resolve their disputes under Subsection (c)(2) of this Section. The Parties expressly agree that compliance with the contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be a condition precedent to seeking consent to sue from the Texas Legislature under Chapter 107, Civil Practices & Remedies Code. Neither the execution of this Contract by HHSC nor any other conduct of any representative of HHSC relating to this Contract will be considered a waiver of HHSC’s sovereign immunity to suit.

(4) HHSC rules. The submission, processing and resolution of MCO’s claim is governed by the rules adopted by HHSC pursuant to Chapter 2260, Texas Government Code, found at Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.

(5) MCO’s duty to perform. Neither the occurrence of an event constituting an alleged breach of contract nor the pending status of any claim for breach of contract is grounds for the suspension of performance, in whole or in part, by MCO of any duty or obligation with respect to the performance of this Contract. Any changes to the Contract as a result of a dispute resolution will be implemented in accordance with Article 8, “Amendments and Modifications.”

Section 12.14 Liability of MCO.

(a) MCO bears all risk of loss or damage to HHSC or the State due to:

(1) Defects in Services or Deliverables;

(2) Unfitness or obsolescence of Services or Deliverables; or

(3) The negligence or intentional misconduct of MCO or its employees, agents, consultants, Subcontractors, or representatives.

(b) MCO must, at the MCO’s own expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC and State employees, officers, directors, contractors and agents from and against any losses, liabilities, damages, penalties, costs, fees, and expenses from any claim or action for property damage, bodily injury or death, to the extent caused by or arising from the negligence or intentional misconduct of the MCO and its employees, officers, agents, consultants, or Subcontractors. HHSC will not unreasonably withhold approval of counsel selected by MCO.
Section 12.15 Pre-termination Process.

The following process will apply when HHSC terminates the Agreement for any reason set forth in Section 12.03(b), “Termination for Cause,” other than Subpart 6, “Termination for Non-appropriation of Funds.” HHSC will provide the MCO with reasonable advance written notice of the proposed termination, as it deems appropriate under the circumstances. The notice will include the reason for the proposed termination, the proposed effective date of the termination, and the time and place where the parties will meet regarding the proposed termination. During this meeting, the MCO may present written information explaining why HHSC should not affirm the proposed termination. HHSC’s Associate Commissioner for Medicaid and CHIP will consider the written information, if any, and will provide the MCO with a written notice of HHSC’s final decision affirming or reversing the termination. An affirming decision will include the effective date of termination.

The pre-termination process described herein will not limit or otherwise reduce the parties’ rights and responsibilities under Section 12.13, “Dispute Resolution;” however, HHSC’s final decision to terminate is binding and is not subject to review by the State Office of Administrative Hearings under Chapter 2260, Texas Government Code.

Article 13. Assurances & Certifications

Section 13.01 Proposal certifications.

MCO acknowledges its continuing obligation to comply with the requirements of the certifications contained in its Proposal, and will immediately notify HHSC of any changes in circumstances affecting the certifications.

Section 13.02 Conflicts of interest.

(a) Representation.
MCO agrees to comply with applicable state and federal laws, including 41 U.S.C. § 423, rules, and regulations regarding conflicts of interest in the performance of its duties under this Contract. MCO warrants that it has no interest and will not acquire any direct or indirect interest that would conflict in any manner or degree with its performance under this Contract.

(b) General duty regarding conflicts of interest.
MCO will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain. MCO will operate with complete independence and objectivity without actual, potential or apparent conflict of interest with respect to the activities conducted under this Contract.

Section 13.03 Organizational conflicts of interest.

(a) Definition.
An organizational conflict of interest is a set of facts or circumstances, a relationship, or other situation under which an MCO or a Subcontractor has past, present, or currently planned personal or financial activities or interests that either directly or indirectly:

1. Impairs or diminishes the MCO’s or Subcontractor’s ability to render impartial or objective assistance or advice to HHSC; or
2. Provides the MCO or Subcontractor an unfair competitive advantage in future HHSC procurements (excluding the award of this Contract).

(b) Warranty.
Except as otherwise disclosed and approved by HHSC prior to the Effective Date of the Contract, MCO warrants that, as of the Effective Date and to the best of its knowledge and belief, there are no relevant facts or circumstances that could give rise to an organizational conflict of interest affecting this Contract. MCO affirms that it has neither given, nor intends to give, at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, at any time during the procurement process or in connection with the procurement process except as allowed under relevant state and federal law.

(c) Continuing duty to disclose.

1. MCO agrees that, if after the Effective Date, MCO discovers or is made aware of an organizational conflict of interest, MCO will immediately and fully disclose such interest in writing to the HHSC project manager. In
addition, MCO must promptly disclose any relationship that might be perceived or represented as a conflict after its discovery by MCO or by HHSC as a potential conflict. HHSC reserves the right to make a final determination regarding the existence of conflicts of interest, and MCO agrees to abide by HHSC’s decision.

(2) The disclosure will include a description of the actions that MCO has taken or proposes to take to avoid or mitigate such conflicts.

(d) Remedy.
If HHSC determines that an organizational conflict of interest exists, HHSC may, at its discretion, terminate the Contract pursuant to Subsection 12.03(b)(9). If HHSC determines that MCO was aware of an organizational conflict of interest before the award of this Contract and did not disclose the conflict to the contracting officer, such nondisclosure will be considered a material breach of the Contract. Furthermore, such breach may be submitted to the Office of the Attorney General, Texas Ethics Commission, or appropriate State or Federal law enforcement officials for further action.

(e) Flow-down obligation.
MCO must include the provisions of this Section in all Subcontracts for work to be performed similar to the service provided by MCO, and the terms "Contract," "MCO," and "project manager" modified appropriately to preserve the state's rights.

Section 13.04 HHSC personnel recruitment prohibition.
MCO has not retained or promised to retain any person or company, or utilized or promised to utilize a consultant that participated in HHSC’s development of specific criteria of the RFP or who participated in the selection of the MCO for this Contract.
Unless authorized in writing by HHSC, MCO will not recruit or employ any HHSC personnel who have worked on projects relating to the subject matter of this Contract, or who have had any influence on decisions affecting the subject matter of this Contract, for two (2) years following the completion of this Contract.

Section 13.05 Anti-kickback provision.
MCO certifies that it will comply with the Anti-Kickback Act of 1986, 41 U.S.C. §51-58 and Federal Acquisition Regulation 52.203-7, to the extent applicable.

Section 13.06 Debt or back taxes owed to State of Texas.
In accordance with Section 403.055 of the Texas Government Code, MCO agrees that any payments due to MCO under the Contract will be first applied toward any debt and/or back taxes MCO owes State of Texas. MCO further agrees that payments will be so applied until such debts and back taxes are paid in full.

Section 13.07 Outstanding debts and judgments.
MCO certifies that it is not presently indebted to the State of Texas, and that MCO is not subject to an outstanding judgment in a suit by State of Texas against MCO for collection of the balance. For purposes of this Section, an indebtedness is any amount or sum of money that is due and owing to the State of Texas and is not currently under dispute. A false statement regarding MCO’s status will be treated as a material breach of this Contract and may be grounds for termination at the option of HHSC.

Article 14. Representations & Warranties

Section 14.01 Authorization.
(a) The execution, delivery and performance of this Contract has been duly authorized by MCO and no additional approval, authorization or consent of any governmental or regulatory agency is required to be obtained in order for MCO to enter into this Contract and perform its obligations under this Contract.
(b) MCO has obtained all licenses, certifications, permits, and authorizations necessary to perform the Services under this Contract and currently is in good standing with all regulatory agencies that regulate any or all aspects of MCO’s performance of this Contract. MCO will maintain all required certifications, licenses, permits, and authorizations during the term of this Contract.

Section 14.02 Ability to perform.
MCO warrants that it has the financial resources to fund the capital expenditures required under the Contract without advances by HHSC or assignment of any payments by HHSC to a financing source.

Section 14.03 Minimum Net Worth.

The MCO has, and will maintain throughout the life of this Contract, minimum net worth that complies with standards adopted by TDI. Minimum net worth means the excess total admitted assets over total liabilities, excluding liability for subordinated debt issued in compliance with Chapter 843 of the Texas Insurance Code.

Section 14.04 Insurer solvency.

(a) The MCO must be and remain in full compliance with all applicable state and federal solvency requirements for basic-service health maintenance organizations, including but not limited to, all reserve requirements, net worth standards, debt-to-equity ratios, or other debt limitations. In the event the MCO fails to maintain such compliance, HHSC, without limiting any other rights it may have by law or under the Contract, may terminate the Contract.
(b) If the MCO becomes aware of any impending changes to its financial or business structure that could adversely impact its compliance with the requirements of the Contract or its ability to pay its debts as they come due, the MCO must notify HHSC immediately in writing.
(c) The MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:
   (1) continuation of Covered Services, until the time of discharge, to Members who are confined on the date of insolvency in a hospital or other inpatient facility;
   (2) payments to unaffiliated health care providers and affiliated healthcare providers whose Contracts do not contain Member “hold harmless” clauses acceptable to the TDI;
   (3) continuation of Covered Services for the duration of the Contract Period for which a capitation has been paid for a Member;
   (4) provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI and the Contract.
   Should TDI determine that there is an immediate risk of insolvency or the MCO is unable to provide Covered Services to its Members, HHSC, without limiting any other rights it may have by law, or under the Contract, may terminate the Contract.

Section 14.05 Workmanship and performance.

(a) All Services and Deliverables provided under this Contract will be provided in a manner consistent with the standards of quality and integrity as outlined in the Contract.
(b) All Services and Deliverables must meet or exceed the required levels of performance specified in or pursuant to this Contract.
(c) MCO will perform the Services and provide the Deliverables in a workmanlike manner, in accordance with best practices and high professional standards used in well-managed operations performing services similar to the Services described in this Contract.

Section 14.06 Warranty of deliverables.

MCO warrants that Deliverables developed and delivered under this Contract will meet in all material respects the specifications as described in the Contract during the period following its acceptance by HHSC, through the term of the Contract, including any subsequently negotiated by MCO and HHSC. MCO will promptly repair or replace any such Deliverables not in compliance with this warranty at no charge to HHSC.

Section 14.07 Compliance with Contract.

MCO will not take any action substantially or materially inconsistent with any of the terms and conditions set forth in this Contract without the express written approval of HHSC.

Section 14.08 Technology Access

All technological solutions offered by the MCO must comply with the requirements of Texas Government Code § 531.0162. This includes providing technological solutions that meet federal accessibility standards for persons with disabilities, as applicable.
Section 14.09 Electronic & Information Resources Accessibility Standards

(a) Applicability
The following Electronic and Information Resources (EIR) requirements apply to the Contract because the MCO perform services that include EIR that: (i) HHSC employees are required or permitted to access; or (ii) members of the public are required or permitted to access. This Section does not apply to incidental uses of EIR in the performance of a Contract, unless the Parties agree that the EIR will become property of the State or will be used by the HHSC’s clients or recipients after completion of the Contract. Nothing in this section is intended to prescribe the use of particular designs or technologies or to prevent the use of alternative technologies, provided they result in substantially equivalent or greater access to and use of a Product.

(b) Definitions.
For purposes of this Section:

“Accessibility Standards” means the Electronic and Information Resources Accessibility Standards and the Web Site Accessibility Standards/Specifications.

“Electronic and Information Resources” means information resources, including information resources technologies, and any equipment or interconnected system of equipment that is used in the creation, conversion, duplication, or delivery of data or information. The term includes, but is not limited to, telephones and other telecommunications products, information kiosks, transaction machines, Internet websites, multimedia resources, and office equipment, including copy machines and fax machines.

“Electronic and Information Resources Accessibility Standards” means the accessibility standards for electronic and information resources contained in Volume 1 Texas Administrative Code Chapter 213.

“Web Site Accessibility Standards/Specifications” means standards contained in Volume 1 Texas Administrative Code Chapter 206.

“Product” means information resources technology that is, or is related to, EIR.

(c) Accessibility Requirements.
Under Texas Government Code Chapter 2054, Subchapter M, and implementing rules of the Texas Department of Information Resources, HHSC must procure Products that comply with the Accessibility Standards when such Products are available in the commercial marketplace or when such Products are developed in response to a procurement solicitation. Accordingly, MCO must provide electronic and information resources and associated Product documentation and technical support that comply with the Accessibility Standards.

(d) Evaluation, Testing, and Monitoring.
(1) HHSC may review, test, evaluate and monitor MCO’s Products and associated documentation and technical support for compliance with the Accessibility Standards. Review, testing, evaluation and monitoring may be conducted before and after the award of a contract. Testing and monitoring may include user acceptance testing.

Neither (1) the review, testing (including acceptance testing), evaluation or monitoring of any Product, nor (2) the absence of such review, testing, evaluation or monitoring, will result in a waiver of the State’s right to contest the MCO’s assertion of compliance with the Accessibility Standards.

(2) MCO agrees to cooperate fully and provide HHSC and its representatives timely access to Products, records, and other items and information needed to conduct such review, evaluation, testing and monitoring.

(e) Representations and Warranties.
(1) MCO represents and warrants that: (i) as of the Effective Date of the Contract, the Products and associated documentation and technical support comply with the Accessibility Standards as they exist at the time of entering the Contract, unless and to the extent the Parties otherwise expressly agree in writing; and (ii) if the Products will be in the custody of the state or an HHS Agency’s client or recipient after the Contract expiration or termination, the Products will continue to comply with such Accessibility Standards after the expiration or termination of the Contract Term, unless HHSC and/or its clients or recipients, as applicable, use the Products in a manner that renders it noncompliant.

(2) In the event MCO should have known, becomes aware, or is notified that the Product and associated documentation and technical support do not comply with the Accessibility Standards, MCO represents and warrants that it will, in a timely manner and at no cost to HHSC, perform all necessary steps to satisfy the Accessibility Standards, including but not limited to remediation, replacement, and upgrading of the Product, or providing a suitable substitute.

(3) MCO acknowledges and agrees that these representations and warranties are essential inducements on which HHSC relies in awarding this Contract.

(4) MCO’s representations and warranties under this subsection will survive the termination or expiration of the Contract and will remain in full force and effect throughout the useful life of the Product.

(f) Remedies.
Pursuant to Texas Government Code Sec. 2054.465, neither MCO nor any other person has cause of action against HHSC for a claim of a failure to comply with Texas Government Code Chapter 2054, Subchapter M, and rules of the Department of Information Resources.

In the event of a breach of MCO’s representations and warranties, MCO will be liable for direct, consequential, indirect, special, and/or liquidated damages and any other remedies to which HHSC may be entitled under this Contract and other applicable law. This remedy is cumulative of any and all other remedies to which HHSC may be entitled under this Contract and other applicable law.

Article 15. Intellectual Property

Section 15.01 Infringement and misappropriation.

(a) MCO warrants that all Deliverables provided by MCO will not infringe or misappropriate any right of, and will be free of any claim of, any third person or entity based on copyright, patent, trade secret, or other intellectual property rights.

(b) MCO will, at its expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC, its employees, officers, directors, contractors, and agents from and against any losses, liabilities, damages, penalties, costs, and fees from any claim or action against HHSC that is based on a claim of breach of the warranty set forth in the preceding paragraph. HHSC will promptly notify MCO in writing of the claim, provide MCO a copy of all information received by HHSC with respect to the claim, and cooperate with MCO in defending or settling the claim. HHSC will not unreasonably withhold, delay or condition approval of counsel selected by the MCO.

(c) In case the Deliverables, or any one (1) or part thereof, is in such action held to constitute an infringement or misappropriation, or the use thereof is enjoined or restricted or if a proceeding appears to MCO to be likely to be brought, MCO will, at its own expense, either:

(1) Procure for HHSC the right to continue using the Deliverables; or

(2) Modify or replace the Deliverables to comply with the Specifications and to not violate any intellectual property rights.

Section 15.02 Exceptions.

MCO is not responsible for any claimed breaches of the warranties set forth in Section 15.01 to the extent caused by:

(a) Modifications made to the item in question by anyone other than MCO or its Subcontractors, or modifications made by HHSC or its contractors working at MCO’s direction or in accordance with the specifications; or

(b) The combination, operation, or use of the item with other items if MCO did not supply or approve for use with the item; or

(c) HHSC’s failure to use any new or corrected versions of the item made available by MCO.

Section 15.03 Ownership and Licenses

(a) Definitions.

For purposes of this Section 15.03, the following terms have the meanings set forth below:

(1) **“Custom Software”** means any software developed by the MCO: for HHSC; in connection with the Contract; and with funds received from HHSC. The term does not include MCO Proprietary Software or Third Party Software.

(2) **“MCO Proprietary Software”** means software: (i) developed by the MCO prior to the Effective Date of the Contract, or (ii) software developed by the MCO after the Effective Date of the Contract that is not developed: for HHSC; in connection with the Contract; and with funds received from HHSC.

(3) **“Third Party Software”** means software that is: developed for general commercial use; available to the public; or not developed for HHSC. Third Party Software includes without limitation: commercial off-the-shelf software; operating system software; and application software, tools, and utilities.

(b) Deliverables.

The Parties agree that any Deliverable, including without limitation the Custom Software, will be the exclusive property of HHSC.

(c) Ownership rights.

(1) HHSC will own all right, title, and interest in and to its Confidential Information and the Deliverables provided by the MCO, including without limitation the Custom Software and associated documentation. For purposes of this Section 15.03, the Deliverables will not include MCO Proprietary Software or Third Party Software. MCO will take all actions necessary and transfer ownership of the Deliverables to HHSC, including, without limitation, the Custom Software and associated documentation prior to Contract termination.
MCO will furnish such Deliverables, upon request of HHSC, in accordance with applicable State law. All Deliverables, in whole and in part, will be deemed works made for hire of HHSC for all purposes of copyright law, and copyright will belong solely to HHSC. To the extent that any such Deliverable does not qualify as a work for hire under applicable law, and to the extent that the Deliverable includes materials subject to copyright, patent, trade secret, or other proprietary right protection, MCO agrees to assign, and hereby assigns, all right, title, and interest in and to Deliverables, including without limitation all copyrights, inventions, patents, trade secrets, and other proprietary rights therein (including renewals thereof) to HHSC.

MCO will, at the expense of HHSC, assist HHSC or its nominees to obtain copyrights, trademarks, or patents for all such Deliverables in the United States and any other countries. MCO agrees to execute all papers and to give all facts known to it necessary to secure United States or foreign country copyrights and patents, and to transfer or cause to transfer to HHSC all the right, title, and interest in and to such Deliverables. MCO also agrees not to assert any moral rights under applicable copyright law with regard to such Deliverables.

(d) License Rights
HHSC will have a royalty-free and non-exclusive license to access the MCO Proprietary Software and associated documentation during the term of the Contract. HHSC will also have ownership and unlimited rights to use, disclose, duplicate, or publish all information and data developed, derived, documented, or furnished by MCO under or resulting from the Contract. Such data will include all results, technical information, and materials developed for and/or obtained by HHSC from MCO in the performance of the Services hereunder, including but not limited to all reports, surveys, plans, charts, recordings (video and/or sound), pictures, drawings, analyses, graphic representations, computer printouts, notes and memoranda, and documents whether finished or unfinished, which result from or are prepared in connection with the Scope of Work performed as a result of the Contract.

(e) Proprietary Notices
MCO will reproduce and include HHSC’s copyright and other proprietary notices and product identifications provided by MCO on such copies, in whole or in part, or on any form of the Deliverables.

(f) State and Federal Governments
In accordance with 45 C.F.R. §95.617, all appropriate State and Federal agencies will have a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, translate, or otherwise use, and to authorize others to use for Federal Government purposes all materials, the Custom Software and modifications thereof, and associated documentation designed, developed, or installed with federal financial participation under the Contract, including but not limited to those materials covered by copyright, all software source and object code, instructions, files, and documentation.

Article 16. Liability

Section 16.01 Property damage.

(a) MCO will protect HHSC’s real and personal property from damage arising from MCO’s, its agent’s, employees.’ Consultants’, and Subcontractors’ performance of the Scope of Work, and MCO will be responsible for any loss, destruction, or damage to HHSC’s property that results from or is caused by MCO’s, its agents’, employees’, consultant’s, or Subcontractors’ negligent or wrongful acts or omissions. Upon the loss of, destruction of, or damage to any property of HHSC, MCO will notify the HHSC Project Manager thereof and, subject to direction from the Project Manager or her or his designee, will take all reasonable steps to protect that property from further damage.

(b) MCO agrees to observe and encourage its employees and agents to observe safety measures and proper operating procedures at HHSC sites at all times.

(c) MCO will distribute a policy statement to all of its employees and agents that directs the employee or agent to promptly report to HHSC or to MCO any special defect or unsafe condition encountered while on HHSC premises. MCO will promptly report to HHSC any special defect or an unsafe condition it encounters or otherwise learns about.

Section 16.02 Risk of Loss.

During the period Deliverables are in transit and in possession of MCO, its carriers or HHSC prior to being accepted by HHSC, MCO will bear the risk of loss or damage thereto, unless such loss or damage is caused by the negligence or intentional misconduct of HHSC. After HHSC accepts a Deliverable, the risk of loss or damage to the Deliverable will be borne by HHSC, except loss or damage attributable to the negligence or intentional misconduct of MCO’s agents, employees, consultants, or Subcontractors.

Section 16.03 Limitation of HHSC’s Liability.

HHSC WILL NOT BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHER
Article 17. Insurance & Bonding

Section 17.01 Insurance Coverage.

(a) Statutory and General Coverage
MCO will maintain, at the MCO’s expense, the following insurance coverage:

(1) Business Automobile Liability Insurance for all owned, non-owned, and hired vehicles for bodily injury and property damage;
(2) Comprehensive General Liability Insurance of at least $1,000,000.00 per occurrence and $5,000,000.00 in the aggregate (including Bodily Injury coverage of $100,000.00 per each occurrence and Property Damage Coverage of $25,000.00 per occurrence); and
(3) If MCO’s current Comprehensive General Liability insurance coverage does not meet the above stated requirements, MCO will obtain Umbrella Liability Insurance to compensate for the difference in the coverage amounts. If Umbrella Liability Insurance is provided, it must follow the form of the primary coverage.

(b) Professional Liability Coverage.
(1) MCO must maintain, or cause its Network Providers to maintain, Professional Liability Insurance for each Network Provider of $100,000.00 per occurrence and $300,000.00 in the aggregate, or the limits required by the hospital at which the Network Provider has admitting privileges.
(2) MCO must maintain an Excess Professional Liability (Errors and Omissions) Insurance Policy for the greater of $3,000,000.00 or an amount (rounded to the nearest $100,000.00) that represents the number of Members enrolled in the MCO in the first month of the applicable State Fiscal Year multiplied by $150.00, not to exceed $10,000,000.00.

(c) General Requirements for All Insurance Coverage
(1) Except as provided herein, all exceptions to the Contract’s insurance requirements must be approved in writing by HHSC. HHSC’s written approval is not required in the following situations:
   (i) An MCO or a Network Provider is not required to obtain the insurance coverage described in Section 17.01 if the MCO or Network Provider qualifies as a state governmental unit or municipality under the Texas Tort Claims Act, and is required to comply with, and subject to the provisions of, the Texas Tort Claims Act.
   (ii) An MCO may waive the Professional Liability Insurance requirement described in Section 17.01(b)(1) for a Network Provider of Community-based Long-term Services and Supports. An MCO may not waive this requirement if the Network Provider provides other Covered Services in addition to Community-based Long Term Services and Supports, or if a Texas licensing entity requires the Network Provider to carry such Professional Liability coverage. An MCO that waives the Professional Liability Insurance requirement for a Network Provider pursuant to this provision is not required to obtain such coverage on behalf of the Network Provider.

(2) MCO or the Network Provider is responsible for any and all deductibles stated in the insurance policies.
(3) Insurance coverage must be issued by insurance companies authorized to conduct business in the State of Texas.
(4) With the exception of Professional Liability Insurance maintained by Network Providers, all insurance coverage must name HHSC as an additional insured. In addition, with the exception of Professional Liability Insurance maintained by Network Providers and Business Automobile Liability Insurance, all insurance coverage must name HHSC as a loss payee.
(5) Insurance coverage kept by the MCO must be maintained in full force at all times during the Term of the Contract, and until HHSC’s final acceptance of all Services and Deliverables. Failure to maintain such insurance coverage will constitute a material breach of this Contract.
(6) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must have extended reporting periods of two (2) years. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, the Contract Effective Date.
(7) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must provide that prior written notice be given to HHSC at least 30 calendar
days before coverage is reduced below minimum HHSC contractual requirements, canceled, or non-renewed. MCO must submit a new coverage binder to HHSC to ensure no break in coverage.

(8) The Parties expressly understand and agree that any insurance coverages and limits furnished by MCO will in no way expand or limit MCO’s liabilities and responsibilities specified within the Contract documents or by applicable law.

(9) MCO expressly understands and agrees that any insurance maintained by HHSC will apply in excess of and not contribute to insurance provided by MCO under the Contract.

(10) If MCO, or its Network Providers, desire additional coverage, higher limits of liability, or other modifications for its own protection, MCO or its Network Providers will be responsible for the acquisition and cost of such additional protection. Such additional protection will not be an Allowable Expense under this Contract.

(11) MCO will require all insurers to waive their rights of subrogation against HHSC for claims arising from or relating to this Contract.

(d) Proof of Insurance Coverage

(1) Except as provided in Section 17.01(d)(2), the MCO must furnish the HHSC Project Manager original Certificates of Insurance evidencing the required insurance coverage on or before the Effective Date of the Contract. If insurance coverage is renewed during the Term of the Contract, the MCO must furnish the HHSC Project Manager renewal certificates of insurance, or such similar evidence, within five (5) Business Days of renewal. The failure of HHSC to obtain such evidence from MCO will not be deemed to be a waiver by HHSC and MCO will remain under continuing obligation to maintain and provide proof of insurance coverage.

(2) The MCO is not required to furnish the HHSC Project Manager proof of Professional Liability Insurance maintained by Network Providers on or before the Effective Date of the Contract, but must provide such information upon HHSC’s request during the Term of the Contract.

Section 17.02 Performance Bond.

(a) The MCO must obtain a performance bond with a one (1) year term. The performance bond must be renewable and renewal must occur no later than the first day of each subsequent State Fiscal Year. The performance bond must continue to be in effect for one (1) year following the expiration of the final renewal period. MCO must obtain and maintain the performance bonds in the form prescribed by HHSC and approved by TDI, naming HHSC as Obligee, securing MCO’s faithful performance of the terms and conditions of this Contract. The performance bonds must comply with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. At least one (1) performance bond must be issued. The amount of the performance bond(s) should total $100,000.00 for each MCO Program within each Service Area that the MCO covers under this Contract. Performance bonds must be issued by a surety licensed by TDI, and specify cash payment as the sole remedy. MCO must deliver each renewal prior to the first day of the State Fiscal Year.

(b) Since the CHIP Perinatal Program is a subprogram of the CHIP Program, neither a separate performance bond for the CHIP Perinatal Program nor a combined performance bond for the CHIP and CHIP Perinatal Programs is required. The same bond that the MCO obtains for its CHIP Program within a particular Service Area also will cover the MCO’s CHIP Perinatal Program in that same Service Area.

Section 17.03 TDI Fidelity Bond

The MCO will secure and maintain throughout the life of the Contract a fidelity bond in compliance with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. The MCO must promptly provide HHSC with copies of the bond and any amendments or renewals thereto.
<table>
<thead>
<tr>
<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION3</th>
</tr>
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<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Sections 1 – 5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 1.3 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC. Section 1.8.1 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, &quot;Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 1.6.1 is modified to replace reference to the 1915(b) waiver with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.6.2 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.8 is modified to reference the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC’s administrative rules for identification of eligible populations. Section 1.8.1 STAR Program Eligibility is deleted in its entirety. Section 1.8.2 STAR+PLUS Eligibility is deleted in its entirety. Section 1.8.3 CHIP Program Eligibility is deleted in its entirety.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Section 2.1 is modified to clarify that HHSC uses two dashboards. Section 4.3.7.2 is modified to correct the name to which the acronym HEDIS refers.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Section 1.6.3 is modified to clarify the eligibility thresholds.</td>
</tr>
</tbody>
</table>
Section 1.6.3 is modified to clarify that in this contract CSHCN is defined as a specific DSHS program.

Section 2.1 is modified to add MCO Report Cards.

Section 4.3.10 is modified to clarify that use of the term CSHCN refers to a specific DSHS program.

Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.

Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.

Brief description of the changes to the document made in the revision.

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1. Introduction

1.1 Point-of-Contact

The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission
Enterprise Contracts and Procurement Services
4405 North Lamar Blvd
Austin, Texas 78756-3422
ATT: Alice Hanna, Purchaser
(512) 206-5277
alice.hanna@hhsc.state.tx.us

All communications relating to this RFP must be directed to the HHSC contact person named above. All communications between Respondents and other HHSC staff members concerning this RFP are strictly prohibited. **Failure to comply with these requirements may result in proposal disqualification.**

1.2 Procurement Schedule

The following table documents the critical pre-award events for the procurement. All dates are subject to change at HHSC’s discretion.

<table>
<thead>
<tr>
<th>Procurement Schedule</th>
<th>Date(s)</th>
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<tbody>
<tr>
<td>Draft RFP Release Date</td>
<td>November 5, 2010</td>
</tr>
<tr>
<td>Draft RFP Respondent Comments Due</td>
<td>December 6, 2010</td>
</tr>
<tr>
<td>RFP Release Date</td>
<td>April 8, 2011</td>
</tr>
<tr>
<td>Vendor Conference</td>
<td>April 18, 2011 1:00pm CDT</td>
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<tr>
<td>Respondent Questions Due</td>
<td>April 19, 2011</td>
</tr>
<tr>
<td>Letters Claiming Mandatory Contract Status Due</td>
<td>April 28, 2011</td>
</tr>
<tr>
<td>HHSC Posts Responses to Respondent Questions</td>
<td>April 29, 2011</td>
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<tr>
<td>Proposals Due</td>
<td>May 23, 2011</td>
</tr>
<tr>
<td>Deadline for Proposal Withdrawal</td>
<td>May 23, 2011</td>
</tr>
<tr>
<td>Respondent Demonstrations/Oral Presentations (HHSC option)</td>
<td>HHSC will not be holding presentations</td>
</tr>
<tr>
<td>Tentative Award Announcement</td>
<td>August 1, 2011</td>
</tr>
<tr>
<td>Anticipated Contract Start Date</td>
<td>September 1, 2011</td>
</tr>
<tr>
<td>Operational Start Date</td>
<td>March 1, 2012</td>
</tr>
</tbody>
</table>

1.3 Purpose

The State of Texas, by and through the Texas Health and Human Services Commission (HHSC), is soliciting competitive proposals for managed care services for recipients who participate in the following managed care programs:

- Medicaid State of Texas Access Reform Program (STAR);
- Medicaid STAR+PLUS Program;
- Children’s Health Insurance Program (CHIP), including the CHIP Perinatal subprogram.
In order to ensure that recipients have a choice of health plans in all MCO Programs, HHSC will select at least two (2) managed care organizations (MCOs) per MCO Program and Service Area. Through this Request for Proposals (RFP), HHSC is expanding both the scope of services and the geographical areas covered by its current managed care programs. New features include:

- Expansion of STAR into two (2) new regions, the Hidalgo Service Area and Medicaid Rural Service Area (MRSA).
- Expansion of STAR+PLUS into the El Paso and Lubbock Service Areas, as well as the new Hidalgo Service Area.
- Adjustments to the Service Area boundaries for STAR, STAR+PLUS and CHIP Service Areas, so that the Service Areas are consistent for all Programs.
- The addition of prescription drug benefits to the managed care structure. The prescription drug benefit will no longer be carved-out of managed care and paid through HHSC’s Vendor Drug Program. Medicaid and CHIP MCOs will be responsible for recruiting and maintaining pharmacy providers and paying for pharmacy benefits.
- The addition of inpatient facility services to the managed care structure for STAR+PLUS.
- For Dual Eligible Members in the STAR+PLUS Program, the addition of Medicaid Wrap Services to the scope of Covered Services at a date determined by HHSC.

Attachments B-5, 5.1, and 5.2 include maps of the planned STAR, STAR+PLUS and CHIP Service Areas.

1.4 Mission Statement

HHSC’s mission is to create a customer-focused, innovative, and adaptable managed care system that provides the highest quality of care to clients while at the same time ensures access to services. Through this procurement, HHSC seeks to accomplish its mission by contracting for measurable results that improve Member access and satisfaction; maximize program efficiency, effectiveness, and responsiveness; and limit operational costs.

1.5 Mission Objectives

To accomplish the HHSC’s mission, HHSC will prioritize desired outcomes and benefits for the managed care programs, and will focus its monitoring efforts on the MCOs’ ability to provide satisfactory results in the following areas.

1. Network adequacy and access to care

All Members must have timely access to quality of care through a Network of Providers designed to meet the needs of the population served. The MCO will be held accountable for creating and maintaining a Network capable of delivering all Covered Services to Members. The MCO must provide Members with access to qualified Network Providers within the travel distance and waiting time for appointment standards defined in this RFP.

2. Quality

HHSC is accountable to Texans for ensuring that all Members receive quality services in the most efficient and effective manner possible. Accordingly, the MCO will be responsible for providing high quality services in a professional and ethical manner. HHSC expects the MCO to implement new and creative approaches that ensure quality services, cost-effective service delivery, and careful stewardship of public resources.

3. Timeliness of claim payment

The MCO’s ability to ensure that Network Providers receive timely and fair payment for services rendered is a key component of their success in the STAR, STAR+PLUS, and CHIP programs. The MCO must have the ability to timely comply with HHSC’s claims adjudication requirements, as set forth in the Uniform Managed Care Manual. Therefore, HHSC will require
strict adherence to claims adjudication standards during the term of the Contract. HHSC also encourages MCOs to provide a no-cost alternative for providers to allow billing without the use of a clearinghouse, and to include attendant care payments as part of the regular claims payment process.

4. Timeliness with which prenatal care is initiated

STAR Program data has revealed that 83% of pregnant women received prenatal care in the first trimester or within 42 days of enrollment. While this rate approximates the Medicaid managed care national average, HHSC believes that the high prevalence of births in the STAR population warrants efforts to improve timeliness of prenatal care initiation.

5. Behavioral health services

Members must have timely access to Medically Necessary Behavioral Health Services, such as mental health counseling and treatment, as well as timely and appropriate follow-up care.

6. Delivery of health care to diverse populations

Member populations in Texas are as diverse as those of any state in the nation. Health Care Services must be delivered without regard to racial or ethnic factors. HHSC expects the MCO to implement intervention strategies to avoid disparities in the delivery of Health Care Services to diverse populations and provide services in a culturally competent manner as described in Section 8.1.5.8 of the RFP.

7. Disease management requirements

The MCO must provide a comprehensive disease management program or coverage for Disease Management (DM) services for asthma, diabetes, and other chronic diseases identified by the MCO, based upon an evaluation of the prevalence of the diseases within the MCO’s membership. Please refer to the Uniform Managed Care Manual, Chapter 9.1 “Disease Management,” for additional DM requirements.

8. Service Coordination

The integration of Acute Care services and Community-based Long-Term Services and Supports is an essential feature of STAR+PLUS. A STAR+PLUS MCO must demonstrate that there are sufficient levels of qualified and competent personnel devoted to Service Coordination to meet the everyday needs of STAR+PLUS Members, including Dual Eligibles.

9. Continuity Of Care

HHSC expects that established Member/Provider relationships, existing treatment protocols, and ongoing care plans will not be impacted significantly by this procurement. Transition to the MCO must be as seamless as possible for Members and their Providers.

1.6 Overview of the HHSC MCO Programs

House Bill 7 from the 72nd Regular Session of the Texas Legislature mandated the establishment of Medicaid managed care pilot projects that utilized proven approaches for delivering comprehensive health care. In 1991, the Texas Department of Health created the Bureau of Managed Care. Since that time, Texas has administered a comprehensive set of managed care programs to serve low income Texans. These programs, as presently constituted and administered by HHSC, include the STAR, STAR+PLUS, and CHIP Programs as described in this section.

1.6.1 STAR

STAR is currently HHSC’s primary managed care program for Medicaid Eligibles and operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. It grew out of a pilot project in Travis County in 1993.
STAR is currently available in Bexar, Dallas, El Paso, Harris, Nueces, Jefferson, Lubbock, Tarrant, and Travis regions. Total STAR enrollment as of August 1, 2010 was 1,452,531.

All non-STaR counties in Texas (primarily rural areas) are currently served by the Medicaid Primary Care Case Management Program (PCCM). Total PCCM enrollment as of August 1, 2010 was 840,172. As a result of this procurement, PCCM will be replaced by STAR in the Hidalgo Service Area and the Medicaid Rural Service Area (MRSA). Note, however, that in the Hidalgo Service Area, HHSC will secure legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR Program. Refer to the Procurement Library for current and projected STAR enrollment by Service Area.

1.6.2 STAR+PLUS

STAR+PLUS is a Texas Medicaid program integrating the delivery of Acute Care services and Community-based Long-Term Services and Supports to aged, blind, and disabled (ABD) Medicaid recipients through a managed care system. STAR+PLUS began as a Medicaid pilot project in Harris County in 1998. The STAR+PLUS program operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. The waivers allow the state to provide home and community-based services for Supplemental Security Income (SSI) eligible and SSI-related Medicaid clients, and to mandate managed care participation for SSI/SSI-related eligible clients who are 21 years of age and older. Enrollment in STAR+PLUS is voluntary for clients who are 20 years of age and younger.

As of August 1, 2010, STAR+PLUS MCOs served 169,873 Members in the Bexar, Harris, Nueces, and Travis Service Areas. Through this procurement, HHSC intends to expand STAR+PLUS to the El Paso, Hidalgo, and Lubbock Service Areas (see Attachment B-5.2 STAR+PLUS Service Area Map). As in STAR, HHSC will seek legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR+PLUS Hidalgo Service Area. Refer to the Procurement Library for current and projected STAR+PLUS enrollment by Service Area.

1.6.3 CHIP

CHIP is HHSC’s program to help Texas families obtain affordable coverage for their uninsured children (from birth through the month of their 19th birthday). In 1999, the 76th Texas Legislature authorized the state’s participation in the federal CHIP program. The principal objective of the state legislation was to provide primary and preventative health care to low-income, uninsured children of Texas, including children with special health care needs who were not served by or eligible for other state-assisted health insurance programs.

HHSC began operating CHIP in 2000. CHIP Members are currently covered through two (2) types of managed care entities - health maintenance organizations (HMOs) licensed by the Texas Department of Insurance (TDI) and exclusive provider organizations (EPOs) with TDI-approved exclusive provider benefit plans (EPBPs). HMOs serve CHIP Members in eight (8), primarily urban Service Areas. EPOs serve the remaining CHIP Members, who reside primarily in the 174-county rural service area (the CHIP RSA). As of September 1, 2010, 523,895 children were enrolled in CHIP. Of these, 400,243 were enrolled in HMOs. The balance of the CHIP enrollment is in the EPOs serving the CHIP RSA. Refer to the Procurement Library for current and projected CHIP enrollment by Service Area.

The CHIP Perinatal Program, a subprogram of CHIP, is for unborn children of women who are not eligible for Medicaid. The 2006-07 General Appropriations Act (Article II, Health and Human Services Commission, Rider 70, S.B. 1, 79th Legislature, Regular Session, 2005) authorized HHSC to expend funds to provide unborn children with health benefit coverage under CHIP. The result was the CHIP Perinatal Program, which began in January 2007. This benefit allows pregnant women who are ineligible for Medicaid due to income (whose income is greater than the Medicaid eligibility threshold) or immigration status (and whose income is also below the Medicaid eligibility threshold) to receive prenatal care for their unborn children. Upon delivery, newborns in families with income at or below the Medicaid eligibility threshold move from the CHIP Perinatal Program to Medicaid, where they receive 12-months of continuous Medicaid coverage. CHIP Perinatal newborns in families with incomes above the Medicaid eligibility threshold remain in the CHIP Perinatal Program and receive CHIP benefits for a 12-month coverage period, beginning on the date of enrollment as an unborn child. CHIP Perinatal Program Members are exempt from the 90-day waiting period, the asset test, and all cost-sharing that applies to traditional CHIP Members, including enrollment fees and co-pays, for the duration of their coverage period. As of September 1, 2010, 33,860 CHIP Perinates (unborn children) and 19,076 CHIP Perinate Newborns were enrolled in this subprogram.

Throughout this RFP, references to CHIP apply to both the traditional CHIP Program and the CHIP Perinatal subprogram unless the context indicates otherwise.
1.7 Other HHSC Managed Care Programs

The following managed care options are not included in the scope of this procurement:

**CHIP Rural Service Area (RSA):** 174 primarily-rural counties.

**Medicaid and CHIP Dental Programs:** The Medicaid State Plan encourages eligible individuals to improve and maintain good oral health by providing access to comprehensive dental care. The CHIP Dental Program is a statewide program that provides services such as routine check-ups, cleanings, X-rays, sealants, fillings, tooth removal, crowns/caps and root canals for all CHIP children. HHSC has issued a managed care procurement with an anticipated operational start date of March 1, 2012 for both the Medicaid and CHIP Dental Programs.

**STAR+PLUS Program in the Dallas and Tarrant Service Areas:** Effective February 1, 2011, STAR+PLUS began serve approximately 78,000 Medicaid clients in the Dallas and Tarrant Service Areas.

**STAR Health Program:** On April 1, 2008, HHSC launched the STAR Health program as the first comprehensive health and medical network for children who are in the state’s foster care system. The goal is to give children health care services that are coordinated, comprehensive, easy to find, and uninterrupted when the child moves.

**NorthSTAR:** NorthSTAR is an integrated behavioral health delivery system for Medicaid Eligibles in the Dallas Service Area. It is an initiative of the Texas Department of Mental Health and Mental Retardation and the Texas Commission on Alcohol and Drug Abuse. Behavioral Health Services are provided by a licensed behavioral health organization. Due to the presence of NorthSTAR in the Dallas Service Area, MCOs in the Service Area will not be required to provide Behavioral Health Services to STAR Members.

1.8 Eligible Populations for HHSC MCO Programs

The Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC's administrative rules identify the populations that are eligible for STAR and STAR+PLUS, and the CHIP State Plan identifies the populations eligible for CHIP.

Federal law requires a choice of Medicaid managed care health plans in any given Service Area. For the STAR Program, during the period after which the Medicaid eligibility determination has been made, but prior to enrollment in the MCO, Medicaid Eligibles, with the exception of certain newborns and pregnant women will be enrolled under the traditional fee-for-service Medicaid program (see Article 5 of Attachment A, Uniform Managed Care Contract Terms and Conditions of the RFP). All such Medicaid Eligibles will remain in the fee-for-service Medicaid program until enrolled in or assigned to a STAR or STAR+PLUS MCO, as applicable. For the CHIP MCO Program, there is no benefit coverage for CHIP-eligible children prior to enrollment in a CHIP MCO.

1.9 Authorization

The Texas Legislature has designated HHSC as the single state agency to administer the Medicaid and CHIP Programs in the State of Texas. HHSC has authority to contract with MCOs to carry out the duties and functions of the Medicaid Managed Care Program under Title XIX of the Social Security Act; §12.011 and §12.02, Texas Health and Safety Code; and Chapter 533, Texas Government Code. HHSC has the authority to contract with MCOs to carry out the duties of the CHIP Managed Care Program under Title XXI of the Social Security Act, and Chapter 62, Texas Health and Safety Code.

Contracts awarded under this RFP are subject to all necessary federal and state approvals, including, but not limited to, Centers for Medicare and Medicaid Services (CMS) approval.

1.10 Eligible Respondents
Except as provided herein, eligible Respondents include insurers that are licensed by the TDI as HMOs in accordance with Chapter 843 of the Texas Insurance Code, or a certified Approved Non-Profit Health Corporation (ANHC), formed in compliance with Chapter 844 of the Texas Insurance Code.

For the STAR and STAR+PLUS Hidalgo Service Area, eligible respondents include HMOs, ANHCs, and EPOs with TDI-approved EPBPs. Note that under current state law, HHSC is precluded from providing services to Medicaid recipients through an HMO model in the following three (3) counties in the Hidalgo Service Area: Cameron, Hidalgo, and Maverick. HHSC will not implement any form of capitated managed care in these three (3) counties in the Hidalgo Service Area without guidance from the Texas Legislature. Respondents who are interested in bidding on the Hidalgo Service Area should nevertheless pursue one or more forms of TDI approval appropriate to these counties.

For the Medicaid Rural Service Area for STAR, eligible respondents include HMOs, ANHCs, EPOs with TDI-approved EPBPs. Note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may seek TDI approval in one (1) or more of these areas, but should note that HHSC will more favorably evaluate responses that propose to serve all three (3) areas. Should HHSC determine that it is in the state’s best interest to subdivide the Medicaid Rural Service Area for purposes of award, the Medicaid Rural Service Area will still be treated as one (1) Service Area for rate-setting purposes.

Throughout this RFP, the term “MCO” is used to refer to HMOs, ANHCs, and EPOs.

A Respondent that has submitted its application for licensure as an HMO, for certification as an ANHC, or for approval of an EPBP prior to the Proposal due date is also eligible to respond to this RFP; however, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract (see Section 1.2, “Procurement Schedule”). Failure to receive the required approval within 60 days after HHSC executes the Contract will result in the cancellation of the award.

For more information on the reasons for HHSC’s disqualification of Respondents, see Section 3.3.2, “Conflicts of Interest,” and Section 3.3.3, “Former Employees of a State Agency.”

1.11 Term of Contract

The Initial Contract Period will begin on the Contract’s Effective Date (generally the date HHSC signs the contract) and will continue through August 31, 2015 (the “Initial Contract Period”). HHSC may, at its option, extend the Contract for an additional period or periods, not to exceed a total of eight (8) operational years. All reserved Contract extensions beyond the Initial Contract Period will be subject to good faith negotiation between the parties.

1.12 Development of Contracts

HHSC intends to execute one (1) Contract per MCO, which will include all awarded MCO Programs and Service Areas. For reference only, HHSC has included a copy of the standard Managed Care Contract in the Procurement Library. The Managed Care Contract identifies an MCO’s awarded MCO Programs and Service Areas, and identifies all documents that will become part of the agreement, including Attachment A, "Uniform Managed Care Contract Terms and Conditions."

1.13 Medicaid and CHIP Service Areas

In this RFP, HHSC distinguishes areas of Texas by MCO Program Service Areas. If a Respondent proposes to participate in an HHSC MCO Program Service Area, the Respondent must propose to serve all counties in the HHSC-defined Service Area, with the following exception. As described above, Respondents may choose to serve all or part of the STAR Medicaid Rural Service Area. Maps and tables depicting the Service Area configuration for each of the MCO Programs can be found in Attachments B-5, 5.1, and 5.2. The tables indicate the counties included in each of the designated Service Areas. The following chart summarizes the MCO Program options included in the scope of this procurement, by Service Area.
As described above, HHSC intends to expand the STAR Program to include the Hidalgo Service Area and Medicaid RSA, and the STAR+PLUS MCO Program to include the El Paso, Hidalgo, and Lubbock Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.

2. Procurement Strategy and Approach

HHSC seeks to contract with at least two (2) MCOs for each MCO Program and Service Areas to provide for client choice. It is possible that a Service Area could have more than two (2) MCOs. HHSC reserves the right to enter into Contracts with more than two (2) MCOs in any Service Area based on:

- the number of managed care Eligibles in the Service Area compared to the combined capacity of qualified MCO Respondents, and
- statutory requirements, such as HHSC’s consideration of Proposals from an MCO owned or operated by a hospital district.

Section 2155.144, Texas Government Code obligates HHSC to purchase goods and services on the basis of best value. HHSC rules define “best value” as the optimum combination of economy and quality that is the result of fair, efficient, and practical procurement decision-making and that achieves health and human services procurement objectives (see 1 TAC §391.31). HHSC will evaluate proposals using the best value criteria set forth in Section 5 of this RFP.

2.1 HHSC Model Management Strategy

HHSC will use two Performance Indicator Dashboards (one for administrative and financial measures and another for quality measures). The Performance Indicator Dashboards are included in the Uniform Managed Care Manual. The Performance Indicator Dashboards are not all-inclusive sets of performance measures; HHSC will measure other aspects of the MCO's performance as well. Rather, the Performance Indicator Dashboards assemble performance indicators that assess many of the most important dimensions of the MCO's performance, and includes measures that, when publicly shared, will also serve to incentivize excellence.

As described in Section 8.1.1.1, "Performance Evaluation," after Rate Year 1 HHSC will also collaborate with each MCO to establish an annual series of performance improvement projects. The MCO will be committed to making its best efforts to achieve the established projects.
HHSC may establish some or all of the annual performance improvement projects. HHSC and each MCO will negotiate any remaining projects. These projects will be highly specified and measurable. The projects will reflect areas that present significant opportunities for performance improvement. Once finalized and approved by HHSC, the projects will become part of each MCO's annual plan for its Quality Assurance and Performance Improvement (QAPI) Program, as defined in Section 8.1.7, "Quality Assessment and Performance Improvement," and will be incorporated by reference into the Contract.

As described in Section 8.1.1.1.1, HHSC will develop MCO report cards to help STAR, STAR+PLUS, and CHIP enrollees to identify and select an MCO. HHSC recognizes the importance of applying a variety of financial and non-financial incentives and disincentives for demonstrated MCO performance. It is HHSC's objective to recognize and reward both excellence in performance and improvement in performance within existing state and federal financial constraints. It is likely that this approach will be modified over time based on several variables, including accumulated experience by HHSC and the MCO, changes in the status of state finances, and changes in each MCO's performance levels. Section 6.3, "Performance Incentives and Disincentives," describes the incentive and disincentive approach in additional detail.

The incentives and disincentives will be linked to some of the measures in the Performance Indicator Dashboard. The MCO's performance relative to the annual performance improvement projects may be used by HHSC to identify and reward excellence and improvement by the MCO in subsequent years.

Finally, HHSC plans to improve methods for sharing information regarding the Texas Medicaid and CHIP Programs with all of the MCOs through HHSC-sponsored workgroups and other initiatives.

### 2.2 Performance Measures and Associated Remedies

The MCO must provide all services and deliverables under the Contract at an acceptable quality level and in a manner consistent with acceptable industry standard, custom, and practice. Failure to do so may result in HHSC’s assessment of contractual remedies, including liquidated damages, as set forth in Attachment B-4, “Deliverables/Liquidated Damages Matrix.”

### 3. General Instructions and Requirements

#### 3.1 Strategic Elements

#### 3.1.1 Contract Elements

The term “Contract” means the contract awarded as a result of this RFP and all exhibits thereto. At a minimum, the following documents will be incorporated into the contract: this RFP and all attachments and exhibits; any modifications, addendum or amendments issued in conjunction with this RFP; HHSC’s “Uniform Managed Care Contract Terms and Conditions;” and the MCO’s Proposal.

Respondents are responsible for reviewing all parts of the Contract, including the “Uniform Managed Care Contract Terms and Conditions,” and noting any exceptions, reservations, and limitations on the Respondent Information and Disclosures Form.

#### 3.1.2 HHSC’s Basic Philosophy: Contracting for Results

HHSC’s fundamental commitment is to contract for results. HHSC defines a successful result as the generation of defined, measurable, and beneficial outcomes that satisfy the Contract requirements and support HHSC’s missions and objectives. This RFP describes what is required of the MCO in terms of services, deliverables, performance measures, and outcomes, and unless otherwise noted in the RFP, places the responsibility for how they are accomplished on the MCO.

#### 3.2 External Factors
External factors may affect the project, including budgetary and resource constraints. Any contract resulting from the RFP is subject to the availability of state and federal funds. As of the issuance of this RFP, HHSC anticipates that budgeted funds will be available to reasonably fulfill the project requirements. If, however, funds are not available, HHSC reserves the right to withdraw the RFP or terminate the resulting contract without penalty.

3.3 Legal and Regulatory Constraints

3.3.1 Delegation of Authority

State and federal laws generally limit HHSC’s ability to delegate certain decisions and functions to a vendor, including, but not limited to: (1) policy-making authority, and (2) final decision-making authority on the acceptance or rejection of contracted services.

3.3.2 Conflicts of Interest

A conflict of interest is a set of facts or circumstances in which either a Respondent or anyone acting on its behalf in connection with this procurement has past, present, or currently planned personal, professional, or financial interests or obligations that, in HHSC’s determination, would actually or apparently conflict or interfere with the Respondent’s contractual obligations to HHSC. A conflict of interest would include circumstances in which a party’s personal, professional, or financial interests or obligations may directly or indirectly:

• make it difficult or impossible to fulfill its contractual obligations to HHSC in a manner that is consistent with the best interests of the State of Texas;
• impair, diminish, or interfere with that party’s ability to render impartial or objective assistance or advice to HHSC;
• and/or
• provide the party with an unfair competitive advantage in future HHSC procurements.

Neither the Respondent nor any other person or entity acting on its behalf, including, but not limited to subcontractors, employees, agents, and representatives, may have a conflict of interest with respect to this procurement. Before submitting a proposal, Respondents should carefully review Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for additional information concerning conflicts of interests.

A Respondent must certify that it does not have personal or business interests that present a conflict of interest with respect to this RFP and resulting contract (see the Required Certifications form). Additionally, if applicable, the Respondent must disclose all potential conflicts of interest. The Respondent must describe the measures it will take to ensure that there will be no actual conflict of interest and that its fairness, independence, and objectivity will be maintained (see the Respondent Information and Disclosures Form). HHSC will determine to what extent, if any, a potential conflict of interest can be mitigated and managed during the term of the Contract. Failure to identify potential conflicts of interest may result in HHSC’s disqualification of a proposal or termination of the Contract.

3.3.3 Former Employees of a State Agency

Respondents must comply with Texas and federal laws and regulations relating to the hiring of former state employees (see e.g., Texas Government Code §572.054 and 45 C.F.R. §74.43). Such “revolving door” provisions generally restrict former agency heads from communicating with or appearing before the agency on certain matters for two (2) years after leaving the agency. The revolving door provisions also restrict some former employees from representing clients on matters that the employee participated in during state service or matters that were in the employees’ official responsibility.

As a result of such laws and regulations, a Respondent must certify that it has complied with all applicable laws and regulations regarding former state employees (see the Required Certifications Form). Furthermore, a Respondent must disclose any...
relevant past state employment of the Respondent’s or its subcontractors’ employees and agents in the Respondent Information and Disclosure Form.

3.4 HHSC Amendments and Announcements Regarding this RFP

HHSC will post all official communication regarding this RFP on its website, including the notice of tentative award. HHSC reserves the right to revise the RFP at any time. Any changes, amendments, or clarifications will be made in the form of written responses to Respondents’ questions, amendments, or addendum issued by HHSC on its website. Respondents should check the website frequently for notice of matters affecting the RFP. To access the website, go to the “HHSC Contracting Opportunities” page and enter a search for this procurement.

3.5 RFP Cancellation/Partial Award/Non-Award

HHSC reserves the right to cancel this RFP, to make a partial award, or to make no award if it determines that such action is in the best interest of the State of Texas.

3.6 Right to Reject Proposals or Portions of Proposals

HHSC may, in its discretion, reject any and all proposals or portions thereof.

3.7 Costs Incurred

Respondents understand that issuance of this RFP in no way constitutes a commitment by HHSC to award a contract or to pay any costs incurred by a Respondent in the preparation of a response to this RFP. HHSC is not liable for any costs incurred by a Respondent prior to issuance of or entering into a formal agreement, contract, or purchase order. Costs of developing proposals, preparing for or participating in oral presentations and site visits, or any other similar expenses incurred by a Respondent are entirely the responsibility of the Respondent, and will not be reimbursed in any manner by the State of Texas.

3.8 Protest Procedures

Texas Administrative Code, Title 1, Part 15, Chapter 392, Subchapter C outlines HHSC’s Respondent protest procedures.

3.9 Vendor Conference

HHSC will hold a vendor conference according to the time and date in Section 1.2, “Procurement Schedule” in the Lone Star Conference Room located at 11209 Metric Blvd, Building H, Austin, Texas. Vendor conference attendance is strongly recommended, but is not required.

Respondents may email questions for the conference to the HHSC Point of Contact (see Section 1.1) no later than five (5) days before the conference. HHSC will also give Respondents the opportunity to submit written questions at the conference. All questions should reference the appropriate RFP page and section number. HHSC will attempt to respond to questions at the vendor conference, but responses are not official until posted in final form on the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

3.10 Questions and Comments

All questions and comments regarding this RFP should be sent to the HHSC Point of Contact (see Section 1.1). Questions should reference the appropriate RFP page and section number, and must be submitted by the deadline set forth in Section 1.2. HHSC will not respond to questions received after the deadline. HHSC’s responses to Respondent questions will be posted to the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.
Respondents must notify HHSC of any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in the RFP by the deadline for submitting questions and comments. If a Respondent fails to notify HHSC of these issues, it will submit a proposal at its own risk, and if awarded a contract:

(1) must have waived any claim of error or ambiguity in the RFP or resulting contract;
(2) must not contest HHSC’s interpretation of such provision(s); and
(3) must not be entitled to additional compensation, relief, or time by reason of the ambiguity, error, or its later correction.

3.11 Modification or Withdrawal of Proposal

Prior to the proposal submission deadline set forth in Section 1.2, a Respondent may: (1) withdraw its proposal by submitting a written request to the HHSC Point of Contact, or (2) modify its proposal by submitting a written amendment to the HHSC Point of Contact. HHSC may request proposal modifications at any time.

HHSC reserves the right to waive minor informalities in a proposal and award a contract that is in the best interest of the State of Texas. A “minor informality” is an omission or error that, in HHSC’s determination, if waived or modified when evaluating proposals, would not give a Respondent an unfair advantage over other Respondents or result in a material change in the proposal or RFP requirements. When HHSC determines that a proposal contains a minor informality, it may at its discretion provide the Respondent with the opportunity to correct.

3.12 News Releases

Prior to tentative award, a Respondent may not issue a press release or provide any information for public consumption regarding its participation in the procurement. After tentative award, a Respondent must receive prior written approval from HHSC before issuing a press release or providing information for public consumption regarding its participation in the procurement. Requests should be directed to the HHSC Point of Contact identified in Section 1.1.

Section 3.12 does not preclude business communications necessary for a Respondent to develop a proposal, or required reporting to shareholders or governmental authorities.

3.13 Incomplete Proposals

HHSC may reject without further consideration a proposal that does not include a complete, comprehensive, or total solution as requested by this RFP.

3.14 State Use of Proposal Information

HHSC reserves the right to use any and all ideas and information presented in a proposal. A Respondent may not object to HHSC’s use of such information.

3.15 Property of HHSC

Except as otherwise provided in this RFP or the resulting Contract, all products produced by a Respondent, including without limitations the proposal, all plans, designs, software, and other contract deliverables, become the sole property of HHSC. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 15 for additional information concerning intellectual property rights.

3.16 Copyright Restriction
3.17 Additional Information

By submitting a proposal, the Respondent grants HHSC the right to obtain information from any lawful source regarding the Respondent’s and its directors’, officers’, and employees’:

1. past business history, practices, and conduct;
2. ability to supply the goods and services; and
3. ability to comply with Contract requirements.

By submitting a proposal, a Respondent generally releases from liability and waives all claims against any party providing HHSC information about the Respondent. HHSC may take such information into consideration in evaluating proposals.

3.18 Multiple Responses

A Respondent may only submit one (1) proposal as a prime contractor. If a Respondent submits more than one (1) proposal, HHSC may reject one or more of the submissions. This requirement does not limit a subcontractor’s ability to collaborate with one (1) or more Respondents submitting proposals.

A Respondent may not entice or require a subcontractor to enter into an exclusive subcontract for the purpose of this procurement. Any subcontract entered into by a Respondent with a third party to meet a requirement of this RFP must not include any provision that would prevent or bar that subcontractor from entering into a comparable contractual relationship with another Respondent submitting a proposal under this procurement. This prohibition against exclusive subcontracts does not apply to professional services that solely pertain to development of the proposal, including gathering of competitive intelligence.

3.19 No Joint Proposals

HHSC will not consider joint or collaborative proposals that require it to contract with more than one (1) Respondent.

3.20 Use of Subcontractors

Subcontractors providing services under the Contract must meet the same requirements and level of experience as required of the Respondent. No subcontract under the Contract must relieve the Respondent of the responsibility for ensuring the requested services are provided. Respondents planning to subcontract all or a portion of the work to be performed must identify the proposed subcontractors and describe the subcontracted functions in their proposals.

3.21 Texas Public Information Act

Proposals will be subject to the Texas Public Information Act (the Act), located in Chapter 552 of the Texas Government Code, and may be disclosed to the public upon request. By submitting a proposal, the Respondent acknowledges that all information and ideas presented in the proposal are public information and subject to disclosure under the Texas Public Information Act, with the limited exception of Social Security Numbers and certain non-public financial reports or information submitted in response to RFP Sections 4.2.3.3 and 4.2.3.4.

If the Respondent asserts that financial reports or information provided in response to RFP Sections 4.2.3.3 and 4.2.3.4 contains trade secret or other confidential information, it must be clearly marked such information in boldface type and include the words “confidential” or “trade secret” at top of the page. Furthermore, the Respondent must identify the financial reports or information, and provide an explanation of why the reports or information are excepted from public disclosure, on the Respondent Information and Disclosures form.

HHSC will not consider any proposal that is copyrighted by the Respondent, in whole or part.
HHSC will process any request from a member of the public in accordance with the procedures outlined in the Act. Respondents should consult the Texas Attorney General’s website (www.oag.state.tx.us) for information concerning the Act’s application to applications and potential exceptions to disclosure.

### 3.22 Inducements

HHSC submits this RFP setting forth certain information regarding the objectives of the Contract and HHSC’s desire to mitigate risk throughout the life of the Contract by use of expert MCO services.

Therefore, HHSC will consider all representations contained in a Respondent’s proposal, oral or written presentations, correspondence, discussions, and negotiations as representations of the Respondent’s expertise. HHSC accepts these representations as inducements to contract.

### 3.23 Definition of Terms

Defined terms must have the meaning stated as described in the Attachment A, “Uniform Managed Care Contract Terms and Conditions,” unless the context clearly indicates otherwise. Defined terms are capitalized throughout this RFP. For example, the word “Provider,” when capitalized, refers to Network provider. When the word “provider” is not capitalized, the connotation is all providers, whether Network or Out-of-Network.

### 4. Submission Requirements

To be considered for award, the Respondent must address all applicable RFP specifications to HHSC’s satisfaction. If requested by HHSC, the Respondent must provide HHSC with information necessary to validate any statements made in its Proposal. This includes, but may not be limited to, granting permission or access for HHSC to verify information with third parties, whether identified by the Respondent or HHSC. If any requested information is not provided within the timeframe allotted, HHSC may reject the Proposal.

Respondents must prepare and submit proposals in accordance with the provisions of this section. Proposals received that do not follow these instructions may be evaluated as non-responsive and may not be considered for award.

#### 4.1 General Instructions

For Respondents bidding on more than one MCO Program, i.e., STAR, STAR+PLUS, or CHIP Program, HHSC has attempted to minimize the need for Respondents to submit multiple copies of the same information.

Each bid for participation in the STAR Program, the STAR+PLUS Program, and/or the CHIP Program must include the following two (2) components:

1. Business Specifications; and
2. General Programmatic Proposal.

Respondents proposing to participate in multiple MCO Programs do not need to submit multiple copies of the Business Specifications or the General Programmatic Proposal. However, these Respondents will need to carefully read each submission requirement to ensure that they provide specific information for each MCO Program bid and Service Area, as applicable, when completing any element of their Proposals.

All Proposal information must be submitted on 8 ½ x 11 inch, white bond paper, three (3)-hole punched, and placed in sturdy three (3) ring binders. Text must be no smaller than 11-point font, single-spaced. Figures may not incorporate text smaller than
4.1.1 Economy of Presentation

Unnecessarily elaborate Proposals beyond those sufficient to provide a complete and effective response to this RFP are not desired and may be construed as an indication of the Respondent’s lack of ability to provide efficient work products.

The Respondent must adhere to page limits where specified. Page limits are listed in parentheses at the end of the title of the section. A three (3) page limit, for example, means that the response should not be in excess of three (3) one-sided pages that meet the size, font, and margin requirements specified in the General Instructions in Section 4.1 above.

Some page limits are identical regardless of the number of MCO Programs in which a Respondent is proposing to participate. If a page limit is listed but does not include the phrase “per MCO Program,” the page limit applies to the entire response regardless of the number of MCO Programs bid. In these cases, the page limit will be indicated as a set number, e.g., “3 pages.”

In some cases, additional pages are provided for Respondents proposing to serve more than one MCO Program. For example, “3 pages plus 1 additional page per additional MCO Program” indicates that a Respondent proposing to serve one (1) MCO Program has a three (3) page limit, a Respondent proposing to serve two (2) MCO Programs has a four (4) page limit, and a Respondent proposing to serve all three (3) MCO Programs has a five (5) page limit. This page limit approach is designed to give Respondents submitting a Proposal for multiple MCO Programs sufficient space to respond to the submission requirement when submission responses differ across MCO Programs. Respondents proposing to serve multiple programs should have similar or identical approaches across MCO Programs where administrative efficiencies are possible and appropriate. Respondents must clearly indicate differences, if any, in their response to each submission requirement for each applicable MCO Program.

In other cases, additional pages may be provided based on certain aspects of the Respondent’s Proposal or organization, such as the number of organizational charts submitted reflecting arrangements with Material Subcontractors, or the number of Key Contract Personnel included in the Proposal for Respondents proposing to serve more than one MCO Program.

Finally, some page limits are by MCO Program, e.g., two (2) pages per MCO Program means that a Respondent proposing to serve all three (3) MCO Programs would have a six (6) page limit for that requirement.

If the Respondent chooses to repeat the RFP question in its Proposal, the question text will be included in the page limit.

In responding to questions in Section 4.2 (“Business Proposal”) and Section 4.3 (“Programmatic Proposal”) for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement, and up to one (1) page may be used to describe each Action Plan. These pages are outside of the page limit instructions for the specific submission requirement.

HHSC reserves the right not to review information provided in excess of the page limits. Respondents need not feel compelled to submit unnecessary text in order to reach the page limits.

Attachments required by the RFP, such as certain policies and procedures, are not counted in calculating the Respondent’s page limits. Respondents must not submit information or attachments that are not explicitly requested in the RFP. Elaborate artwork, expensive paper and bindings, and expensive visual or other presentation aids are neither necessary nor desired.

4.1.2 Number of Copies and Packaging
Respondents must submit one (1) hardbound original and eight (8) hardbound copies of the Proposal. The original must be clearly labeled “Original” on the outside of the binder. In addition to the hardbound original and copies, Respondents must submit 22 electronic copies of each Proposal component. At the Respondent’s option, it may produce only electronic copies of certain attachments and appendices. This exception applies to attachments and appendices that exceed ten (10) pages, such as GeoAccess tables, Significant Traditional Provider (STP) files, TDI filings, and other financial documents. The exception does not apply to the attachments referenced in Section 4.2, Section 5, “HUB Subcontracting Plan,” or Section 6, “Certifications and Other Required Forms,” which must be included in both the hardbound and electronic copies of the Proposal. If the Respondent produces only an electronic copy of an attachment or appendix, the hardbound Proposals should refer the reader to the electronic Proposal for the required information.

For the electronic copies, the Proposal, attachments, financial documents, signed forms, pamphlets, and all other documents included in the proposal hardcopy must be submitted on CDs compatible with Microsoft Office 2000 files. PDF files should be prepared in a format that allows for OCR text recognition. **HHSC will not accept Proposals by facsimile or e-mail.**

**4.1.3 Due Date, Time, and Location**

Submit all copies of the Proposal to HHSC’s Enterprise Contracts and Procurement Services (ECPS) no later than 2:00 p.m. Central Time (CT) according to the timeline in Section 1.2, “Procurement Schedule.” All submissions will be date and time stamped when received by ECPS. The clock in the ECPS office is the official timepiece for determining compliance with the deadlines in this procurement. HHSC reserves the right to reject late submissions. It is the Respondent’s responsibility to appropriately mark and deliver the Proposal to HHSC by the specified date and time. The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission  
Enterprise Contracts and Procurement Services  
4405 North Lamar Blvd  
Austin, Texas 78756-3422  
ATT: Alice Hanna, Purchaser  
(512) 206-5277  
alice.hanna@hhsc.state.tx.us

**4.2 Part 1 – Business Proposal**

The Business Proposal must include the following:

- Section 1 – Executive Summary
- Section 2 – Respondent Identification and Information
- Section 3 – Corporate Background and Experience
- Section 4 – Material Subcontractor Information
- Section 5 – HUB Subcontracting Plan
- Section 6 – Certifications and Other Required Forms

**4.2.1 Section 1 – Executive Summary**

(2 pages, excluding Table 1)

In this section, condense and highlight the content of the Business Proposal to provide HHSC with a broad understanding of the respondent’s approach to meeting the RFP’s business requirements. The summary must demonstrate an understanding of HHSC’s goals and objectives for this procurement. Please identify the Respondent’s proposed MCO Program(s) and the Service Areas. The Respondent should complete Table 1 by placing an “X” in all Service Areas and MCO Programs bid. (The Service Areas are described in the Attachments B-5, 5.1, 5.2, and 5.3. A Respondent may elect to bid on some, all, or none of the Service Areas.) Respondents should note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may bid on one (1) or more of these areas; however, HHSC will more favorably evaluate responses that propose to serve all three (3) areas.
Table 1: Proposed MCO Programs and Service Areas

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Proposal for STAR</th>
<th>Proposal for STAR+PLUS</th>
<th>Proposal for CHIP</th>
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<td>Bexar</td>
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<td>Medicaid RSA (Entire Service Area)</td>
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4.2.2 Section 2 – Respondent Identification and Information

(no page limit)

Submit the following information:

1. Respondent identification and basic information.
   a. The Respondent’s legal name, trade name, dba, acronym, and any other name under which the Respondent does business.
   b. The physical address, mailing address, and telephone number of the Respondent’s headquarters office.

2. TDI Authority. A copy of the MCO’s licensure, certification, or approval to operate as an HMO, ANHC, or EPBP. If the Respondent has not received TDI approval, then submit a copy of the application filed with TDI. In accordance with RFP Section 7.2.9, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract.

3. Authorized Counties. Indicate whether the Respondent is currently authorized by TDI to operate as an MCO in each county in the Service Area with a “Yes-MCO,” “No MCO,” or “Partial MCO.” If the Respondent is not authorized to conduct business as an MCO in all or part of a county, it should list those areas in Column C.

For each county listed in Column C, the Respondent must document that it applied to TDI for such approval prior to the submission of a Proposal for this RFP. The Respondent must indicate the date that it applied for such approval and the status of its application to get TDI approval in the relevant counties in this section of its submission to HHSC.
Table 2: TDI Authority in Proposed Service Area

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
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</thead>
<tbody>
<tr>
<td>Service Area</td>
<td>TDI Authority/Status of Approval</td>
<td>Counties/Partial Counties without TDI Authority</td>
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<td>Bexar</td>
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<td>Travis</td>
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</tbody>
</table>

4. Texas Comptroller Certificate. A current Certificate of Good Standing issued by the Texas Comptroller of Public Accounts, or an explanation for why this form is not applicable to the Respondent.

5. Respondent Legal Status and Ownership.
   a. The type of ownership of the Respondent by its ultimate parent:
      • wholly-owned subsidiary of a publicly-traded corporation;
      • wholly-owned subsidiary of a private (closely-held) stock corporation;
      • subsidiary or component of a non-profit foundation;
      • subsidiary or component of a governmental entity such as a County Hospital District;
      • independently-owned member of an alliance or cooperative network;
      • joint venture (describe ultimate owners)
      • stand-alone privately-owned corporation (no parents or subsidiaries); or
      • other (describe).
   b. The legal status of the Respondent and its parent (any/all that may apply):
      (i.) Respondent is a corporation, partnership, sole proprietor, or other (describe);
      • Respondent is for-profit, or non-profit;
      • the Respondent’s ultimate parent is for-profit, or non-profit;
• the Respondent’s ultimate parent is privately-owned, listed on a stock exchange, a component of government, or other (describe).

c. The legal name of the Respondent’s ultimate parent (e.g., the name of a publicly-traded corporation, or a County Hospital District, etc.).

d. The name and address of any other sponsoring corporation, or others (excluding the Respondent’s parent) who provide financial support to the Respondent, and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

6. Hospital District/Non-Profit Corporation. Section 5 of the RFP requires Respondents who believe they qualify for mandatory STAR or STAR+PLUS contracts under Texas Government Code §533.004 to submit notice to HHSC no later than April 28, 2011, explaining the basis for this belief for each proposed Service Area. Please indicate whether the Respondent provided such notice to HHSC.

7. The name and address of any health professional that has at least a five percent (5%) financial interest in the Respondent, and the type of financial interest.

8. The full names and titles of the Respondent’s officers and directors.

9. The state in which the Respondent is incorporated, and the state(s) in which the Respondent is licensed to do business as an MCO. The Respondent must also indicate the state where it is commercially domiciled, if outside Texas.

10. The Respondent’s federal taxpayer identification number.

11. If any change of ownership of the Respondent’s company or its parent is anticipated during the 12 months following the Proposal Due Date, the Respondent must describe the circumstances of such change and indicate when the change is likely to occur.

12. Whether the Respondent or its parent (including other managed care subsidiaries of the parent) had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues and the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem(s) that may have led to the termination or non-renewal.

13. Whether the Respondent has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation status, and if it has or is, indicate:

• its current NCQA or URAC accreditation status;

• if NCQA or URAC accredited, its accreditation term effective dates; and

• if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Contractor.

14. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Respondent, including any that the Respondent may have contracted to be run by another entity. If the Respondent has a parent, then also provide the same for the parent, and any parent(s) of the parent. If none exist, provide a clear and definitive statement to that effect.

4.2.3 Section 3 – Corporate Background and Experience

(no page limit)

1. Provide the following information on all publicly-funded managed care contracts (if the Respondent does not have publicly-funded managed care contracts, it may include information on privately-funded managed care contracts). Include information for all current contracts, as well as work performed in the past three (3) years:
a. client name and address;
b. name, telephone, and e-mail address of the person HHSC could contact as a reference that can speak to the Respondent’s performance;
c. contract size: average monthly covered lives and annual revenues;
d. whether payments under the contract were capitated or non-capitated;
e. contract start date and duration;
f. whether work was performed as a prime contractor or subcontractor; and
g. a general and brief description of the scope of services provided by the Respondent; including the covered population and services (e.g., Medicaid, CHIP, state-funded program).

2. With respect to the Respondent and its parent (and including other managed care subsidiaries of the parent), briefly describe any regulatory actions, sanctions, and/or fines imposed by any federal or Texas regulatory entity, or a regulatory entity in another state, within the last three (3) years. Include a description of any letters of deficiencies, corrective actions, findings of non-compliance, and/or sanctions. Please indicate which of these actions or fines, if any, were related to Medicaid or CHIP programs. HHSC may, at its option, contact these clients or regulatory agencies and any other individual or organization whether or not identified by the Respondent.

Respondents should not include letters of support or endorsement from any individual, organization, agency, interest group, or other identified entity in this section or other parts of the Proposal.

When evaluating proposals, HHSC may consider a current or past contractor's performance under an agreement with an HHS agency in Texas, including but not limited to any corrective actions or liquidated damages imposed by HHSC or another HHS agency.

4.2.3.1 Organizational Chart

(1 page narrative for each organizational chart, excluding organizational chart itself)

Respondents should submit the following:

1. an organizational chart (Chart A), showing the corporate structure and lines of responsibility and authority in the administration of the Respondent’s business as a health plan;

2. an organizational chart (Chart B) showing the Texas organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level. If Chart A represents the entire organizational structure, label the submission as Charts A and B;

3. an organizational chart (Chart C) showing the Management Information System (MIS) staff organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level;

4. if the Respondent is proposing to use one or more Material Subcontractors, the Respondent must include an organizational chart demonstrating how the Material Subcontractor(s) will be managed within the Respondent’s Texas organizational structure, including the primary individuals at the Respondent’s organization and at each Material Subcontractor organization responsible for overseeing such Material Subcontract. This information may be included in Chart B, or in a separate organizational chart(s); and

5. submit a brief narrative explaining the organizational charts submitted, and highlighting the key functional responsibilities and reporting requirements of each organizational unit relating to the Respondent’s proposed management of the MCO Program(s), including its management of any proposed Material Subcontractors.
4.2.3.2 Résumés
(1 page per Key Personnel, excluding résumés)

Identify and describe the Respondent’s and its Subcontractor’s proposed labor skill set, years of experience, and provide résumés of all proposed key personnel. Résumés must demonstrate experience germane to the position proposed. Résumés should include work on projects cited under the respondent’s corporate experience, and the specific functions performed on such projects. Each résumé should include at least three (3) references from recent projects, if the projects were performed for unaffiliated parties. References may not be the Respondent’s or Subcontractor’s employees.

Key personnel include: Executive Director (as defined in Attachment A, Article 4), Medical Director (as defined in Attachment A, Article 4), Member Services Manager, Service Coordination Manager (STAR+PLUS only), Management Information Systems Manager, Claims Processing Manager, Provider Network Development Manager, Benefit Administration and Utilization Management Manager, Quality Improvement Manager, Behavioral Health Services Manager, Financial Functions Manager, and Reporting Manager.

STAR+PLUS Service Coordinators. Please refer to Section 8.3.2.1 for a description of Service Coordinator responsibilities. In addition to the Service Coordinator Manager, please submit the following for each Service Coordinator function:

1. a job description and qualifications; and
2. the anticipated maximum caseload for each Service Coordinator (number of Members per Service Coordinator) and the assumptions the Respondent used in developing the maximum caseload estimate.

4.2.3.3 Financial Capacity
(no page limit)

Submit the following financial documents to demonstrate the Respondent’s financial solvency, and its capacity to comply with Section 6, “Premium Payment, Incentives, and Disincentives,” and Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Contract Terms and Conditions”:

1. Audited Financial Statements covering the two (2) most recent years of the Respondent’s financial results. These statements must include the independent auditor’s report (audit opinion letter to the Board or shareholders), the notes to the financial statements, any written description(s) of legal issues or contingencies, and any management discussion or analysis.

Make sure that the name and address of the firm that audits the Respondent is shown. State the date of the most-recent audit, and whether the Respondent is audited annually or otherwise. State definitively if there has, or has not, been any of the following:

• a “going concern” statement was issued by any auditor in the last three (3) years;
• a qualified opinion was issued by any auditor in the last three (3) years;
• a change of audit firms in the last three (3) years; and
• any significant delay (two (2) months or more) in completing the current audit.

2. The most recent quarterly and annual financial statements filed with the TDI, and if the Respondent is domiciled in another state, the financial statements filed with the state insurance department in its state of domicile. The annual financial statement must include all schedules, attachments, supplements, management discussion, analysis and actuarial opinions.
3. The most recent financial examination report issued by TDI, and also by any state insurance department in states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If any submitted financial examination report is two (2) or more years old, or if Respondent has never had a financial examination report issued, submit the anticipated approximate date of the next issuance of a TDI or state department of insurance financial examination report.

4. The most recent Form B Registration Statement disclosure filed by Respondent with TDI, and any similar form filed with any state insurance department in other states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If Respondent is exempt from the TDI Form B filing requirement, demonstrate this and explain the nature of the exemption.

5. Other related documents, as applicable:
   a. SEC Form 10-K and 10-Q. If Respondent is a publicly-traded (stock-exchange-listed) corporation, then submit the most recent United States Securities and Exchange Commission (SEC) Form 10K Annual Report, and the most-recent 10-Q Quarterly report.
   b. IRS Form 990. If the Respondent is a non-profit entity, then submit the most recent annual Internal Revenue Service (IRS) Form 990 filing, complete with any and all attachments or schedules. If Respondent is a non-profit entity that is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.
   c. If the Respondent is a non-profit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the most recent annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for Respondent, including all attachments, schedules, and supplements.
   d. Bond or debt rating analysis. If Respondent has been, in the last three (3) years, the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most-recent detailed report from each rating entity that has produced such a report.
   e. Annual Report. If Respondent produces any written “annual report” or similar item that is in addition to the above-referenced documents, submit the most recent version. This might be a yearly report or letter to shareholders, the community, regulators, lenders, customers, employees, the Respondent’s owner, or other constituents.
   f. If the Respondent has issued any press releases in the 12 months prior to the submission due date, wherein the press release mentions or discusses financial results, acquisitions, divestitures, new facilities, closures, layoffs, significant contract awards or losses, penalties/fines/sanctions, expansion, new or departing officers or directors, litigation, change of ownership, or other very similar issues, provide a copy of each such press release. HHSC does not wish to receive other types of press releases that are primarily promotional in nature.

With respect to items 5(a) through (e) above, Respondent must also submit a schedule that shows for each of the five (5) categories: whether there is any applicable filing or report; the name(s) of the entity that does the filing or report; and the regular or estimated filing/distribution date(s).

At a minimum, the financial statements and reports submitted hereunder must include:

   1. balance sheet;
   2. statement of income and expense;
   3. statement of cash flows;
   4. statement of changes in financial position (capitol & surplus; equity);
   5. independent auditor’s letter of opinion;
6. description of organization and operation, including ownership, markets served, type of entity, number of locations and employees, and, dollar amount and type of any Respondent business outside of that with HHSC; and

7. disclosure of any material contingencies, and any current, recent past, or known potential material litigation, regulatory proceedings, legal matters, or similar issues.

The Respondent must include key non-financial metrics and descriptions, such as facilities, number of covered lives, area of geographic coverage, years in business, material changes in business situation, key risks and prospective issues, etc.

4.2.3.4 Financial Report of Parent Organization and Corporate Guarantee

(no page limit)

If another corporation or entity either substantially or wholly owns the Respondent, submit the most recent detailed financial reports (as required above in Section 4.2.3.3) for the parent organization. If there are one (1) or more intermediate owners between the Respondent and the ultimate owner, this additional requirement is applicable only to the ultimate owner.

The Respondent must also include a statement that the parent organization will unconditionally guarantee performance by the Respondent of each and every obligation, warranty, covenant, term and condition of the Contract. This guarantee is not required for Respondents owned by political subdivisions of the State (i.e., hospital districts).

If HHSC determines that an entity does not have sufficient financial resources to guarantee the Respondent’s performance, HHSC may require the Respondent to obtain another acceptable financial instrument or resource from such entity, or to obtain an acceptable guarantee from another entity with sufficient financial resources to guarantee performance.

4.2.3.5 Bonding

The Respondent must submit a statement that, if selected as a Contractor, the Respondent agrees to:

1. secure and maintain throughout the life of the Contract, fidelity bonds required by the Texas Department of Insurance in compliance with §843.402, Texas Insurance Code; and

2. secure and maintain throughout the life of the Contract, a performance bond in accordance with the Attachment A, “Uniform Managed Care Contract Terms and Conditions” and 28 T.A.C. §11.1805.

4.2.4 Section 4 – Material Subcontractor Information

(no page limit)

See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for contractual definition of Material Subcontractor. Organize this information by Material Subcontractor, and list them in descending order of estimated annual payments. For each Material Subcontractor, the MCO must provide:

1. The Material Subcontractor’s legal name, trade name, acronym, d.b.a., and any other name under which the Material Subcontractor does business.

2. The Respondent’s estimated annual payments to the Material Subcontractor, by MCO Program.

3. The physical address, mailing address, and telephone number of the Material Subcontractor’s headquarters office, and the name of its Chief Executive Officer.

4. Whether the Material Subcontractor is an Affiliate of the Respondent or an unrelated third party (see the “Uniform Managed Care Contract Terms and Conditions” for the definition of “Affiliate.”)
5. If the Material Subcontractor is an Affiliate, then provide:
   
a. the name of the Material Subcontractor’s parent organization, and the Material Subcontractor’s relationship to the Respondent;
   
b. the proportion, if any, of the Material Subcontractor’s total revenues that are received from non-Affiliates. If the Material Subcontractor has significant revenues from non-Affiliates, then also indicate the portion, if any, of those external (non-Affiliate) revenues that are for services similar to those that the Respondent would procure under the proposed Subcontract;
   
c. a description of the proposed method of pricing under the Subcontract;
   
d. indicate if the Respondent presently procures, or has ever procured, similar services from a non-Affiliate;
   
e. the number of employees (staff and management) who are dedicated full-time to the Affiliate’s business;
   
f. whether the Affiliate’s office facilities are completely separate from the Respondent and the Respondent’s parent. If not, identify the approximate number of square feet of office space that are dedicated solely to the Affiliate’s business;
   
g. attach an organization chart for the Affiliate, showing head count, Key Personnel names, titles, and locations; and
   
h. indicate if the staff and management of the Affiliate are directly employed by the Affiliate itself, or are they actually, from a technical legal perspective, employed by a different legal entity (such as a parent corporation). What corporation’s name shows up on the employee’s W2 form?
   
6. A description of each Material Subcontractor’s corporate background and experience, including its estimated annual revenues from unaffiliated parties, number of employees, location(s), and identification of three (3) major clients.
   
7. A signed letter of commitment from each Material Subcontractor that states the Material Subcontractor’s willingness to enter into a Subcontractor agreement with the Respondent, and a statement of work for activities to be subcontracted. Letters of Commitment must be provided on the Material Subcontractor’s official company letterhead, signed by an official with the authority to bind the company for the subcontracted work. The Letter of Commitment must state, if applicable, the company’s certified HUB status.
   
8. The type of ownership [e.g., wholly-owned subsidiary of a publicly-traded corporation; wholly-owned subsidiary of a private (closely-held) stock corporation; subsidiary or component of a non-profit foundation; subsidiary or component of a governmental entity such as a County Hospital District; independently-owned member of an alliance or cooperative network; joint venture (describe owners); etc.] Indicate the name of the ultimate owner (e.g., the name of a publicly-traded corporation or a County Hospital District).
   
9. Indicate status (any/all that may apply): sole proprietor, partnership, corporation, for-profit, non-profit, privately owned, and/or listed on a stock exchange. If a Subsidiary or Affiliate, name of the direct and ultimate parent organization.
   
10. The name and address of any sponsoring corporation or others who provide financial support to the Material Subcontractor and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.
   
11. The name and address of any health professional that has at least a five percent (5%) financial interest in the Material Subcontractor and the type of financial interest.
   
12. The state in which the Material Subcontractor is incorporated, commercially domiciled, and the state(s) in which the organization is licensed to do business.
   
13. The Material Subcontractor’s federal taxpayer identification number.
14. Whether the Material Subcontractor had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues, the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem that may have lead to the termination.

15. Whether the Material Subcontractor has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation or certification status, and if it has or is, indicate:

- its current NCQA or URAC accreditation or certification status;
- if NCQA or URAC accredited or certified, its accreditation or certification term effective dates; and
- if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Material Subcontractor.

16. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Material Subcontractor, including any websites run by another entity on the Material Subcontractor’s behalf. If the Material Subcontractor has a parent, then also provide the same for the parent organization, and any parent(s) of the parent organization. If none exist, provide a clear and definitive statement to this effect.

4.2.5 Section 5 – Historically Underutilized Business (HUB) Participation

In accordance with Texas Government Code §2162.252, a proposal that does not contain a HUB Subcontracting Plan (HSP) is non-responsive and will be rejected without further evaluation. In addition, if HHSC determines that the HSP was not developed in good faith, it will reject the proposal for failing to comply with material RFP specifications.

4.2.5.1 Introduction

HHSC is committed to promoting full and equal business opportunities for businesses in state contracting in accordance with the goals specified in the State of Texas Disparity Study. HHSC encourages the use of HUBs through race, ethnic and gender-neutral means. HHSC has adopted administrative rules relating to HUBs, and a policy on the Utilization of HUBs, which is located on HHSC’s website.

Pursuant to Texas Government Code §2161.181 and §2161.182, and HHSC’s HUB policy and rules, HHSC is required to make a good faith effort to increase HUB participation in its contracts. HHSC may accomplish the goal of increased HUB participation by contracting directly with HUBs or indirectly through subcontracting opportunities.

4.2.5.2 HHSC’s Administrative Rules

HHSC has adopted the Comptroller of Public Accounts’ (CPA) HUB rules as its own. HHSC’s rules are located in Title 1, Part 15, Chapter 392, Subchapter J of the Texas Administrative Code, and the CPA rules are located in Title 34, Part 1, Chapter 20, Subchapter C. If there are any discrepancies between HHSC’s administrative rules and this RFP, the rules will take priority.

4.2.5.3 HUB Participation Goal

The CPA has established statewide HUB participation goals for different categories of contracts in 34 T.A.C. §20.13. In order to meet or exceed the HUB participation goals, HHSC encourages outreach to certified HUBs. Contractors must make a good faith effort to include certified HUBs in the procurement process.

This contract is classified as an “All Other Services” contract under the CPA rule, and therefore has a HUB Annual Procurement Utilization Goal of 33% per fiscal year. This goal applies to MCO Administrative Services, as defined below.

4.2.5.4 Required HUB Subcontracting Plan
HHSC has determined that subcontracting opportunities are probable for this RFP for MCO Administrative Services. MCO Administrative Services are those services or functions other than the direct delivery of medical Covered Services necessary to manage the delivery of and payment for such services. MCO Administrative Services include but are not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, Management Information System (MIS) operation and reporting. The Respondent must submit an HSP (see the Procurement Library) with its proposal for such MCO Administrative Services. The HSP is required whether or not a Respondent intends to subcontract.

HSP requirements will not apply to Subcontracts with Network Providers (providers who contract directly with the MCO to deliver medical Covered Services to Members). A Respondent therefore should not include Network Providers’ participation in its HSP submissions.

In conjunction with the HSP, a Respondent must indicate whether it is a Texas certified HUB. Being a certified HUB does not exempt a respondent from completing the HSP requirement.

During the good faith effort evaluation, HHSC may, at its discretion, allow clarifications or request additional information to support the Respondent’s good faith effort development of the HSP.

4.2.5.5 CPA Centralized Master Bidders List

Respondents may search for HUB subcontractors in the CPA’s Centralized Master Bidders List (CMBL) HUB Directory, which is located on the CPA’s website at http://www2.cpa.state.tx.us/cmbl/cmblhub.html. For this procurement, HHSC has identified the following class and item codes for potential subcontracting opportunities:

NIGP Commodity Codes:
- 948-07: Administration Services, Health
- 958-56: Health Care Management Services (Including Managed Care Services)
- 915-49: High Volume, Telephone Call Answering Services (See 915-05 for Low Volume Services)

Respondents are not required to use, nor limited to using, the class and item codes identified above, and may identify other areas for subcontracting.

HHSC does not endorse, recommend nor attest to the capabilities of any company or individual listed on the CPA’s CMBL. The list of certified HUBs is subject to change, so Respondents are encouraged to refer to the CMBL often to find the most current listing of HUBs.

4.2.5.6 HUB Subcontracting Procedures – If a Respondent Intends to Subcontract

An HSP must demonstrate that the Respondent made a good faith effort to comply with HHSC’s HUB policies and procedures. The following subparts outline the items that HHSC will review in determining whether an HSP meets the good faith effort standard. A Respondent that intends to subcontract must complete the HSP to document its good faith efforts.

For step-by-step audio/video instructions on how to complete the HSP, you may also visit the CPA’s website at:

1. Identify Subcontracting Areas and Divide Them into Reasonable Lots

A Respondent should first identify each area of the MCO Administrative Service work it intends to subcontract. Then, to maximize HUB participation, it should divide the MCO Administrative Service work into reasonable lots or portions, to the extent consistent with prudent industry practices.

2. Notify Potential HUB Subcontractors
Respondents must notify three (3) or more certified HUBs of each subcontracting opportunity. For example, if a Respondent intends to subcontract two (2) areas of MCO Administrative Service work, then for each class/item code, the Respondent must notify at least three (3) vendors who provide that type of work.

Respondents must provide written notice to potential HUB subcontractors prior to submitting proposals. The notice must include:

1. a description of the scope of work to be subcontracted;
2. information regarding the location to review project plans or specifications;
3. information about bonding and insurance requirements;
4. required qualifications and other contract requirements; and
5. a description of how the subcontractor can contact the Respondent.

Respondents must give potential HUB subcontractors a reasonable amount of time to respond to the notice, generally no less than five (5) working days from receipt. In rare situations, HHSC will allow a shorter notification period if the Respondent demonstrates: (1) circumstances warranting a shorter notification period, and (2) potential subcontractors still had sufficient time to complete their responses.

Respondents must use the CMBL, the HUB Directory, and Internet resources when searching for HUB subcontractors. Respondents may rely on the services of contractor groups; local, state and federal business assistance offices; and other organizations that provide assistance in identifying qualified applicants for the HUB program. Respondents also must provide written notice to minority or women trade organizations or development centers, which can disseminate notice of subcontracting opportunities to their members/participants. A list of minority and women trade organizations is located on HHSC’s website under the Minority and Women Organization link.

3. Written Justification of the Selection Process

A Respondent must provide written justification of its selection process if it chooses a non-HUB subcontractor. The justification should demonstrate that the Respondent negotiated in good faith with qualified HUB bidders, and did not reject qualified HUBs who were the best value responsive bidders.

4.2.5.7 Alternatives to Good Faith Effort Requirements (Applies Only to Mentor Protégé and Professional Services Contracts)

HHSC will accept a Mentor Protégé Agreement that has been entered into by a Respondent (mentor) and a certified HUB (protégé) in accordance with Texas Government Code §2161.065.

Participation in the Mentor Protégé Program, along with the submission of a protégé as a subcontractor in an HSP, constitutes a good faith effort for the particular area subcontracted to the protégé. If a Respondent proposes to subcontract with a protégé, it does not need to provide notice to three (3) vendors for that subcontracted area. To demonstrate that a Respondent meets the good faith requirement for mentor/protégé arrangements, the HSP should:

1. include a fully executed copy of the Mentor Protégé Agreement, which must be registered with the CPA prior to submission to HHSC; and
2. identify areas of the HSP that will be performed by the protégé.

4.2.5.8 HUB Subcontracting Procedures – If a Respondent Does Not Intend to Subcontract

If the Respondent plans to complete all MCO Administrative Service requirements with its own equipment, supplies, materials and/or employees, it is still required to complete an HSP. The Respondent must complete the “Self Performance Justification” portion of the HSP, and attest that it does not intend to subcontract for any administrative goods or services, including the class
and item codes identified in Section 4.2.5.5. In addition, the Respondent must identify the sections of the proposal that describe how it will complete the Scope of Work using its own resources or provide a statement explaining how it will complete the Scope of Work using its own resources. The Respondent must provide the following information regarding self-performance if requested by HHSC:

1. evidence of sufficient Respondent staffing to meet the RFP requirements;
2. monthly payroll records showing the Respondent staff fully dedicated to the contract; and
3. documentation proving employment of qualified personnel holding the necessary licenses and certificates required to perform the Scope of Work.

### 4.2.5.9 Post-award HSP Requirements

After contract award, HHSC will coordinate a post-award meeting with the successful Respondents to discuss HSP reporting requirements. The MCO must maintain business records documenting compliance with the HSP, and must submit monthly reports to HHSC by completing the HUB “Prime Contractor Progress Assessment Report.” This monthly report is required as a condition for payment. In addition, the MCO must allow periodic onsite reviews of the MCO’s headquarters or work site where services are to be performed if requested by HHSC.

Once accepted, the finalized HSP will become part of the Contract with the successful Respondents. The [Uniform Managed Care Manual](#) outlines the procedures for changing the HSP, as well as the HSP compliance and reporting requirements. All changes to the approved HSP require prior HHSC approval. In general, if the MCO decides to subcontract any part of the Contract after the award, it must follow the good faith effort procedures outlined in Section 4.2.5.6 e.g., divide work into reasonable lots, notify at least three (3) vendors per subcontracted area, provide written justification of the selection process, participate in the Mentor Protégé Program, or for professional services contracts meet the 20% goal). For this reason, HHSC encourages Respondents to identify, as part of their HSP, multiple subcontractors who are able to perform the work in each area the Respondent plans to subcontract. Selecting additional subcontractors may help the selected MCO make changes to its original HSP, when needed, and will allow HHSC to approve any necessary changes expeditiously.

Failure to meet the HSP and post-award requirements will constitute a breach of contract, and will be subject to remedial actions. HHSC may also report noncompliance to the CPA in accordance with the CPA’s respondent performance (see 34 T.A.C. §20.108) and debarment program (see 34 T.A.C. §20.105).

### 4.2.6 Section 6 – Certifications and Other Required Forms

Respondents must submit the following required forms with their proposals:

1. Child Support Certification;
2. Debarment, Suspension, Ineligibility, and Voluntary Exclusion of Covered Contracts;
3. Federal Lobbying Certification;
4. Nondisclosure Statement;
5. Required Certifications; and
6. Respondent Information and Disclosures.

The required forms are located on HHSC’s website, under the “Business Opportunities” link. HHSC encourages Respondents to carefully review all of these forms and submit questions regarding their completion prior to the deadline for submitting questions (see Section 1.2, “Procurement Schedule”).
Respondents should note that the “Respondent Information and Disclosures” form asks Respondents to provide information on certain litigation matters. In addition to the information required on this form, Respondents must provide all of the information described in Uniform Managed Care Manual Chapter 5.8, “Report of Legal and Other Proceedings.” Respondents may include this supplemental information on the “Respondent Information and Disclosures” form, or under a separate submission.

4.3 Part 2 – Programmatic Proposal

Respondents must provide a detailed description of the proposed programmatic solution, which must support all business activities and requirements described in the RFP. The Programmatic Proposal must reflect a clear understanding of the nature of the work undertaken.

Respondents should carefully read the submission requirement instructions for specific questions in this section. For each applicable programmatic submission requirement, the Respondent must indicate, in addition to the information requested in each subsection, the following information if applicable to the Respondent and its Proposal:

Material Subcontractor: If the Respondent plans to provide the service or perform the function through a Material Subcontractor, the Respondent must detail the services and/or function to be subcontracted, and how the Respondent and the Material Subcontractor will coordinate such service or function. Respondents should describe any prior working relationships with the Material Subcontractor.

Action Plan: This requirement applies to any Respondent who is not currently: (1) providing services or performing functions relating to a specific RFP submission requirement as a current vendor in STAR, STAR+PLUS, and/or CHIP, or (2) meeting the Operations Phase Requirements in Section 8 relating to a specific submission requirement for STAR, STAR+PLUS, and/or CHIP. In the Action Plan, the Respondent must, for each such submission requirement: (1) submit a description of its current comparable experience and abilities, if any; (2) describe how the Respondent will meet the Contract responsibilities, including assigned resources for completing such activities; and (3) a timeline for completing such activities.

In responding to questions for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement and up to one (1) page may be used to describe each Action Plan. These pages are not included in the page limit instructions for the specific submission requirement.

HHSC understands that some Respondents may not have current experience providing managed care services to STAR, STAR+PLUS, and/or CHIP members in Texas. In responding to questions relating to experience, Respondents should clearly indicate if their experience is in Texas, and if their experience is with STAR, STAR+PLUS, CHIP, or other comparable populations of managed care members. For Respondents proposing to serve STAR+PLUS members, the Proposal should describe the Respondent’s experience with elderly and disabled populations, including persons eligible for Medicare.

The Programmatic Proposal must include a detailed description of the following program components, at a minimum:

1. Section 1 – Proposed Programs, Service Area, and Capacity
2. Section 2 – Experience Providing Covered Services
3. Section 3 – Value-added Services
4. Section 4 – Access to Care
5. Section 5 – Provider Network Provisions
6. Section 6 – Member Services
7. Section 7 – Quality Assessment and Performance Improvement
8. Section 8 – Utilization Management
9. Section 9 – Early Childhood Intervention (ECI)
4.3.1 Section 1 – Proposed Programs, Service Area, and Capacity

(3 pages, excluding tables)

The Respondent shall:

1. complete the MCO Program Proposed Service Area and Capacity table found in the Procurement Library, which must include for each proposed Service Area indicated in Table 1 of the Respondent’s Executive Summary, an estimate of the number of HHSC MCO Members the Bidder has the capacity to serve in each MCO Program bid on the Operational Start Date;

2. describe the calculations and assumptions used to arrive at these Service Area capacity projections. In developing these projections, the Respondent should consider the capacity of its Network, including its PCP Network, its Behavioral Health Services Network, its specialty care Network, its Pharmacy Network, and for STAR+PLUS, its home and community-based services Network. Respondents should specify:

   • the anticipated STAR, STAR+PLUS, or CHIP Program enrollment, as applicable;
   
   • the expected utilization of services, taking into consideration the characteristics and health care needs of specific populations represented in the particular HHSC MCO Program;
   
   • the numbers and types (in terms of training, experience, and specialization) of providers required to furnish the Covered Services;
   
   • the numbers of Network Providers and providers with signed contracts, LOAs, or LOIs who are not accepting new patients, by MCO Program;
   
   • the geographic location of providers and HHSC MCO members, considering travel time, the means of transportation ordinarily used by HHSC MCO members, and whether the location provides physical access for members with disabilities; and
   
   • generally describe anticipated Service Area capacity changes, if any, for each of the proposed Service Areas over the Initial Contract Period; and

3. generally describe methods that the MCO will use to ensure access to all Covered Services upon potential population growth due to changes in law, including growth resulting from the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010.

4.3.2 Section 2 – Experience Providing Covered Services
Covered Services are described in Section 8.1.2, “Covered Services;” Section 8.2.2, “Provisions Related to Covered Services for Medicaid Members;” and Attachment B-1, “STAR Covered Services,” Attachment B-1.1, “CHIP Covered Services,” and Attachment B-1.2, “STAR+PLUS Covered Services."

For all MCO Programs bid, the Respondent must:

1. briefly describe the Respondent’s experience providing, on a capitated basis, Acute Care services, including Behavioral Health Services, equivalent or comparable to Covered Services included in the MCO Programs bid (STAR Covered Services are described in Attachment B-1, CHIP Covered Services are described in Attachment B-1.1, and STAR+PLUS Covered Services are described in Attachment B-1.2). The description should indicate:
   a. the extent to which the Respondent has experience providing such Acute Care services for a managed care population(s) comparable to the population in the MCO Programs bid; and
   b. the Respondent’s experience providing such Acute Care services in Texas, and in the Respondent’s proposed Service Areas, if applicable;

2. indicate which STAR or CHIP Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid or CHIP population;

3. for STAR+PLUS Respondents, briefly describe the Respondent’s experience providing managed Community-based Long-Term Services and Supports and Acute Care services equivalent or comparable to STAR+PLUS Covered Services described in Attachment B-1.2. The description should indicate:
   a. the extent to which the Respondent has experience providing Community-based Long-Term Services and Supports and Acute Care services for a managed care population(s) comparable to the population in STAR+PLUS; and
   b. the Respondent’s experience providing such Community-based Long-Term Services and Supports in Texas, and in the Respondent’s proposed Service Areas, if applicable;

4. indicate which STAR+PLUS Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid population;

5. briefly describe the Respondent’s proposal for providing Covered Services, including any plans for expansions of its Provider Network in any of the proposed Service Areas prior to a Readiness Review. If the Respondent proposes to use a Material Subcontractor to provide or manage Behavioral Health Services, Pharmacy Services, or any other Covered Service, the Respondent must describe its relationship with the Material Subcontractor, as required by Section 4.3;

6. for STAR Respondents for the Medicaid Rural Service Area, describe the Respondent’s experience in providing Medicaid wrap-around services for Dual Eligibles entitled to these benefits. If the Respondent does not have experience in providing these services, indicate how the Respondent intends to meet this requirement; and

7. for STAR+PLUS Respondents, describe the Respondent’s experience in providing Service Coordination for Dual Eligibles. Respondent should specifically describe the processes and procedures used to coordinate Medicare services with Medicaid Community-based Long-Term Services and Supports and related services. If the Respondent does not have experience coordinating these services, indicate how the Respondent intends to meet this requirement.

4.3.3 Section 3 – Value-added Services

Respondents may propose to offer Value-added Services as described in Section 8.1.2.1. If offered, the Respondent will not receive additional compensation for Value-added Services, and may not report the costs of Value-added Services as allowable medical or administrative costs.
For each MCO Program and Value-added Service proposed, the Respondent must:

1. define and describe the Value-added Service;
2. specify the applicable Service Areas for the proposed Value-added Services;
3. identify the category or group of Members eligible to receive the proposed Value-added Services if it is a type of service that is not appropriate for all Members;
4. note any limitations or restrictions that apply to the Value-added Services;
5. for each Service Area, identify the types of Providers responsible for providing the Value-added Service, including any limitations on Provider capacity if applicable.
6. propose how and when Providers and Members will be notified about the availability of such Value-added Service;
7. describe how a Member may obtain or access the Value-added Service;
8. include a statement that the Respondent will provide any Value-added Service(s) that are approved by HHSC for at least 12 months after the Operational Start Date of the Contract; and
9. describe if, and how, the Respondent will identify the Value-added Service in administrative data (Encounter Data).

The Respondent may propose different Value-added Services for each MCO Program and Service Area bid.

### 4.3.4 Section 4 – Access to Care

Access to Care standards are described in Section 8.1.3.

#### 4.3.4.1 Travel Distances

(no page limit, should only submit applicable tables)

For each proposed Service Area and for each MCO Program bid (if the proposed Provider Network would be different across MCO Programs within a Service Area), submit tables created using GeoAccess, or a comparable software program, to demonstrate the geographic adequacy of the Respondent’s proposed Provider Network compared to the projected population in each proposed Service Area.

Providers in the demonstrated Provider Network must have an executed contract with the Respondent, a letter of intent (LOI), or a letter of agreement (LOA) indicating the provider intends to contract with the Respondent if HHSC awards the Respondent an MCO Contract. Respondents do not need to submit the signed contracts, LOIs, or LOAs with the Proposal, but HHSC may request to review these documents during its evaluation of the Proposal. Providers who have not signed a Network Provider contract or LOI/LOAs may not be included in the Respondent’s Network for purposes of responding to this RFP submission requirement.

For each proposed Service Area, the Respondent must generate GeoAccess or comparable tables to display the following information on its proposed Provider Network utilizing the Member Files provided by HHSC. For purposes of Geo Mapping, the distribution method will be to place all members at the center of the zip code.

1. adults with access to PCPs (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which adults have such access;
b. Percentage and number of adult Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which adults have such access;

2. children with access to PCPs:

a. Percentage and number of child Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which children have such access;

b. Percentage and number of child Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which children have such access;

3. access to cardiologists (STAR and STAR+PLUS only):

a. Percentage and number of adult Members with access to one (1) Network cardiologist within 75 miles, and the average number of miles within which adults have such access;

b. Percentage and number of adult Members with access to two (2) Network cardiologists within 75 miles, and the average number of miles within which adults have such access;

4. access to Acute Care Hospitals:

a. Percentage and number of Members with access to a Network Acute Care Hospital within 30 miles;

5. access to outpatient Behavioral Health Services Providers (does not apply to the STAR Dallas Service Area, where Behavioral Health services are provided through NorthSTAR):

a. Percentage and number of Members with access to one (1) Network outpatient Behavioral Health Service Provider within 75 miles, and the average number of miles within which Members have such access;

b. Percentage and number of Members with access to two (2) Network outpatient Behavioral Health Providers within 75 miles, and the average number of miles within which Members have such access;

6. access to OB/GYNs (does not apply to CHIP Members or CHIP Perinatal Newborn Members – but does apply to CHIP Perinate Members (unborn children)):

a. Percentage and number of female Members over age 19 with access to one (1) Network OB/GYN within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);

b. Percentage and number of female Members over age 19 with access to two (2) Network OB/GYNs within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);

c. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;

d. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;

7. access to otolaryngologists (STAR and CHIP only):
a. Percentage and number of child Members with access to one (1) Network otolaryngologist (ENT) within 75 miles, and the average number of miles within which children have such access; and

b. Percentage and number of child Members with access to two (2) Network otolaryngologists (ENTs) within 75 miles, and the average number of miles within which children have such access; and

8. access to Pharmacies:

a. Percentage and number Members with access to one (1) Network pharmacy within 15 miles, and the average number of miles within which Members have such access;

b. Percentage and number Members with access to two (2) Network pharmacies within 15 miles, and the average number of miles within which Members have such access;

c. Percentage and number Members with access to one (1) 24 hour Network pharmacy within 75 miles, and the average number of miles within which Members have such access; and

d. Percentage and number Members with access to two (2) 24 hour Network pharmacies within 75 miles, and the average number of miles within which Members have such access.

Respondents should submit one (1) set of the above tables for each MCO Program and Service Area bid (e.g., one (1) table for the STAR Tarrant Service Area, one (1) table for the STAR Harris Service Area, etc.). Respondents should report the zip code, the city or town associated with the zip code, the percentage and number of eligible Members residing within the zip code, and the percentage and number of eligible Members residing within a zip code who have access to Network Provider addresses within the HHSC-specified travel distance standard. Each table should be sorted in descending order based on zip code-eligible Member population. In addition, each Service Area table should report the aggregate percentage of eligible Members residing within the Service Area who have access within the HHSC-specified travel standard.

4.3.4.2 Assessing Access to Care

(3 pages, plus one additional page per additional MCO Program bid if the Respondent’s response is different by MCO Program)

1. Identify the process(es) by which the Respondent must measure and regularly verify:

   a. Network compliance, including pharmacy, regarding travel distance access in Section 8.1.3.2;

   b. Provider compliance regarding appointment access standards in Section 8.1.3.1, and

   c. PCP compliance with after-hours coverage standards in Section 8.1.4.2.

2. Describe the steps the Respondent has taken in the past when it identified:

   a. a deficiency in its compliance with plan or state travel distance access standards;

   b. a Provider that was not meeting plan or state appointment access standards, and

   c. a PCP that was not in compliance with the plan or state after-hours coverage requirements.

   If the Respondent has not taken such steps listed in 2a, b, or c above with regularity, describe how it proposes to take such steps in the future.

3. Describe the processes the Respondent implement to accommodate additional Members and to ensure the access standards are met if actual enrollment exceeds projected enrollment.
4.3.5 Section 5 – Provider Network Provisions

Provider Network requirements are primarily described in Section 8.1.4. In addition, the Significant Traditional Provider (STP) requirements applicable to Medicaid MCOs are described in Section 8.2.3.

4.3.5.1 Provider Network

(1 page, excluding Provider listing and tables)

Network Providers must have an executed contract with the Respondent, a letter of intent (LOI) or a letter of agreement (LOA) indicating the Provider intends to contract with the Respondent should HHSC award the Respondent a contract for the applicable MCO Program. Network Providers must be licensed in the State of Texas to provide the contracted Covered Services. As described in Section 8.1.4.4, the MCO must credential Network Providers before they may serve Members. Sample LOI/LOA agreements and sample Network Providers tables can be found in the Procurement Library.

1. For each Service Area in which the Respondent proposes to participate in the STAR, STAR+PLUS, and/or CHIP Program, the Respondent must submit a complete listing of proposed Network Providers for each of the following Acute Care provider types. Such listing must indicate for each provider type: the name, address, and NPI and/or TPI, if applicable, of the Providers with signed contracts, LOIs or LOAs. If the Respondent’s Provider Network is identical across more than one MCO Program within a Service Area, the Respondent may submit one Excel file worksheet for the Service Area that specifies the applicable MCO Programs. The Respondent must include in an Excel file at least the two (2) nearest Providers meeting each of the following provider type descriptions. The Respondent must also include in the Excel file all Providers in the designated provider type within the Service Area. The listing must include separate lists of each provider type in the order listed below and a separate worksheet for each proposed Service Area:

Acute Care Services

a. Acute Care Hospitals, inpatient and outpatient services;
b. Hospitals providing Level 1 trauma care;
c. Hospitals providing Level 2 trauma care;
d. Hospitals designated as transplant centers;
e. Hospitals designated as Children’s Hospitals by the CMS;
f. other Hospitals with specialized pediatric services;
g. Psychiatric Hospitals providing mental health services, inpatient and outpatient;
h. Other facilities or clinics that provide outpatient mental health services;
i. Hospitals providing substance abuse services, inpatient and outpatient; and
j. other facilities or clinics providing outpatient substance abuse services.

2. For STAR+PLUS only, identify a list of Community-based Long-Term Services and Supports Providers with whom the Respondent has a signed contract, LOI or LOA. These Providers should be listed by type, name, and address. Respondent should also list the array of Community-based Long-Term Services and Supports each of these entities provides.

Community-based Long-Term Services and Supports (for STAR+PLUS only)

a. Personal Assistance Services (PAS);
b. Day Activity and Health Services (DAHS);
c. adaptive aids and medical supplies;
d. adult foster care;
e. assisted living and residential care services;
f. emergency response services;
g. home delivered meals;
h. in-home skilled nursing care;
i. dental services;
j. minor home modifications;
k. respite care;
l. therapy – occupational;
m. therapy – physical;
n. therapy – speech, hearing, and/or language pathology services;
o. consumer directed services; and
p. transition assistance services.

3. Identify the types of Providers the Respondent allows to be PCPs for adults, PCPs for children, OB/GYNs, and outpatient Behavioral Health Service Providers. The Respondent should identify its contract requirements for these provider types and any exceptions. For example, Respondent should note under what circumstances, if any, an internist is allowed to be a PCP for children, or a family practitioner is allowed to be an OB/GYN.

4.3.5.2 Significant Traditional Providers

(No page limit, Respondents should only submit STP tables, not text, with the exception of bidders not meeting the 50 percent threshold described in Section 5.2. These Respondents should provide clear documentation of any problems in meeting this threshold)

The STP requirements in Section 8.2.3 are applicable as follows:

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs) in STAR and STAR+PLUS. For STAR MCOs, STP requirements for other provider types are limited to the following areas: Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, STP requirements for other provider types apply to Jefferson, El Paso, Lubbock and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette.

HHSC-designated Medicaid Significant Traditional Providers (STPs) can be found in the Procurement Library. The STP list includes, without limitation, SUD, pharmacy, and State Mental Health Hospitals for all MCO Programs. For STAR+PLUS, STPs also include Community-based Long-Term Services and Supports Providers.

For each STP provider type in the MCO Program(s) and Service Area(s) bid, the Respondent must complete the charts provided in the Procurement Library.
4.3.5.3 Provider Network Capacity

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

HHSC has targeted improved Network capacity and improved Member access to Covered Services as a priority for the Initial Contract Period.

1. indicate which, if any, Covered Services are not available from a qualified Provider in the Respondent’s proposed Network in the Service Area and how the Respondent proposes to provide such Covered Services to Members in the Service Area; and

2. briefly describe how deficiencies will be addressed when the Provider Network is unable to provide a Member with appropriate access to Covered Services due to lack of a qualified Network Provider within the travel distance of the Member’s residence specified in Section 8.1.3.2. The description should include, but not be limited to, how the Respondent will address deficiencies in the Network related to:
   a. the lack of an age-appropriate Network PCP with an Open-Panel within the required travel distance of the Member’s residence;
   b. for female Members, the lack of an Network OB/GYN with an open practice within the travel distance of the Member’s residence;
   c. the lack of a Network cardiologist within the travel distance of the Member’s residence (STAR and STAR+PLUS only); and
   d. the lack of a Network pharmacy within the travel distance of the Member’s residence.

4.3.5.4 Credentialing and Re-credentialing

(4 pages plus 2 additional pages for Respondents bidding STAR+PLUS)

Provider credentialing and re-credentialing requirements are described in Section 8.1.4.4. For all of the following submission requirements, instead of attaching copies of the Respondent’s credentialing/re-credentialing policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. Describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Acute Care Providers by type of Provider, and demonstrate how the Respondent ensures, or proposes to ensure, that the minimum credentialing requirements are met. Such description must demonstrate compliance with Section 8.1.4.4.

2. Describe the re-credentialing process or process between re-credentialing cycles for Acute Care Providers and how the Respondent will capture and assess the following information:
   a. Member Complaints and Appeals;
   b. results from quality reviews and Provider quality profiling;
   c. utilization management information; and
   d. information from licensing and accreditation agencies.

3. For STAR+PLUS only, describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Providers of Community-based Long-Term Services and Supports by type of Provider, and how Respondent will ensure that the minimum credentialing and licensing requirements are met by any Provider rendering Covered Services.

4. For STAR+PLUS only, describe the re-credentialing process for Providers of Community-based Long-Term Services and Supports. The description of the re-credentialing process should include how the Respondent will capture and assesses the following information:
a. Member Complaints and Appeals;
b. results from quality reviews and quality Provider profiling;
c. utilization management information; and
d. information from licensing and accreditation agencies.

5. A Respondent currently operating in Texas must separately report the following information for its Texas Network. A Respondent not currently operating in Texas must separately report the same information for a managed care program it operates in another state that is similar to the MCO Program bid:

a. the percentage of providers in its Network re-credentialed in the past three (3) years, for the following provider types: primary care physician, specialty care provider, and masters-level outpatient Behavioral Health Service providers; and

b. the number and percentage of providers in its Network who were subjected to the regularly scheduled re-credentialing process over the past 24 months that were denied continued Network status.

4.3.5.5 Provider Hotline

(3 pages, plus 2 additional pages for each additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

Describe the proposed Provider Hotline function and how the Respondent would meet the requirements of Section 8.1.4.7. Such description must include:

1. normal hours of operation of the hotline;
2. staffing for the hotline;
3. training for the hotline staff on Covered Services and HHSC MCO Program requirements;
4. the routing of calls among hotline staff to ensure timely and appropriate response to provider inquiries;
5. responsibilities of hotline staff, if any, in addition to responding to HHSC Provider Hotline calls (e.g., responding to non-Network provider calls and/or HHSC Member Hotline calls);
6. after-hours procedures and available services;
7. provider hotline telephone reports for the most recent four (4) quarters with data that show the monthly call volume, the monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and the monthly trends for the abandonment rate; and
8. Whether the Provider Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the MCO Programs bid must submit the information in #7 above for each provider hotline operated, and identify any proposed changes to provider hotline functions.

A Respondent not currently participating in any of the MCO Programs bid must submit the information in #7 above for a similar managed care program that it operates. If such a Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider hotline telephone report for the same managed care program.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Provider Hotlines, so long it meets the RFP Provider Hotline requirements for all MCO Programs bid.
If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Provider Hotline, or if proposing to staff a single Provider Hotline for multiple programs, and should note in its Proposal the differences, if any, in its Provider Hotline and staffing for each MCO Program bid.

4.3.5.6 Provider Training

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Provider training requirements are described in Section 8.1.4.6.

1. Provide a brief description of the proposed Provider training programs for each MCO Program bid. For STAR+PLUS only, distinguish between training programs for Acute Care Providers and Community-based Long-Term Services and Supports Providers. The description should include:
   a. the types of programs to be offered, including the modality of training;
   b. what topics will be covered;
   c. which Providers will be invited to attend;
   d. how the Respondent proposes to maximize Provider participation;
   e. how Provider training programs will be evaluated;
   f. the frequency of Provider training; and
   g. for STAR+PLUS Long Term Services and Supports providers in El Paso, Lubbock, and Hidalgo, who have never submitted traditional claim forms, a brief summary of additional methods to assist these providers.

2. Briefly describe two (2) examples of recent Provider training programs relevant to each of the MCO Programs bid. These examples must include:
   a. a description of the training program;
   b. a summary of distributed materials (the actual materials are not to be submitted);
   c. number and type of attendees; and
   d. results of any evaluations from the training.

A Respondent currently participating in any of the MCO Programs bid must submit the above Provider training examples for each such MCO Program. A Respondent may use the same such Provider education example for more than one (1) MCO Program, provided the education program was given to Providers participating in each MCO Program.

A Respondent not currently participating in one (1) or more of the MCO Programs bid must submit the above provider training examples for a similar managed care program. If the Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider education information in this submission requirement.

4.3.5.7 Provider Incentives

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Respondent must submit a proposal for a pilot “gain sharing” program. The program should focus on collaborating with Network physicians and Hospitals in order to allow them to share a portion of the Respondent’s savings resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions. The proposal should include mechanisms whereby the Respondent will provide incentive payments to Hospitals and physicians for quality care. The
proposal should include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for payment.

4.3.6 Section 6 – Member Services

4.3.6.1 Member Services Staffing

(5 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding organizational chart(s))

The MCO must maintain a Member Services Department to assist Members and Members’ representatives in obtaining Covered Services as described in Section 8.1.5.

1. Provide an organizational chart of the Member Services Department, showing the placement of Member Services within the Respondent’s organization and showing the key staff within the Member Services Department.

2. Explain the functions of the Member Services staff, including brief job descriptions and qualifications.

3. Describe the curriculum for training to be provided to Member Services representatives, including when the training is conducted and how the training addresses:
   a. Covered Services, including Behavioral Health Services and Community-based Long Term Services and Supports;
   b. MCO Program requirements;
   c. Cultural Competency; and
   d. providing assistance to Members with limited English proficiency.

4. Identify the turnover rate for Member Services staff in the past two (2) years. A Respondent operating any HHSC MCO Program must provide the staff turnover rate for each of its MCO Programs. A Respondent not currently operating an HHSC MCO program must provide its Member Services staff turnover rate for a comparable managed care program and identify the managed care program.

5. For STAR+PLUS only, identify the number and professional background of Member Services staff that the Respondent intends to dedicate to the Service Coordination function.

6. Identify the percentage of Member Services staff who will be physically located in the Service Area.

A Respondent submitting a multi-program response must clearly indicate any differences in the Respondent’s Member services approach across each of the MCO Program bid.

4.3.6.2 Member Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

The Member Hotline requirements are described in Section 8.1.5.6.

Describe the proposed Member Hotline function, including:

1. normal hours of operation;
2. number of Member Hotline staff, expressed in the number of full time employees (FTEs) per 1000 Members who are available 8:00 a.m. to 5:00 p.m., local time in the Service Area, Monday through Friday, excluding state-approved holidays;

3. routing of calls among Member Hotline staff to ensure timely and accurate response to Member inquiries;

4. responsibilities of Member Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC Member calls and/or HHSC Provider Hotline or Behavioral Health Hotline calls);

5. after-hours procedures and available services, including those provided to non-English speaking Members in Major Population Groups;

6. the number and percentage of FTE Member Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Member Hotline staff who are multi-lingual for any additional language, by language spoken;

8. for STAR+PLUS only, the number and percentage of FTE Member Hotline staff dedicated to the Service Coordination function;

9. Member Hotline telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and monthly trends for the abandonment rate; and

10. Whether the Member Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of HHSC’s MCO Programs must submit the information in #9 above for each Member Hotline operated, and identify any proposed changes to hotline functions.

If the Respondent is not currently participating in any of HHSC’s MCO Programs, it should describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Member Hotline described in Section 8.1.5.6. Such a description must include the information listed in items 1 to 10 above.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Member Hotlines, if it meets the RFP Member Hotline requirements for all MCO Program bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Member Hotline, or if proposing to staff a single Member Hotline for multiple programs, and should note the differences, if any, in its Member Hotline and staffing for each MCO Program bid.

4.3.6.3 Member Service Scenarios

(5 pages)

Describe the procedures a Member Services representative will follow to respond to the following situations:

1. a Member has received a bill for payment of Covered Services from a Network Provider or Out-of-Network Provider;

2. a Member is unable to reach her PCP after normal business hours;

3. a Member is having difficulty scheduling an appointment for preventive care with her PCP,

4. for STAR+PLUS only, a Member is having difficulty scheduling an appointment for preventive care with her Medicare PCP;
5. for STAR+PLUS only, a Member is in urgent need of meals, adaptive aids, or other Community-Based Long-Term Services and Supports and is unable to reach their Service Coordinator or provider,

6. a Member becomes ill while traveling outside of the Service Area, and

7. a Member has a request for a specific medication that the pharmacy is unable to provide.

4.3.6.4 Cultural Competency

(3 pages)

Provide a high-level description of the processes the Respondent will put in place to meet the requirements of the cultural competency requirements as described in Section 8.1.5.8, “Cultural Competency Plan.”

1. Describe how the Respondent will ensure culturally competent services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each.

2. Describe how the Respondent will develop intervention strategies and work with Network Providers to avoid disparities in the delivery of medical services to diverse populations.

4.3.6.5 Member Complaint and Appeal Processes

(3 pages per MCO Program, excluding flow chart)

Medicaid Member Complaint and Appeal Processes are described in Section 8.2.6. CHIP Member Complaint and Appeal Processes are described in Section 8.4.2. For each MCO Program bid, a Respondent’s proposal should describe how it intends to meet the applicable Member Complaint and Appeal requirements. A Respondent should not submit detailed Complaint and Appeal policies and procedures as an attachment.

For each MCO Program bid, the Respondent must:

1. describe the process the Respondent will put in place for the review of Member Complaints and Appeals, including which staff will be involved;

2. provide a flowchart that depicts the process the Respondent will employ, from the receipt of a request through each phase of the review to notification of disposition, including providing notice of access to HHSC Fair Hearings;

3. document the MCO’s average time for resolution over the past 12 months for Member Complaints and Appeals (excluding Expedited Appeals), from date of receipt to date of notification of disposition; and

4. for STAR and STAR+PLUS only, describe the number and job descriptions of Member Advocates, how Members are informed of the availability of Member Advocates, and how Members access Advocates.

4.3.6.6 Marketing Activities and Prohibited Practices

(no page limit)

If the Respondent has been sanctioned or placed under corrective action for prohibited Marketing practices related to managed care products by the CMS, Texas, or by another state:

1. describe the basis for each sanction or corrective action, and

2. explain how the Respondent would ensure that it would not commit any practices prohibited by the CMS or HHSC in its Marketing activities.
A Respondent should have reported whether it has been sanctioned or been placed under corrective action by the federal government, Texas, or any other state in the past three (3) years as part of its Business Specifications submission.

4.3.6.7 Continuity of Care (for STAR and STAR+PLUS only)

(3 pages plus 1 additional page if the Respondent is proposing to participate in both STAR and STAR+PLUS)

Continuity of Care transition requirements for certain new Members with Out-of-Network providers are described in Section 8.2.1.

Describe the proposed Continuity of Care Transition Plan for serving new Members whose current PCP, OB/GYN, specialty care providers (including Behavioral Health Service providers) or Community-based Long-Term Services and Supports are not participants in the Respondent’s Provider Network. Respondents proposing to serve STAR+PLUS Members must also describe the proposed Continuity of Care Transition Plan for serving new Members whose current home health services provider is not a participant in the Respondent’s proposed Provider Network.

If a Respondent is proposing to serve both STAR and STAR+PLUS MCO Members, the Respondent should note the differences, if any, in its Continuity of Care Transition Plan in each MCO Program bid.

4.3.6.8 Objection to Providing Certain Services

(1 page)

In accordance with 42 C.F.R. §438.102, the Respondent may file an objection to provide, reimburse for, or provide coverage of, counseling or referral service for a Covered Service based on moral or religious grounds (see Section 8.2.2.7). HHSC reserves the right to make downward adjustments to Capitation Rates for any Respondent that objects to providing certain services based on moral or religious grounds.

Respondent should indicate objections, if any, to providing a Covered Service based on moral or religious grounds. Identify the specific service(s) to which it objects and describe the basis for its objection on moral or religious grounds.

4.3.6.9 Coordination of Services for Dual Eligibles

(2 pages)

Coordination of Services for STAR+PLUS Dual Eligibles is described in Section 8.3.7.1, and Medicaid wrap-services are described in Section 8.2.3.

As applicable to the Programs bid, please describe the Respondent’s process for coordinating Medicaid and Medicare care for STAR+PLUS Dual Eligibles, and providing Medicaid wrap-around services to Dual Eligibles in STAR+PLUS and STAR (Medicaid Rural Service Area only).

4.3.7 Section 7 – Quality Assessment and Performance Improvement

The Quality Assessment and Performance Improvement (QAPI) requirements of the RFP are described in Section 8.1.7.

4.3.7.1 Clinical Initiatives

(3 pages, plus 2 additional pages per additional MCO Program, excluding QA plan)
1. For each MCO Program bid, describe data-driven clinical initiatives that the Respondent initiated within the past 24 months that have yielded improvement in clinical care for a managed care population comparable to the population bid and document two (2) statistically significant improvements generated by the Respondent’s clinical initiatives.

2. For STAR+PLUS only, propose two (2) clinical initiatives focused on Community-based Long-Term Services and Supports for STAR+PLUS Members, including how Members will be involved in such initiatives and the Respondent’s experience implementing similar clinical initiatives.

3. For each MCO Program bid, describe two (2) new or ongoing Acute Care clinical initiatives that the Respondent proposes to pursue in the first year of the Contract. Document why each topic warrants quality improvement investment, and describe the Respondent’s measurable goals for the initiative.

4. For STAR+PLUS only, describe the planned approach the Respondent will take towards quality assessment and ongoing review of providers with whom it intends to contract, using the following provider types as an example:
   a. Adult Day Health Facilities;
   b. Personal Assistance Services providers, and
   c. Home and Community Support Services Agencies (HCSSAs).

5. For Respondents that already participate in an HHSC MCO Program, provide a copy of the most recent QAPI Plan. For Respondents that do not participate in an HHSC MCO Program, provide a copy of a 2009 quality assurance plan for a comparable managed care population.

6. Many Texas Medicaid and CHIP children reportedly receive their immunizations through Local Health Departments. Discuss the impact this has on creating a Medical Home for child Members, and what steps, if any, the Respondent proposes to take to improve child preventive services delivery.

4.3.7.2 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Quality Data

(3 pages, plus 2 additional pages per additional MCO Program bid)

HHSC's External Quality Review Organization (EQRO) will perform HEDIS and Consumer Assessment of Healthcare Providers and Systems (CAHPS) calculations required by HHSC for MCO Program management. The following questions are designed to solicit information on a Respondent's proposed approach to generating its own clinical indicator information to identify and address opportunities for improvement, as well as the Respondent's approach to acting on clinical indicator data reported by HHSC's EQRO.

For each MCO Program bid, the Respondent must:
1. identify the MCO-level HEDIS and any other statistical clinical indicator measures the Respondent will generate to identify opportunities for clinical quality improvement;
2. document examples of statistical clinical indicator measures previously generated by the Respondent during 2008-2009 for a managed care population comparable to the population in the MCO Program bid;
3. describe efforts that the Respondent has made to assess member satisfaction during 2008-2009 for a managed care population comparable to the population in the MCO Program bid; and
4. describe management interventions implemented in 2008 or 2009 based on member satisfaction measurement findings for a managed care population comparable to the population in the MCO Program bid, and whether these interventions resulted in measurable improvements in later member satisfaction findings.

4.3.7.3 Clinical Practice Guidelines

(2 pages per MCO Program bid)

There is significant evidence that medical professionals are often slow to adopt evidence-based clinical practice guidelines.

1. For each MCO Program bid, describe two (2) clinical guidelines that are relevant to the enrolled populations and that the Respondent believes are currently not being adhered to at a satisfactory level.
2. Describe what steps the Respondent will take to increase compliance with the clinical guidelines noted in its response to question number 1 above.

3. Provide a general description of the Respondent’s process for developing and updating clinical guidelines, and for disseminating them to participating Providers.

4.3.7.4 Provider Profiling

(3 pages, excluding sample profile reports)

1. Describe the Respondent’s practice of profiling the quality of care delivered by Network PCPs, and any other Acute Care Providers (e.g., high volume specialists, Hospitals), including the methodology for determining which and how many Providers will be profiled.

2. For STAR+PLUS, describe the Respondent’s method to ensure the quality of care delivered by Long-Term Services and Supports Providers.

3. Submit sample quality profile reports used by the Respondent, or proposed for future use (identify which).

4. Describe the rationale for selecting the performance measures presented in the sample profile reports.

5. Describe the proposed frequency with which the Respondent will distribute such reports to Network Providers, and identify which Providers will receive such profile reports.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its provider profiling activities and reports for each MCO Program bid.

4.3.7.5 Network Management

(4 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Describe how the Respondent will actively work with Network Providers to ensure accountability and improvement in the quality of care provided by both Acute and Long-Term Services and Supports Providers. The description should include:

1. the steps the Respondent will take with each profiled Provider following the production of each profile report, including a description of how the Respondent will motivate and facilitate improvement in the performance of each profiled Provider;

2. the process and timeline the Respondent proposes for periodically assessing Provider progress on its implementation of strategies to attain improvement goals;

3. how the Respondent will reward Providers who demonstrate continued excellence and/or significant performance improvement over time, through non-financial or financial means, including pay-for-performance;

4. how the Respondent will share “best practice” methods or programs with Providers of similar programs in its Network;

5. how the Respondent will take action with Providers who demonstrate continued unacceptable performance and performance that does not improve over time;

6. the steps the Respondent will take with a Provider that specifically is not meeting HHSC contractual access standards; and

7. the extent to which the Respondent currently operates a Network management program consistent with HHSC requirements in Section 8.1.7.8, and measurable results it has achieved from such Network management efforts.
If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Network Management activities and reports for each MCO Program bid.

### 4.3.8 Section 8 – Utilization Management

(3 pages, plus 1 additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Utilization Management (UM) requirements are described generally in Section 8.1.8 and specifically for Behavioral Health Services in Section 8.1.15. A Respondent’s response to this submission requirement should address UM for all Covered Services.

1. Describe the UM guidelines the Respondent plans to employ, including whether and how the guidelines comply with the standards in Sections 8.1.8 and 8.1.15.
2. If the UM guidelines were developed internally, describe the process by which they were developed and when they were developed or last revised.
3. Describe how the UM guidelines will generally be applied to authorize or retrospectively review services for the spectrum of Covered Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its UM activities for each MCO Program bid.

### 4.3.9 Section 9 – Early Childhood Intervention (ECI)

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

ECI Services are described in Section 8.1.9.

1. Describe the Respondent’s experience with, and general approach to, providing ECI services, including how the Respondent will identify such individuals.
2. Describe procedures and protocols for using the IFSP information to develop a Member Care Plan and authorize services.
3. Describe procedures and protocols for developing and including the interdisciplinary team in the assessment and care planning process.
4. Describe the process by which the Respondent will provide the IFSP and other necessary information to the PCP.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for ECI for each MCO Program bid.

### 4.3.10 Section 10 – Services for People with Special Health Care Needs

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Services for people with special health care needs are described in Section 8.1.12. Note: All STAR+PLUS Members are considered to be persons with Special Health Care Needs as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.”
1. Describe the Respondent’s experience with, and general approach to, providing services for adults with Special Health Care Needs (STAR and STAR+PLUS only), including how the Respondent will identify such individuals and the criteria it will use in assessing whether an adult is a Member with Special Health Care Needs (MSHCN).

2. Describe the Respondent’s experience with, and general approach to, providing services for children with special health care needs, including how the Respondent will identify such individuals and the criteria it will use in assessing whether a Member has special health care needs.

3. Describe the process for initially and periodically assessing Members’ needs for services, and identify the staff performing the assessments and their credentials.

4. Describe procedures and protocols for using the assessment information to develop a Member Care Plan and authorize services.

5. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

6. Describe the process by which the Respondent will allow MSHCN to have:
   a. direct access to a specialist as appropriate for the Member’s condition and identified needs, such as a standing referral to a specialty physician; and
   b. access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. § 11.900 and Section 8.1.3.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for MSHCN for each MCO Program bid.

4.3.11 Section 11 – Care Management and/or Service Coordination

(9 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Care Management and/or Service Coordination is described in Sections 8.1.12.2 and 8.1.13. Additional requirements for Service Coordination are described in Section 8.3.2.

1. Describe the Respondent’s experience providing Care Management and/or Service Coordination to members with high-cost catastrophic situations (e.g., recent spinal cord injury) and the Respondent’s proposal for implementing high-cost catastrophic Care Management and/or Service Coordination, including how the Respondent will identify Members for high cost catastrophic Care Management and/or Service Coordination, and the criteria used to identify such Members.

2. Describe the Respondent’s experience providing Care Management and/or Service Coordination services to Members with the following serious health care conditions, as applicable to the MCO Programs bid, and the Respondent’s proposal for offering Care Management and/or Service Coordination services to these Members. Include how Members will be identified for Care Management and/or Service Coordination, and the criteria used to identify such Members:
   a. women with high-risk pregnancies (STAR only); and
   b. individuals with mental illness and co-occurring substance abuse.

3. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Care Management and/or Service Coordination initiatives.

4. For STAR+PLUS only, describe the duties and responsibilities of the Service Coordinator to authorize Community-based Long-Term Services and Supports. The Respondent must describe in detail how the Service Coordinator will function in relation to the Member’s PCP for:
a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and
b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

5. For STAR+PLUS only, submit detailed information, including protocols and procedures, for identifying Members requiring Service Coordination, and for providing the Service Coordination function to them. The information should include how the protocols and procedures vary for:

a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and for
b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

6. For STAR+PLUS only, describe the circumstances or conditions when the Member would require a licensed nurse or other allied health care provider as a Service Coordinator.

7. For STAR+PLUS only, submit criteria for identifying and training certain Members and their Member Representative(s) to coordinate and direct the Member’s own care, to the extent the Member is capable of doing so. Criteria should include those used to enable the Member and family to select, train, and supervise providers of Community-based Long-Term Services and Supports.

8. For STAR+PLUS only, describe the criteria and processes for advising Members of, and assisting them to access, the most appropriate, least restrictive home and community-based services as alternatives to institutional care. Additionally, describe how the Respondent will ensure that the Member is given the opportunity to make an informed choice among the options for care settings.

9. For STAR+PLUS only, submit a list of the relevant community organizations in each proposed STAR+PLUS Service Area with which the Respondent will coordinate services for Members and to which it will refer Members for services.

10. For STAR+PLUS only, describe the process for initially and periodically assessing Members’ needs for services.

11. For STAR+PLUS only, describe how the Respondent will identify Members who are at risk of nursing facility placement.

12. For STAR+PLUS only, submit all functional assessment instruments proposed for use and describe how the assessment instrument(s) will be employed to identify the Member’s need for Community-based Long-Term Services and Supports. (Note: If the MCO is allowed to modify a functional assessment instrument required by the State, HHSC must approve the proposed instrument prior to implementation. See Section 8.3.3 for more information.)

13. For STAR+PLUS only, identify who will perform each assessment and specify their credentials.

14. Describe procedures and protocols for using the assessment information to develop a Member Service/Care Plan and authorize services.

15. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

16. For STAR+PLUS only, provide a description of the appropriate staffing ratio of Service Coordinators to Members, and the Respondent’s target ratio of Service Coordinators to Members.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Care Management and/or Service Coordination activities in the applicable MCO Programs.

4.3.12 Section 12 – Disease Management (DM)/Health Home Services
Disease Management/Health Home Services is described in Section 8.1.14.

1. Describe the Respondent’s experience in implementing Disease Management/Health Home Services programs for populations comparable to the proposed HHSC MCO Program.

2. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Disease Management/Health Home Services initiatives, and briefly describe the analyses used to identify such outcomes and savings.

3. Identify the process by which the Respondent proposes to provide Members with Disease Management/Health Home Services. Describe how the Respondent will identify Members in need of such Disease Management/Health Home Services program, the proposed outreach approach, and the Disease Management/Health Home Services program components for Members of different risk levels.

4. Describe the process by which the Respondent will ensure continuity of care with the Member’s previous Disease Management/Health Home Services program(s), if any.

4.3.13 Section 13 – Behavioral Health Services and Network

The Behavioral Health Services and Network requirements are described in Section 8.1.15. Note: STAR Members in the Dallas Service Area will receive Behavioral Health services through the NorthSTAR Program instead of STAR.

4.3.13.1 Behavioral Health Services Hotline

The Behavioral Health Services Hotline requirements are described in Section 8.1.15.3. Describe the proposed Behavioral Health Services Hotline function, including:

1. verification that it is, or will be, staffed 24 hours per day, 365 days per year;

2. staffing of Behavioral Health Services Hotline staff, including clinical credentials;

3. routing of calls among Behavioral Health Services Hotline staff to ensure timely and accurate response to Member inquiries;

4. the curriculum for training to be provided to Behavioral Health Services Hotline representatives, including when the training will be conducted and how the training will address a) Covered Services; b) HHSC MCO Program requirements; c) Cultural Competency; and d) providing assistance to Members with limited English proficiency.

5. responsibilities of Behavioral Health Services Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC member calls and/or HHSC Provider Hotline or Member Hotline calls);

6. the number and percentage of FTE Behavioral Health Services Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Behavioral Health Services Hotline staff who are multi-lingual for any additional language, by language spoken;

8. Behavioral Health Services telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system), and monthly trends for the abandonment rate; and
9. whether the Behavioral Health Services Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the HHSC MCO Programs bid must submit the information above for each Behavioral Health Services Hotline that it operates, and should provide the monthly call volume for each Service Area by MCO Program. Such a Respondent should also indicate any changes it proposes to its Behavioral Health Services Hotline.

If the Respondent is not currently participating in the STAR, STAR+PLUS, or CHIP MCO Programs, describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Behavioral Health Services Hotline described in Section 8.1.15.3. Such a description must include the information listed in items 1 to 9 above.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Behavioral Health Services Hotline, or if proposing to staff a single Behavioral Health Services Hotline for multiple programs, shall note in its Proposal the differences, if any, in its Behavioral Health Services Hotline and staffing for each applicable MCO Program.

4.3.13.2 Behavioral Health Provider Network Expertise

(no page limit)

1. For each proposed Service Area, identify Behavioral Health Service Providers with expertise in providing services to each of the following populations, as applicable to the Respondent’s Proposal.
   a. substance abusers;
   b. children and adolescents;
   c. persons with a dual diagnosis of mental health and substance abuse; and
   d. services for linguistic and cultural minorities.

2. Indicate the criteria the Respondent will use to determine that such Behavioral Health Providers have the requisite expertise.

4.3.13.3 Coordination of Behavioral Health Care

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

1. Describe the Respondent’s approach to coordinating Behavioral Health Service delivery with primary care services delivered by a Member’s PCP, and vice versa.

2. Describe or propose innovative programs and identify Network Providers contracted to serve special populations through integrated medical/Behavioral Health Service delivery models. Describe the program model services, treatment approach, special considerations, and expected outcomes for the special populations.

3. Describe the process by which the Respondent will ensure the delivery of outpatient Behavioral Health Services within seven (7) days of inpatient discharge for Behavioral Health Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its coordination of Behavioral Health Services in the applicable MCO Programs.

4.3.13.4 Behavioral Health Quality Management

(2 pages per MCO Program bid)
1. Identify the areas Respondent believes to be the greatest opportunities for clinical quality improvement in behavioral health in each MCO Program bid and provide supporting information.

2. Discuss the approaches the Respondent will pursue to realize one such opportunity for each MCO Program bid.

3. Describe how the Respondent proposes to integrate behavioral health into its quality assurance program, as described in Section 8.1.7.5.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in the Respondent’s Behavioral Health quality management activities in each applicable MCO Program.

### 4.3.13.5 Behavioral Health Emergency Services

(2 pages per MCO Program bid)

For each MCO Program bid, describe the Respondent’s experience with, and plans for, providing Behavioral Health Emergency Services, including, emergency screening services, Emergency Services, and short-term crisis stabilization to Medicaid, CHIP, or other similar populations.

### 4.3.14 Section 14 – Management Information System (MIS) Requirements

(10 pages plus an additional 6 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program - Page limit excludes system diagrams and process flow charts.)

For each MCO Program bid, the Respondent must:

1. describe the Management Information System (MIS) the Respondent will implement, including how the MIS will comply with Health Insurance Portability and Accountability Act of 1996 (HIPAA). The response must address the requirements of Section 8.1.18. At a minimum, the description should address:
   a. hardware and system architecture specifications;
   b. data and process flows for all key business processes in Section 8.1.18.3; and
   c. attest to the availability of the data elements required to produce required management reports;

2. if claims processing and payment functions are outsourced, provide the above information for the Material Subcontractor;

3. describe how the Respondent would ensure accuracy, timeliness, and completeness of Encounter Data submissions for each of the MCO Programs bid;

4. describe the Respondent’s ability and experience in performing coordination of benefits and Third Party Liability/Third Party Recovery (TPL/TPR);

5. describe the Respondent’s ability and experience in allowing providers to submit claims electronically and its ability and experience in processing electronic claims payments to providers:
   a. if currently processing claims electronically, generally describe the type and volume of provider claims received electronically in the previous year versus paper claims for each claim type;
   b. if currently making claims payments to providers electronically, generally describe the type and volume of provider claims payment processed electronically;
   c. does the MCO provide a no-cost alternative for providers to allow billing without the use of a clearinghouse? If so please describe; and
d. does the MCO include attendant care payments as part of the regular claims payment process (for STAR+PLUS only)? If so please describe;

6. describe the Respondent’s experience and capability to comply with the Internet website requirements of Section 8.1.5.5, and briefly describe any additional website capabilities that the Respondent proposes to offer to Members or Providers;

7. provide acknowledgment and verification that the Respondent’s proposed systems are 5010 compliant by submitting a copy of the 5010 compliance plan, and proposed timeline for meeting the deadlines for being 5010 compliant; and

8. describe the Respondent’s capability to pay providers via direct deposit and its experience in doing so, including the percentage, number, and types of providers paid via direct deposit in the most recent 12 month period for which the Respondent has such statistics. If the Respondent operates in Texas, the Respondent must provide this information related to its experience in Texas. If the Respondent does not currently operate in Texas, the Respondent must provide this information for a state in which the Respondent currently operates a managed care program similar to the MCO Programs bid.

4.3.15 Section 15 – Fraud and Abuse

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Fraud and Abuse requirements of the RFP are described in Section 8.1.19. The Respondent must describe how it will implement a Fraud and Abuse Plan that will comply with state and federal law and this RFP, including the requirements of §531.113, Texas Government Code. The Respondent must:

1. include detail about what parts of the organization and which key staff will have responsibilities in implementing and carrying out the Fraud and Abuse program; and

2. identify which officer or director of the Respondent organization will have overall responsibility and authority for carrying out the Fraud and Abuse Program provisions.

4.3.16 Section 16 – Pharmacy Services

(8 pages plus an additional 2 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Pharmacy Services requirements are described in Section 8.1.21. For all of the following submission requirements, instead of attaching copies of the Respondent’s policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. The Respondent must describe the processes it will use to manage the pharmacy benefit under both of the following scenarios:
   a. HHSC requires the MCO to implement the Medicaid and CHIP formularies and preferred drug lists (PDLs);
   and

   b. the MCO is allowed to establish its own formularies and PDLs.

2. The Respondent must describe the policies and procedures for how mail-order pharmacies will be available to Members.

3. The Respondent must identify the rationale for requiring prior authorizations, identify the types of drugs that normally require prior authorization, and describe the policies and procedures for the prior authorization process.

4. The Respondent must describe how rebates will be negotiated (if HHSC determines that the MCO will perform this service), identified, and reported.
5. The Respondent must describe the policies and procedures for drug utilization reviews, including ensuring prospective reviews take place at the dispensing pharmacy’s point of sale (POS).

6. The Respondent must describe its policies and procedures for targeted interventions for Network Providers over-utilizing certain drugs.

4.3.17 Section 17 – Transition Plan

(4 pages per MCO Program bid)

The Transition Plan Requirements are described in Section 7.

1. Briefly describe the Respondent’s experience establishing and maintaining electronic interfaces with other contractors responsible for portions of Medicaid and CHIP operations. A Respondent with experience participating in one or more MCO Programs must clearly note its experience in establishing and maintaining such interfaces in Texas. A Respondent without experience establishing and maintaining electronic interfaces with other contractors responsible for Medicaid or CHIP operations must note its experience in establishing and maintaining similar electronic interfaces with similar contractors.

2. A Respondent that is proposing to participate in an HHSC MCO Program in a Service Area for the first time must, for each MCO Program bid, briefly describe its Transition Plan for all proposed Service Areas, including major activities related to the System Readiness Review and the Operational Readiness Review, including Network development, internal system testing, and proposed schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO and any differences in its transition approach by Service Area.

3. A Respondent that is currently a contractor for an HHSC MCO Program must, for each such MCO Program, briefly describe its Transition Plan, including major activities related to the System Readiness Review and the Operational Readiness Review, such as Network Development, internal system testing, and schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO, and any differences in its transition approach by Service Area.

4.3.18 Section 18 – Additional Requirements Regarding Dual Eligibles (for STAR+PLUS only)

(4 pages)

The additional provisions regarding certain categories of Dual Eligibles are described in Section 8.3.7.

1. Submit evidence of Respondent’s MA Dual SNP contract with CMS if any, including the contract number and counties/zip codes served, or submit documentation showing that an application for such a contract has or will be submitted to CMS. For Respondents that do not already have an MA Dual SNP contract and who intend to obtain one, describe the plans for submitting an application and obtaining such a contract. The description should include the timeline for submitting the application and the proposed counties/zip codes for coverage.

2. Describe the Respondent’s experience in providing Medicare encounter data in HIPAA-compliant formats to federal or state authorities.

3. Describe how the Respondent intends to coordinate care for Dual Eligible Members, including:
   
   a. How the Respondent will identify Long-Term Services and Supports providers in the relevant Service Areas.
   
   b. The processes and procedures Respondent will use to coordinate the delivery of Community-based Long-Term Services and Supports with Medicare benefits for Dual Eligible Members.
   
   c. The training Respondent will provide to staff and providers regarding Community-based Long-Term Services and Supports and the coordination of those services with Medicare benefits.
4. Describe how the Respondent will work with the State to share information regarding Medicare and Medicaid participating providers, Member complaints, and HEDIS data.

5. Evaluation Process and Criteria

5.1 Overview of Evaluation Process

HHSC will use a formal evaluation process to select the successful Respondent. HHSC will consider capabilities or advantages that are clearly described in the proposal, which may be confirmed by oral presentations, site visits, demonstrations, and/or references contacted by HHSC. HHSC reserves the right to contact individuals, entities, or organizations that have had dealings with the Respondent or proposed staff, whether or not identified in the proposal.

HHSC will more favorably evaluate proposals that offer no or few exceptions, reservations, or limitations to the terms and conditions of the RFP, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

5.2 Evaluation Criteria

HHSC will evaluate proposals based on the following best value criteria, listed in order of precedence:

• The extent to which the Respondent’s proposal demonstrates an ability to accomplish the missions and objectives for this procurement, including:
  • the extent to which the proposal meets HHSC’s needs, and the MCO Program clients’ needs for high quality and accessible medical care;
  • The degree to which the proposal demonstrates program innovation, adaptability, and exceptional customer service; and
  • the extent to which the Respondent accepts without reservation or exception the RFP’s terms and conditions, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

• Indicators of probable performance under the Contract, including past performance in Texas or comparable experience; financial resources and solvency, including the impact on the Respondent’s and its Subcontractors’ ability to perform, and relevant organizational experience.

• Effect of the acquisition on agency productivity; including the level of effort and resources required to monitor the Respondent’s performance and maintain a good working relationship with the Respondent.

Proposals for the STAR Medicaid Rural Service Area that include all three (3) regions will be given preference over proposals that do not include all three (3) regions.

If all other considerations are equal, HHSC will give preference to:

1. proposals from Texas institutions providing graduate medical education;

2. proposals that include substantial participation by Network providers who are Significant Traditional Providers (STP). HHSC defines “substantial participation” as proposals that include at least 50 percent of the STPs in a Service Area. The Respondent must either have a Network Provider agreement in place with the STP, or a Letter of Intent/Letter of Agreement to participate in the Network. A listing of STPs for the new Service Areas can be found in the Procurement Library; and

3. proposals that ensure continuity of coverage for Medicaid Members for at least three (3) months beyond the period of Medicaid eligibility. For purposes of this provision, HHSC defines “continuity of coverage” as providing the full set of Covered Services.
NOTE: Respondents who are licensed as health maintenance organizations pursuant to Chapter 843 of the Texas Insurance Code, and believe they meet the requirements for mandatory contracting under Texas Government Code §533.004, must provide written notice to HHSC’s Point of Contact (see RFP Section 1.1) no later than April 28, 2011. The notice must provide a clear description of why the Respondent believes it is entitled to a mandatory contract under the Texas Government Code.

5.3 Initial Compliance Screening

HHSC will perform an initial screening of all proposals received. Unsigned proposals and proposals that do not include all required forms and sections are subject to rejection without further evaluation.

In accordance with Section 3.11, “Modification or Withdrawal of Proposal,” HHSC reserves the right to waive minor informalities in a proposal and award contracts that are in the best interest of the State of Texas.

5.4 Competitive Field Determinations

HHSC may determine that certain proposals are within the field of competition for admission to discussions. The field of competition consists of the proposals that receive the highest or most satisfactory evaluations. HHSC may, in the interest of administrative efficiency, place reasonable limits on the number of proposals admitted to the field of competition.

5.5 Oral Presentations and Site Visits

HHSC may, at its sole discretion, request oral presentations, site visits, and/or demonstrations from one or more Respondents admitted to the field of competition. HHSC will notify selected Respondents of the time and location for these activities, and may supply agendas or topics for discussion. HHSC reserves the right to ask additional questions during oral presentations, site visits, and/or demonstrations to clarify the scope and content of the written proposal.

The Respondent’s oral presentation, site visit, and/or demonstration must substantially represent material included in the written proposal, and should not introduce new concepts or offers unless specifically requested by HHSC.

5.6 Best and Final Offer

Respondents will not submit cost proposals for this RFP. HHSC will establish the Capitation Rates for each Program and Service Area in accordance with the methodology described in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms and Conditions of Payment.” HHSC may, but is not required to, permit Respondents to prepare one or more revised offers for services. For this reason, Respondents are encouraged to treat their original proposals, and any revised offers requested by HHSC, as best and final offers of services.

5.7 Discussions with Respondents

HHSC may, but is not required to, conduct discussions with all, some, or none of the Respondents admitted to the field of competition for the purpose of obtaining the best value for the State of Texas. It may conduct discussions for the purpose of:

- obtaining clarification of proposal ambiguities;
- requesting modifications to a proposal; and/or
- obtaining a best and final offer of services.

HHSC may make an award prior to the completion of discussions with all Respondents admitted to the field of competition if HHSC determines that the award represents best value to the State of Texas.
5.8 Contract Awards

Respondents are allowed to select which MCO Programs and Services Areas to include in their Proposals. It is possible that a Respondent submitting a Proposal for more than one MCO Program in a Service Area could be awarded a Contract for some, but not all, of the MCO Programs. Similarly, a Respondent could be awarded a Contract for some, but not all, of its proposed Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.
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<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
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<td>June 1, 2012</td>
<td>Section 6.3.2.1 is modified to change &quot;Rate Period 1” to “FSR Reporting Period 12/13.” Section 6.3.2.2 is modified to change &quot;Rate Period” to &quot;FSR Reporting Period.”</td>
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<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 6.3.2.5 is modified to remove auto-assignment default methodology.</td>
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<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.</td>
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<td>Section 6.2.1 is modified to remove the reference to Bariatric Supplemental Payments. Section 6.3.1.2 is modified to provide HHSC more flexibility to implement reward-based assignment methodologies. Section 6.3.2.2 is modified to add the word “Program” to the section title. Section 6.3.2.3 is renamed “Performance-Incentive Program”. Subsection 6.3.2.3.1 “Quality Challenge Award” is renamed “Quality Challenge Award Program” and to add clarifying language. Subsection 6.3.2.3.2 State-MCO Shared Savings Program is added.</td>
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6. Premium Payment, Incentives, and Disincentives

This section describes performance incentives and disincentives related to HHSC’s value-based purchasing approach. For further information, MCOs should refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

Under the MCO Contracts, health care coverage for Members will be provided on a fully insured basis. The MCO must provide the Services and Deliverables, including Covered Services, to enrolled Members in exchange for the monthly Capitation Payments. Section 8, “Operations Phase Requirements” includes the MCO’s financial responsibilities regarding Out-of-Network Emergency Services and Medically Necessary Covered Services that are not available through Network Providers.

6.1 Capitation Rate Development

Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms & Conditions of Payment” for information concerning Capitation Rate development.


HHSC will pay the MCO monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Member Months times the applicable monthly Capitation Rate by Member Rate Cell.

The MCO must understand and expressly assume the risks associated with the performance of the duties and responsibilities under the Contract, including the failure, termination, or suspension of funding to HHSC, delays or denials of required approvals, cost of claims incorrectly paid by the MCO, and cost overruns not reasonably attributable to HHSC. The MCO must further agree that no other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services or Deliverables due under the Contract.

6.2.1 Capitation Payments
The MCO must refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions" for information and Contract requirements on the:
1. time and Manner of Payment,
2. adjustments to Capitation Payments,
3. Delivery Supplemental Payment, and
4. Experience Rebate.

6.3 Performance Incentives and Disincentives

HHSC has included several financial and non-financial performance incentives and disincentives on this Contract. These incentives and disincentives are subject to change by HHSC over the course of the Contract. The MCO is prohibited from passing down financial disincentives and/or sanctions imposed on the MCO to health care providers, except on an individual basis and related to the individual provider’s inadequate performance.

6.3.1 Non-financial Incentives

6.3.1.1 Performance Profiling

HHSC intends to distribute information on key performance indicators to MCOs on a regular basis, identifying an MCO’s performance, and comparing that performance to other MCOs and to HHSC standards and/or external Benchmarks. HHSC may recognize MCOs that attain superior performance and/or improvement by publicizing their achievements. For example, HHSC may post information concerning exceptional performance on its website, where it will be available to both stakeholders and members of the public. Likewise, HHSC may post its final determination regarding poor performance or MCO peer group performance comparisons on its website, where it will be available to both stakeholders and members of the public.

6.3.1.2 Auto-assignment Methodology for Medicaid MCOs

HHSC may revise its auto-assignment methodology during the Contract Period for enrollees who do not select an MCO. The new assignment methodology may reward those MCOs that demonstrate superior performance or improvement on one or more key dimensions of performance (see 1 Tex. Admin. Code § 353.403(d)(3)(B) for Medicaid).

HHSC will invite MCO comments on potential approaches prior to implementation of a performance-based auto-assignment algorithm.

6.3.2 Financial Incentives and Disincentives

6.3.2.1 Experience Rebate Reward

The standard Experience Rebate (see Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10.11, “STAR and CHIP Experience Rebate”) provides for an MCO to retain 100 percent of pre-tax income (as costs and income are defined by the Uniform Managed Care Manual), when such income is three percent (3%) (or less) of revenues, and further provides for a graduated scale of rebating to HHSC a portion of relevant MCO income in excess of three percent (3%) of revenues (subject to loss carry-forwards and other stipulations). As a financial incentive for demonstrated superior performance with respect to HHSC-specified performance indicators, the HHSC may raise the three percent (3%) threshold that commences rebates to three and one-half percent (3.5%). In consultation with the MCOs, HHSC will develop the methodology for determining the level of performance necessary for an MCO to earn the Experience Rebate Reward. The finalized methodology will be added to the Uniform Managed Care Manual.

HHSC will calculate whether a MCO is eligible for the Experience Rebate Reward, if applicable, prior to the 90-day Financial Statistical Report (FSR) filing.
HHSC anticipates that it will not implement the Experience Rebate Reward incentive for FSR Reporting Period 12/13 of the Contract. HHSC will invite MCO comments on potential approaches prior to implementation of the new performance-based Experience Rebate Reward.

### 6.3.2.2 Performance-Based Capitation Rate (5%-at-risk)

HHSC will place each MCO at risk for 5% of the Capitation Payment. HHSC retains the right to reduce the percentage of the Capitation Payment placed at risk in a given FSR Reporting Period.

During the FSR Reporting Period, HHSC will pay the MCO the full monthly Capitation Payments as described in Section 6.2. Then, at the end of each FSR Reporting Period, HHSC will evaluate if the MCO has demonstrated that it has fully met the performance expectations for which the MCO is at risk. If the MCO falls short on some or all of the performance expectations, HHSC will adjust a future monthly Capitation Payment in accordance with Uniform Managed Care Manual Chapter 6.2, Financial Incentive Methodology, by an appropriate portion of the aggregate at-risk amount. HHSC's objective is that all MCOs achieve performance levels that enable them to retain the full at-risk amount.

HHSC will determine the extent to which the MCO has met the performance expectations by assessing the MCO's performance for each applicable MCO Program relative to performance targets for the FSR Reporting Period. HHSC will conduct separate accounting for each MCO Program's at-risk Capitation Payment amount.

HHSC will identify no more than 10 at-risk performance indicators for each MCO Program. Some of the performance indicators will be standard across all Programs while others may apply to only one (1) Program.

Specific contractual requirements are set forth in the Uniform Managed Care Manual, Chapter 6.2, Financial Incentive Methodology.

Failure to timely provide HHSC with necessary data related to the calculation of the performance indicators will result in HHSC's assignment of a zero percent (0%) performance rate for each related performance indicator.

MCOs will report actual Capitation Payments received on the Financial Statistical Report (FSR) during the FSR Reporting Period that is at risk (i.e., the MCO will not report Revenues at a level equivalent to 95% of the payments received, leaving five percent (5%) as contingent). Actual Capitation Payments received will not be reported in the FSR as a reduced amount of capitation revenue, but will instead be reported below the income line, as an informational item, as described in the Uniform Managed Care Manual, Chapter 5.3.1, "Financial Statistical Report and Instructions." Any performance assessment based on performance for a FSR Reporting Period will appear on the final (334-day) FSR for that FSR Reporting Period.

HHSC will evaluate the performance-based Capitation Rate methodology annually in consultation with MCOs. HHSC may then modify the methodology as it deems necessary and appropriate, in order to motivate, recognize, and reward MCOs for superior performance. The methodologies for all FSR Reporting Periods will be included in Uniform Managed Care Manual Chapter 6.2, "Financial Incentive Methodology."

### 6.3.2.3 Performance Based Incentive Program

HHSC, at its discretion, may implement one or both of the following financial incentive programs in conjunction with provisions listed in 6.3.2.2.

#### 6.3.2.3.1 Quality Challenge Award Program

Should one or more MCOs be unable to earn the full amount of the performance-based at-risk portion of the Capitation Rate, HHSC may reallocate the funds through the MCO Program's Quality Challenge Award. Under this program, HHSC may use these funds to reward MCOs that demonstrate superior clinical quality, service delivery, access to care, or Member satisfaction. HHSC will determine the number of MCOs that will receive Quality Challenge Award funds annually based on the amount of the funds to be reallocated. Separate Quality Challenge Award payments will be made for each of the MCO Programs.
As with the performance-based Capitation Rate, each MCO will be evaluated separately for each MCO Program. HHSC may evaluate MCO performance annually on some combination of performance indicators in order to determine which MCOs demonstrate superior performance. In no event will a distribution from the Quality Challenge Award, plus any other incentive payments made in accordance with the MCO Contract, when combined with the Capitation Rate payments, exceed 105% of the Capitation Rate payments to an MCO. Measures utilized for the Quality Challenge Program may be the same as those used in the Performance-Based Capitation Rate Program, or may be different than those selected for the Performance-Based Capitation Rate Program.

Information about the data collection period to be used and each indicator that will be considered for any specific time period can be found in Uniform Managed Care Manual Chapter 6.2.6, "Quality Challenge Award Performance Indicators."

Failure to provide timely and accurate information may result in HHSC's assignment of a 0% performance rate for each applicable Quality Challenge Award indicator.

HHSC may evaluate the Quality Challenge Award methodology annually in consultation with MCOs. HHSC may make methodology modifications annually as it deems necessary and appropriate to motivate, recognize, and reward MCOs for superior performance based on available Quality Challenge Award funds and/or other performance incentives applicable to the award. HHSC may include the Quality Challenge Award methodology and risk adjustment factors, or any other modifications in Uniform Managed Care Manual Chapter 6.2.6, "Quality Challenge Award Performance Indicators."

6.3.2.3.2 Other Incentive Programs

HHSC may incentivize MCOs to achieve superior performance through other incentive programs. Opportunities for these incentives will depend upon whether the MCO meets or exceeds performance measures identified by HHSC. HHSC reserves the right to modify the methodologies used to determine the incentives in these programs. HHSC will consult with the MCOs in the development of incentive programs.

Programs identified in 6.3.2.3.1 and 6.3.2.3.2 could be operated concurrently, at HHSC’s discretion.

6.3.2.4 Remedies and Liquidated Damages

All areas of responsibility and all requirements in the Contract will be subject to performance evaluation by HHSC. Any and all responsibilities or requirements not fulfilled will be subject to contractual remedies, including without limitation liquidated damages. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix” for performance standards that carry liquidated damage values.

6.3.2.5 Frew Incentives and Disincentives

As required by the "Frew vs. Janek Corrective Action Order: Managed Care," this Contract includes a system of incentives and disincentives associated with the Medicaid Managed Care Texas Health Steps Medical Checkups Reports and Children of Migrant Farm Workers Reports. These incentives and disincentives apply to Medicaid MCOs.

The incentives and disincentives and corresponding methodology are set forth in the Uniform Managed Care Manual, Chapter 12 “Frew.”

6.3.2.6 Nursing Facility Utilization Disincentive

HHSC has developed the nursing facility utilization disincentive to prevent inappropriate admission to nursing facilities. The rate of nursing facility admissions for Medicaid-only STAR+PLUS Members will be part of the Performance Indicator Dashboard (see Section 6.3.2.2).

6.3.2.7 Additional Incentives and Disincentives
HHSC will evaluate all performance-based incentives and disincentive methodologies annually and in consultation with the MCOs. HHSC may then modify the methodologies as needed, as funds become available, or as mandated by court decree, statute, or rule, in an effort to motivate, recognize, and reward MCOs for performance.

Information about the data collection period to be used, performance indicators selected or developed, or MCO ranking methodologies used for any specific time period will be found in the Uniform Managed Care Manual.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 7

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<td>March 1, 2012</td>
<td>Section 7.1 is modified to add termination of the contract to the list of remedies for failure to timely satisfy Readiness Review requirements.</td>
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<td>September 1, 2013</td>
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<td>February 1, 2014</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

Table of Contents
7. Transition Phase Requirements

7.1 Introduction

This Section presents the scope of work for the Transition Phase of the Contract, which includes those activities that must take place between the time of Contract award and the Operational Start Date.

The Transition Phase will include all activities that must be completed successfully prior to a MCO’s Operational Start Date for each applicable MCO Program and Service Area, including all Readiness Review activities. HHSC will conduct Readiness Reviews to determine whether the MCO has implemented all systems and processes necessary to begin serving Members. MCOs must satisfy all Readiness Review requirements no later than 60 days prior to the Operational Start Date for each applicable MCO Program and Service Area, with the exception of HHSC’s review of the Service Coordination function. HHSC may, at its discretion, terminate the contract, postpone the MCO’s Operational Start Date(s) and assess contractual remedies if an MCO fails to timely satisfy all Readiness Review requirements. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions” and the Attachment B-3, “Deliverables/Liquidated Damages Matrix” for additional information.

The MCO is required to promptly provide a Corrective Action Plan and/or Risk Mitigation Plan as requested by HHSC in response to Transition Phase deficiencies identified by the MCO, HHSC, or its agent. The MCO must promptly alert HHSC of deficiencies, and must correct a deficiency or provide a Corrective Action Plan and/or Risk Mitigation Plan no later than ten (10) calendar days after HHSC’s notification of deficiencies. If the MCO documents to HHSC’s satisfaction that the deficiency has been corrected within ten (10) calendar days of such deficiency notification by HHSC, no Corrective Action Plan is required.

7.2 Transition Phase Schedule and Tasks

The MCO has overall responsibility for the timely and successful completion of each of the Transition Phase tasks. The MCO is responsible for clearly specifying and requesting information needed from HHSC, other HHSC contractors, and Providers in a manner that does not delay the schedule or work to be performed.

7.2.1 Contract Start-Up and Planning

HHSC and the MCO will work together during the initial Contract start-up phase to:
• define project management and reporting standards;
• establish communication protocols between HHSC and the MCO;
• establish contacts with other HHSC contractors;
• establish a schedule for key activities and milestones; and
• clarify expectations for the content and format of Contract Deliverables.

The MCO will be responsible for developing a written work plan, referred to as the “Transition/Implementation Plan,” which will be used to monitor progress throughout the Transition Phase. The MCO must update the Transition/Implementation Plan provided with its proposal no later than 30 days after the Contract’s Effective Date, then provide monthly implementation progress reports through the sixth month of MCO Program operations. HHSC may require more frequent reporting as it determines necessary.

7.2.2 Administration and Key MCO Personnel

No later than the Effective Date of the Contract, the MCO must designate and identify Key MCO Personnel that meet the requirements in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 4, “Contract Administration and Management.” The MCO will supply HHSC with resumes of each Key MCO Personnel as well as any organizational information that has changed relative to the MCO’s Proposal, such as updated job descriptions and updated organizational charts (including updated Management Information System (MIS) job descriptions and an updated MIS staff organizational chart), if applicable. If the MCO is using a Material Subcontractors, the MCO must also provide the organizational chart for these Material Subcontractors.

7.2.3 Organizational Readiness Review

In order to complete an organizational review and assess the most current corporate environment, the MCO must submit an Organization Update Report no later than 60 days prior to the Operational Start Date that updates the organizational information submitted in its proposal (see Section 4.2, “Business Proposal”). For each of the numbered items below, the report must describe whether the information provided in MCO’s proposal has changed. If so, the report must include relevant portions of the proposal with changes highlighted.

1. Respondent identification and information, Section 4.2.2.

2. Corporate background and experience:
   a. Item #1, concerning publicly-funded managed care contracts, under Section 4.2.3;
   b. Item #2, concerning regulatory actions, sanctions, and/or fines, under Section 4.2.3;
   c. Section 4.2.3.1, concerning organizational charts; and
   d. Section 4.2.3.2, concerning resumes; and

3. Material Subcontractor information, Section 4.2.4.

7.2.4 Financial Readiness Review

To complete a financial review, the MCO must submit a Financial Update Report no later than 60 days prior to the Operational Start Date. At a minimum, the report must include the following:

1. Material change in financial condition.

   For both the MCO and its ultimate parent, the report must identify whether either entity has experienced any material financial deterioration following proposal submission. The report must identify and briefly describe any changes to the financial statements, including changes to net worth; cash flow; loss of contracts; credit, audit, regulatory, and/or legal issues;
major contingencies, etc. The report must also describe any known potential issues, and any issues with respect to change of ownership or control.

2. Updated financial statements.

The report must include the most recently updated financial statements, which should be more current than those provided in the proposal. The updated financial statements should include the most recent quarterly (or monthly) internal financial statements, the most-recently completed annual statements, and the most-recent audited statements. The statements should generally include the notes, management discussion, and where appropriate, the audit letter. Internal most-recent-month statements are not expected to include these items.

The report must include any of the following new or updated reports (as referenced under Sections 4.2.3.3 and 4.2.3.4) that have become available since proposal submission: TDI financial examination report (or similar report from another state); Form B Registration statement filing; IRS Form 990; and bond or debt rating analysis. It is not necessary to submit updated SEC 10-K or 10-Q filings with the report.

In addition to the Financial Update Report, the MCO must submit documentation demonstrating it has secured all required bonds in accordance with TDI requirements, Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Terms and Conditions,” Article 17. Such documentation is due no later than ten (10) business days after the Contract Effective Date.

7.2.4.1 Employee Bonus and/or Incentive Payment Plan

If the MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan during the Operations Phase, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must conform with the Uniform Managed Care Manual, Chapter 6.1, “Cost Principles for Expenses.”

7.2.5 System Testing and Transfer of Data

The MCO must have hardware, software, network and communications systems with the capability and capacity to handle and operate all MIS systems and subsystems identified in Section 8.1.18, “Management Information System Requirements.” For example, the MCO’s MIS system must comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as indicated in Section 8.1.18.4, “HIPAA Compliance.”

During this Readiness Review task, the MCO will accept into its system any and all necessary data files and information available from HHSC or its contractors. The MCO will install and test all hardware, software, and telecommunications required to support the Contract. The MCO will define and test modifications to the MCO’s systems required to support the business functions of the Contract.

The MCO will produce data extracts and receive all electronic data transfers and transmissions.

If any errors or deficiencies are evident, the MCO will develop resolution procedures to address problems identified. The MCO will provide HHSC, or a designated vendor, with test data files for systems and interface testing for all external interfaces. This includes testing of the required telephone lines for Providers and Members and any necessary connections to the HHSC Administrative Services Contractor. The HHSC Administrative Services Contractor will provide enrollment test files to new MCOs that do not have previous HHSC enrollment files. The MCO will demonstrate its system capabilities and adherence to Contract specifications during Readiness Review.
7.2.6 System Readiness Review

The MCO must assure that systems services are not disrupted or interrupted during the Operations Phase of the Contract. The MCO must coordinate with HHSC and other contractors to ensure the business and systems continuity for the processing of all health care claims and data as required under this contract.

The MCO must submit descriptions of interface and data and process flow for each key business processes described in Section 8.1.18.3, “System-wide Functions.”

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day systems activities. No later than 90 days prior to the Operational Start Date, new MCOs must develop and incumbent MCOs must update the following plans:

1. Disaster Recovery Plan;*
2. Business Continuity Plan*;
3. Security Plan;
4. Joint Interface Plan;
5. Risk Management Plan; and

*The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

7.2.7 Demonstration and Assessment of System Readiness

The MCO must provide documentation on systems and facility security and provide evidence or demonstrate that it is compliant with HIPAA. The MCO must also provide HHSC with a summary of all recent external audit reports, including findings and corrective actions, relating to the MCO’s proposed systems, including any SAS70 audits that have been conducted in the past three (3) years. The MCO must promptly make additional information on the detail of such system audits available to HHSC upon request.

In addition, HHSC will provide to the MCO a test plan that will outline the activities that need to be performed by the MCO prior to the Operational Start Date(s). The MCO must be prepared to assure and demonstrate system readiness. The MCO must execute system readiness test cycles to include all external data interfaces, including those with the MCO’s Pharmacy Benefits Manager (PBM) and other Material Subcontractors.

HHSC, or its agents, may independently test whether the MCO’s MIS has the capacity to administer the STAR, STAR+PLUS, and/or CHIP business. This Readiness Review may include a desk review and/or an onsite review. HHSC may request additional documentation to support the provision of STAR, STAR+PLUS, and/or CHIP MCO Services. Based in part on the MCO’s assurances of systems readiness, information contained in the Proposal, additional documentation submitted by the MCO, and any review conducted by HHSC or its agents, HHSC will assess the MCO’s understanding of its responsibilities and the MCO’s capability to assume the MIS functions required under the Contract.

7.2.8 Operations Readiness

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day business activities related to the provision of STAR, STAR+PLUS, and/or CHIP MCO Services, including coordination with Subcontractors and HHSC’s contractors. The MCO will be responsible for developing and documenting its approach to quality assurance.
7.2.8.1 Readiness Review

Readiness Review includes all activities that the MCO must complete prior to the Operational Start Date. At a minimum, the MCO must, for each MCO Program:

1. Develop new, or revise existing, operations procedures and associated documentation to support the MCO's proposed approach to conducting operations activities in compliance with the contracted Scope of Work.

2. Submit a comprehensive plan for Network adequacy that includes a list of all contracted and credentialed Providers, in an HHSC-approved format. At a minimum, the list must include the acute care and long-term care Provider types identified in Texas Government Code § 533.005(20)(A). The plan must include a description of additional contracting and credentialing activities scheduled to be completed before the Operational Start Date. The MCO must submit a listing of all contracted and credentialed providers to be included in the first Provider Directory 90 days prior to the first enrollment kit mail out, or as otherwise directed by HHSC.

3. Inform all Network Providers about the information required to submit a claim: (1) at least 30 days prior to the Operational Start Date, and (2) as a provision within the Network Provider agreement.

4. Prepare and implement a Member Services staff training curriculum and a Provider training curriculum.

5. Prepare a Coordination Plan documenting how the MCO will coordinate its business activities with those activities performed by HHSC's contractors, the MCO's PBM and other Material Subcontractors, if any. The Coordination Plan will include identification of coordinated activities and protocols for the Transition Phase.

6. Develop and submit the following draft materials: Member Handbook, Provider Manual, Provider Directory, and Member Identification Card for HHSC’s. The materials must at a minimum meet the requirements specified in Section 8.1.5, "Member Services" and include the Critical Elements defined in Uniform Managed Care Manual Chapter 3, "Critical Elements."

7. Develop and submit the MCO's proposed Member Complaint and Appeals processes for STAR, STAR+PLUS, and CHIP, as applicable to the MCO.

8. Provide sufficient copies of the final Provider Directory to the HHSC Administrative Services Contractor in sufficient time to meet the enrollment schedule.

9. Demonstrate toll-free telephone systems and reporting capabilities for the Member Services Hotline, the Behavioral Health Hotline, and the Provider Services Hotline.

10. Submit a written plan for providing pharmacy services, including proposed policies and procedures for:

    - routinely updating formulary data following receipt of HHSC's daily files (no less frequently than weekly, and off-cycle upon HHSC's request);
    - prior authorization of drugs, including how HHSC's preferred drug lists (PDLs) will be incorporated into prior authorization systems and processes. The MCO must adopt HHSC's prior authorization policies unless HHSC grants a written exception, and HHSC's approval is required for all Clinical Edit policies;
    - implementing drug utilization review;
    - overriding standard drug utilization review criteria and clinical edits when Medically Necessary based on the individual Member's circumstances (e.g, overriding quantity limitations, drug-drug interactions, refill too soon, etc.);
    - call center operations, including how the MCO will ensure that staff for all appropriate hotlines are trained to respond to prior authorization inquiries and other inquiries regarding pharmacy services, and
    - monitoring the PBM Subcontractor.

    The plan must also include a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information.

    Additionally, the MCO must include a written attestation by the PBM Subcontractor in the plan stating, in the three (3) years preceding the Contract's Effective Date, the PBM Subcontractor has not been: (1) convicted of
11. Between the date of Contract award and the Operational Start date, the MCO must identify a list of Pharmacy Providers with whom the MCO's PBM has successfully contracted and credentialed for inclusion in the first Provider Directory. These providers should be listed by name and address with an indicator for pharmacies that are open 24-hours.

12. No later than 30 days after the Contract Effective Date, new MCOs must develop and incumbent MCOs must update their written Fraud and Abuse Compliance Plans. See Section 8.1.19, Fraud and Abuse for the requirements of the plan, including new requirements for special investigation units. As part of the Fraud and Abuse Compliance Plan, the MCO must:

- Designate executive and essential personnel to attend mandatory training in fraud and abuse detection, prevention and reporting. Executive and essential fraud and abuse personnel means MCO staff persons who: (1) are directly involved in the decision-making and administration of the fraud and abuse detection program within the MCO, and (2) who supervise staff in the following areas: data collection, Provider enrollment or disenrollment, Encounter Data, claims processing, Utilization Review, Appeals or Grievances, quality assurance and marketing. The training will be conducted by the Office of Inspector General, Health and Human Services Commission, and will be provided free of charge. The MCO must schedule and complete training no later than 90 days after the Contract's Effective Date.

- Designate an officer or director within the organization responsible for carrying out the provisions of the Fraud and Abuse Compliance Plan.

- For STAR+PLUS MCOs, complete hiring and training of Service Coordination staff no later than 45 days prior to the Operational Start Date.

If this function is subcontracted to another entity, the Subcontractor also meets all the requirements in this section and the Fraud and Abuse section as stated in Section 8, "Operations Phase Requirements."

13. The MCO must submit a copy of each Material Subcontract in accordance with the timeframes identified in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08, "Subcontractors."

14. No later than ten (10) days after the Contract Effective Date, the MCO must submit documentation demonstrating that it has secured all required insurance, in accordance with TDI requirements and Section 8, "Operations Phase Requirements," and Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 17.

HHSC may require the MCO to resubmit one or more of the above items if the MCO begins providing a new service or benefit, expands into a new Program or Service Area, or implements a major systems change after the Contract's Effective Date.

During the Readiness Review, HHSC may request additional information, including more detailed or updated information regarding the MCO's operating procedures and documentation. HHSC will assess the MCO's understanding of its responsibilities and the MCO's capability to assume the functions required under the Contract, based in part on the MCO's assurances of operational readiness, information contained in the Proposal, and in Transition Phase documentation submitted by the MCO.

### 7.2.8.2 Value-Added Services

The MCO must use HHSC’s template for submitting proposed Value-added Services. (See Uniform Managed Care Manual Chapter 4.4) Once approved by HHSC, this document is incorporated by reference into the Contract.

During the Transition Phase, HHSC will offer a one-time opportunity for the MCO to propose two (2) additional Value-added Services to its list of current, approved Value-added Services HHSC will establish the requirements and the timeframes for submitting the two (2) additional proposed Value-added Services.
During this HHSC-designated opportunity, the MCO may propose either to add new Value-added Services or to enhance its approved Value-added Services. The MCO may propose two (2) additional Value-added Services per MCO Program, which will be effective on the Operational Start Date. The services do not have to be the same for each Program. The Contract will be amended to include any additional Value-added Services approved by HHSC.

The MCO does not have to add Value-added Services during the HHSC-designated opportunity, but this will be the only time during the Transition Phase for the MCO to add Value-added Services. At no time during the Transition Phase will the MCO be allowed to delete, limit or restrict any of its approved Value-added Services.

7.2.9 Assurance of System and Operational Readiness

In addition to successfully providing the Deliverables described in the preceding sections, the MCO must assure HHSC that all processes, MIS systems, and staffed functions are ready and able to successfully assume responsibilities for operations prior to the Operational Start Date. In particular, the MCO must assure that Key MCO Personnel, Member Services staff, Provider Services staff, and MIS staff are hired and trained, MIS systems and interfaces are in place and functioning properly, communications procedures are in place, Provider Manuals have been distributed, and that Provider training sessions have occurred according to an HHSC-approved schedule.

7.2.10 TDI and Centers for Medicare and Medicaid Services (CMS) Licensure, Certification or Approval

The MCO must receive TDI licensure, certification or approval (as applicable) for all zip codes in the awarded Service Areas no later than 60 days after HHSC executes the Contract. In addition, HHSC encourages STAR+PLUS MCO to contract with the CMS to provide a Medicare Advantage Special Needs Plan for Dual Eligibles in the most populous counties in the STAR+PLUS Service Area(s) no later than January 1, 2013.

7.2.11 Post-Transition

The MCO will work with HHSC, Providers, and Members to promptly identify and resolve problems identified after the Operational Start Date and to communicate to HHSC, Providers, and Members, as applicable, the steps the MCO is taking to resolve the problems.
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<td>8.1.21.4</td>
<td>Modified to add requirements for the rebate dispute resolution process.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1.21.5</td>
<td>Modified to clarify that HHSC will provide up to 1 year of medication history to the MCOs for new Members with previous Medicaid eligibility.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1.21.9</td>
<td>Modified to clarify requirements for contracting with specialty pharmacies.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section 8.2.1.10 is deleted in its entirety.

Section 8.1.23.1 is modified that copayment amounts are capped at the MCO’s cost and that CHIP copayments do not apply to preventive services or pregnancy-related services.

Section 8.1.24 is modified to clarify that MCOs must notify Medicaid and CHIP Providers of availability of vaccines through Texas Vaccines for Children Program and work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry.

Section 8.2.2.3.4 is modified to require MCOs to use standard Texas Health Steps language in their Member Materials as provided in the UMCM.

Section 8.2.2.8 is amended to clarify the requirements regarding non-capitated dental services and to add “Texas Health Steps environmental lead investigation (ELI)”. Remainder of list is renumbered.

Section 8.2.4.2 is modified to add a reference to Gov’t Code §533.005(a)(19).

Section 8.2.8 is modified to add the phrase “unless an exception applies under federal law” to the first sentence.

Section 8.2.13 is modified to specify that MCOs may be required to provide other wrap-around services at a date to be determined by HHSC.

Section 8.3.2 is modified to require the MCO to consider the availability of the PACE program when considering whether to refer a member to a nursing facility or other long-term care facility.

Section 8.3.7.1 is modified to clarify the MA Dual SNP requirements.

Section 8.4.3 is modified to correct a cross-reference.

Revision 2.2 June 1, 2012
Section 8.1.21 is modified to add pharmaceutical delivery requirements.
<table>
<thead>
<tr>
<th>Section</th>
<th>Revised Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1.1.1</td>
<td>modified to conform to the timelines in the UMCM.</td>
</tr>
<tr>
<td>8.1.3</td>
<td>modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>8.1.3.2</td>
<td>modified to clarify language regarding additional benchmark performance standards.</td>
</tr>
<tr>
<td>8.1.4</td>
<td>modified to correct reference to TMPPM.</td>
</tr>
<tr>
<td>8.1.4.6</td>
<td>modified to require HHSC review of all provider materials relating to Medicaid managed care or CHIP.</td>
</tr>
<tr>
<td>8.1.4.8</td>
<td>modified to clarify the applicable federal regulations.</td>
</tr>
<tr>
<td>8.1.5.1</td>
<td>modified to prohibit the MCOs from including any language in their member materials which limits the members’ ability to contest or appeal denial of a benefit.</td>
</tr>
<tr>
<td>8.1.5.2</td>
<td>modified to clarify that PCP name is not required for Dual Eligible STAR+PLUS Members or CHIP Perinates.</td>
</tr>
<tr>
<td>8.1.5.7</td>
<td>modified to remove the acronym “CPW”.</td>
</tr>
<tr>
<td>8.1.9</td>
<td>modified to clarify the requirements regarding IFSPs.</td>
</tr>
<tr>
<td>8.1.12.2</td>
<td>modified to remove the acronym “CPW”.</td>
</tr>
<tr>
<td>8.1.14</td>
<td>renamed and modified to remove all references to Health Home Services.</td>
</tr>
<tr>
<td>8.1.14.1</td>
<td>renamed and modified to remove all references to Health Home Services.</td>
</tr>
<tr>
<td>8.1.14.2</td>
<td>renamed and modified to remove all references to Health Home Services.</td>
</tr>
<tr>
<td>8.1.19</td>
<td>modified to update the time frames for responding to the OIG and to add language regarding Credible Allegation of Fraud notices.</td>
</tr>
<tr>
<td>8.1.20.2 items (j) and (l)</td>
<td>modified to correct UMCM references. Items (n) and (o) are modified to include pharmacy providers. Item (s) “Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports” is added.</td>
</tr>
<tr>
<td>8.1.20.2</td>
<td>modified to add STAR+PLUS LTSS Utilization reporting requirements.</td>
</tr>
<tr>
<td>8.1.24</td>
<td>modified to change the Texas Health Steps Periodicity Schedule to ACIP Immunization Schedule. Section 8.1.25 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>8.1.26</td>
<td>Health Home Services is added.</td>
</tr>
<tr>
<td>8.1.26.1</td>
<td>Health Home Services and Participating Providers is added.</td>
</tr>
<tr>
<td>8.1.26.2</td>
<td>MCO Health Home Services Evaluation is added.</td>
</tr>
<tr>
<td>8.2.2.3.2</td>
<td>modified to correct the acronym for Oral Evaluation and Fluoride Varnish.</td>
</tr>
<tr>
<td>Section</td>
<td>Modification</td>
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</tr>
<tr>
<td>8.2.2.3.3</td>
<td>Modified to clarify statutory authority.</td>
</tr>
<tr>
<td>8.2.2.3.5</td>
<td>Modified to add training requirements for pharmacy and DME.</td>
</tr>
<tr>
<td>8.2.2.8</td>
<td>Modified to remove the acronym “CPW”.</td>
</tr>
<tr>
<td>8.2.2.11</td>
<td>Modified to replace the acronym CPW with “Case Management for Children and Pregnant Women” and the acronym THSteps with “Texas Health Steps”.</td>
</tr>
<tr>
<td>8.2.7.1</td>
<td>Modified to correct URL for UM guidelines.</td>
</tr>
<tr>
<td>8.2.8</td>
<td>Modified to clarify the pay and chase requirements for prenatal and preventative care, and recoveries in the context of state child support enforcement actions (SSA §1902(a)(25)(E) and (F); and to correct contract cross reference.</td>
</tr>
<tr>
<td>8.2.10</td>
<td>Modified to remove the acronym “CPW” and to replace it with Case Management for Children and Pregnant Women.</td>
</tr>
<tr>
<td>8.3.1.1</td>
<td>Modified to clarify eligibility for DAHS.</td>
</tr>
<tr>
<td>8.3.1.2</td>
<td>Modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver” and to add DAHS to the list of Community Based LTSS under the HCBS STAR+PLUS Waiver.</td>
</tr>
<tr>
<td>8.3.2.6</td>
<td>Modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>8.3.2.8</td>
<td>Modified to update the MAO reference.</td>
</tr>
<tr>
<td>8.3.3</td>
<td>Modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>8.3.4</td>
<td>Modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver” and to increase the cost of care threshold from 200% to 202%.</td>
</tr>
<tr>
<td>8.3.4.1</td>
<td>Modified to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.</td>
</tr>
<tr>
<td>8.3.4.2</td>
<td>Modified to change the section name from “For Medical Assistance Only (MAO) Non-Member Applicants” to “For 217-Like Group Applicants” and to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.</td>
</tr>
<tr>
<td>8.3.4.3</td>
<td>Modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>8.3.5</td>
<td>Modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>8.3.6.4</td>
<td>Modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver.</td>
</tr>
<tr>
<td>8.4.3</td>
<td>Modified for consistency with the Medicaid pay and chase requirements.</td>
</tr>
<tr>
<td>Revision</td>
<td>Date</td>
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</tbody>
</table>
| 2.4      | March 1, 2013 | All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.  
Section 8.1.2.1 is modified to add language regarding reducing or deleting Value-added Services.  
Section 8.1.3.2 is modified to clarify network provider access and compliance rating.  
Section 8.1.4.11 Provider Advisory Groups is added.  
Section 8.1.5.10 Member Advisory Groups is added.  
Section 8.1.18.5 is modified to add new language modeled off of insurance code requirements.  
Section 8.2.3 is modified to add new language regarding terminating Significant Traditional Providers.  
Section 8.2.13 is modified to address supplemental payments to MCOs for wrap-around services for outpatient drugs and biological products for STAR+PLUS Members.  
Section 8.2.13.1 Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products is added.  
Section 8.3.1.1 is modified to remove references to overarching goals and to clarify that HHSC will provide the PIP topics.  
Section 8.1.2.1 is modified to clarify that MCOs may not charge copayments for Value-added Services, but may offer discounts for non-covered services as Value-added Services as required by SB 632.  
Section 8.1.3.1 is modified to clarify timeframes for PCP referrals.  
Section 8.1.3.2 is modified to add a requirement for 2 PCPs within 30 miles for Medicaid child Members to comply with the Frew Corrective Action order.  
Section 8.1.4 is modified to add new pharmacy requirements as required by SB 1106 and HB 1358.  
Section 8.1.4.2 is modified for clarification and to comply with requirements of SB 406, 83R.  
Section 8.1.4.4 is modified to add timeframes for completing the credentialing process and to comply with requirements of SB 365, 83R. |
| 2.5      | June 1, 2013 | Contract amendment did not revise Attachment B-1,  
8.3.6.6 Electronic Visit Verification is added. |
| 2.6      | September 1, 2013 | Section 8.1.1.1 is modified to remove references to overarching goals and to clarify that HHSC will provide the PIP topics.  
Section 8.1.2.1 is modified to clarify that MCOs may not charge copayments for Value-added Services, but may offer discounts for non-covered services as Value-added Services as required by SB 632.  
Section 8.1.3.1 is modified to clarify timeframes for PCP referrals.  
Section 8.1.3.2 is modified to add a requirement for 2 PCPs within 30 miles for Medicaid child Members to comply with the Frew Corrective Action order.  
Section 8.1.4 is modified to add new pharmacy requirements as required by SB 1106 and HB 1358.  
Section 8.1.4.2 is modified for clarification and to comply with requirements of SB 406, 83R.  
Section 8.1.4.4 is modified to add timeframes for completing the credentialing process and to comply with requirements of SB 365, 83R. |
<table>
<thead>
<tr>
<th>Section 8.1.4.8 is modified to clarify the MCO's obligations for payment and Network Provider agreements and to comply with requirements of SB 7, 83R.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 8.1.4.8.1 is modified to correct “Provider Preventable Conditions” to “Potentially Preventable Complications”.</td>
</tr>
<tr>
<td>Section 8.1.4.8.2 is modified to clarify provider incentives.</td>
</tr>
<tr>
<td>Section 8.1.4.10 is modified for clarification and to comply with requirements of SB 1401, 83R.</td>
</tr>
<tr>
<td>Section 8.1.4.12 Provider Protection Plan is added as required by SB 1150, 83R.</td>
</tr>
<tr>
<td>Section 8.1.5.5 is modified to allow MCOs to offer provider search functionality on their websites instead of PDF versions of the Provider Directory. In addition, duplicative language is removed.</td>
</tr>
<tr>
<td>Section 8.1.5.6 is modified to require the MCO's Member Services representatives to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program.</td>
</tr>
<tr>
<td>Section 8.1.5.6.1 is modified to require the MCO's nurseline staff to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program.</td>
</tr>
<tr>
<td>Section 8.1.5.7 is modified to allow MCOs to use certified community health workers/promotoras to conduct outreach and member education activities.</td>
</tr>
<tr>
<td>Section 8.1.5.9 is modified to correct cross references.</td>
</tr>
<tr>
<td>Section 8.1.8 is modified to update the URL for UM guidelines.</td>
</tr>
<tr>
<td>Section 8.1.8.1 “Compliance with State and Federal Prior Authorization Requirements” is added as required by SB8, SB 644, and SB1216, 83R.</td>
</tr>
<tr>
<td>Section 8.1.9 is modified to update the T.A.C. references and to align the age reference with the definition.</td>
</tr>
<tr>
<td>Section 8.1.14 is modified to add a new Subsection 8.1.14.1 Special Populations. Subsequent subsections are renumbered.</td>
</tr>
<tr>
<td>Section 8.1.14.3 is modified to add requirements for special populations.</td>
</tr>
<tr>
<td>Section 8.1.15 is modified to clarify which DSM edition is referenced.</td>
</tr>
<tr>
<td>Section 8.1.15.7 is modified to delete the duplicative definition. The term “Court-Ordered Commitment” is defined in Attachment A.</td>
</tr>
<tr>
<td>Section 8.1.18.1 is modified to require MCO Provider Agreements to comply with Texas Gov't. Code regarding reimbursement of claims based on orders or referrals by supervising providers.</td>
</tr>
<tr>
<td>Section 8.1.18.5 is modified for clarification, for consistency with Section 1213.005 of the Insurance Code, and to comply with requirements of House Bill 15, 83R</td>
</tr>
<tr>
<td>Section 8.1.19</td>
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<tr>
<td>Section 8.1.20</td>
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<tr>
<td>Section 8.1.20.1</td>
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<td>Section 8.1.20.2</td>
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<td>Section 8.1.21</td>
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<td>Section 8.1.21.14</td>
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<td>Section 8.1.21.16</td>
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<tr>
<td>Section 8.2.2.4</td>
</tr>
<tr>
<td>Revision</td>
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</tbody>
</table>
| 2.7      | September 1, 2013 | Section 8.2.2.8 is modified to add ECI Specialized Skills Training, to clarify the requirements for DADS hospice services, and to add court-ordered commitments to inpatient mental health facilities as a condition of probation.  
Section 8.2.4.2 is modified for clarification and to comply with requirements of SB 7, 83R.  
Section 8.2.13 is modified to clarify the language.  
Section 8.2.13.1 is modified to clarify the language.  
Section 8.3.2 is modified to add new subsections 8.3.2.1 “Service Coordination Plan Requirements,” and 8.3.2.2 “Service Coordination Structure.” Subsequent subsections are renumbered.  
Section 8.3.2.3 is modified to include minimum requirements for Service Coordinators.  
Section 8.3.4.3 is modified to require the MCO to inform the Member about CDS during the annual reassessment.  
Section 8.3.4.4 STAR+PLUS Utilization Reviews is added as required by SB 348, 83R.  
Section 8.3.7.2 is modified to remove the reference to Attachment B-6.  
Section 8.3.8 Minimum Wage Requirements for STAR+PLUS Attendants in Community Settings Reviews is added as required by Article II, Rider 61 of the General Appropriations Act (83R).  
Section 8.2.16 “Supplemental Payments for Qualified Providers” is added. Additional detail regarding the process, including payment and reporting requirements will be added to the UMCM. |
| 2.8      | January 1, 2014 | Section 8.1.4.4 is modified to clarify the timeframes for completing the credentialing process.  
Section 8.1.12.2 is modified to add Former Foster Care Child (FFCC) Members.  
Section 8.1.13 is modified to add Former Foster Care Child (FFCC) Members.  
Section 8.1.21.6 is modified to add requirements for assessing prescribing patterns for psychotropic medications.  
Section 8.1.21.14 is modified to clarify timeframes.  
Section 8.3.6.6 Cost Reporting for LTSS Providers is added. |
<table>
<thead>
<tr>
<th>Revision</th>
<th>2.9</th>
<th>February 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Section 8.1.1.1 is modified to clarify that absent HHSC’s direction the MCO may choose to collaborate with other MCOs in the Service Area on one PIP per year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 8.1.1.1.1 MCO Report Cards is added.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 8.1.2 is modified to remove the reference to Texas Medicaid Bulletins.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 8.1.3 is modified to clarify Member payment responsibilities for services in a 24-hour setting as an alternative to Nursing Facility or hospitalization and for services in a Nursing Facility.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 8.1.3.2 is modified to remove the definition of Qualified Mental Health Provider from Outpatient Behavioral Health Service Provider Access. In addition, Nursing Facility Access and Mental Health Rehabilitative Service Provider Access are added.</td>
</tr>
</tbody>
</table>
Section 8.1.4 is modified to clarify licensure or certification requirements for all providers. In addition, Nursing Facility Services, Hospice Services, and Mental Health Rehabilitative Services are added.

Section 8.1.4.2 is modified to include physicians serving Members residing in Nursing Facilities.

Section 8.1.4.4 is modified to require MCOs to use state-identified credentialing criteria for Nursing Facilities. In addition, a sub-section heading is added for 8.1.4.4.1 Expedited Credentialing Process.

Section 8.1.4.6 is modified to require STAR+PLUS MCOs to assign a provider relations specialist proficient in Nursing Facility billing to each Nursing Facility. In addition, the role of Service Coordinators and early notification of and participation in discharge planning are added to the required Provider training. In addition, requirements for Mental Health Rehabilitative Services are added.

Section 8.1.4.8 is modified to update the UMCM chapter reference.

Section 8.1.4.8.1 is modified to include CHIP.

Section 8.1.4.8.3 Nursing Facility Incentives is added.

Section 8.1.4.10 is modified to add TAC reference for pharmacy.

Section 8.1.4.12 is modified to update the UMCM chapter reference.

Section 8.1.5.2 is modified to clarify that the PCP’s name and telephone number are not required for Nursing Facility residents.

Section 8.1.5.7 is modified to add Service Coordination for Cognitive Rehabilitation Therapy, Nursing Facility residents; Nursing Facility Services; discharge planning, transitional care, and other education programs for Nursing Facility residents; and supported employment and employment services.

Section 8.1.5.11 Member Eligibility is added.

Section 8.1.8 is modified to add that compensation to individuals or entities conducting UM activities cannot be structured to provide incentives for the individual or entity to deny, limit, or discontinue medically necessary services as required by 42 C.F.R. 438.210(e).

Section 8.1.12.1 is modified to delete unnecessary information and clarify use of the term CSHCN.

Section 8.1.12.2 is modified to clarify use of the term CSHCN.

Section 8.1.15.8 is modified to remove the requirement to comply with additional BH requirements as described in Section 8.2.8.

Section 8.1.18.5 is modified to add timeframes for Nursing Facility claims and to clarify the MCO must provide a web portal at no cost to the Provider and its functionality.

Section 8.1.19 is modified to require the MCOs to meet all requirements in Texas Government Code § 531.105.

Section 8.1.20.2 is modified to add Nursing Facility Reports.

Section 8.1.23 is modified to allow STAR+PLUS MCOs to assist with the collection of applied income from Nursing Facility Members.

Section 8.1.28 Pre-admission Screening and Resident Review (PASRR) Referring Entity Requirements is added.

Section 8.2.1 is modified to clarify timeframes for prior authorizations for transitioning Members.

Section 8.2.2.8 is modified to add PASRR Evaluations; and to clarify DSHS Targeted Case Management, Personal Care Services and Nursing Facility Services.

Section 8.2.3 is modified to add Nursing Facilities as STPs for STAR+PLUS.

Section 8.2.7.1 Local Mental Health Authority (LMHA) will be deleted in its entirety effective September 1, 2014.

Section 8.2.7.3 Mental Health Rehabilitative Services and Targeted Case Management Services is added.

Section 8.3.1 is clarified that LTSS providers must be licensed or certified.
Section 8.3.1.1 is modified to clarify that MCOs must ensure access to PAS and DAHS for qualified STAR+PLUS Members.

Section 8.3.1.2 is modified to add licensure, certification and other minimum qualification requirements for Employment Assistance,

Supported Employment, Support Consultation, and Cognitive Rehabilitation Therapy. In addition, Consumer Directed Services (CDS) is renamed Financial Management Services and the requirements for Adult Foster Care are clarified.

Section 8.3.2.1 is modified to add Level 1 requirements for Members in Nursing Facilities.

Section 8.3.2.2 is modified to add Behavioral Health outpatient services and Mental Health Rehabilitative Services, and Employment Assistance/Supported Employment.

Section 8.3.2.3 is modified to clarify Member needs, and to add Employment Assistance/Supported Employment and Targeted Case management for Members receiving Mental Health Rehabilitative Services.

Section 8.3.2.5 is modified to require the MCO to provide discharge planning, transition care, and other education programs to Network Providers regarding all available long term care settings and options. In addition Nursing Facilities are added.

Section 8.3.2.6 is modified to include Nursing Facility Services and to change Service Plan to transition plan.

Section 8.3.2.8 Nursing Facilities will be deleted in its entirety effective September 1, 2014.

Section 8.3.2.9 MCO Four-Month Liability for Nursing Facility Care will be deleted in its entirety effective September 1, 2014.

Section 8.3.3 is modified to add assessment requirements for Members in Nursing Facilities.

Section 8.3.6.3 is modified to include Nursing Facility Providers.

Section 8.3.6.7 Electronic Visit Verification is added. The UMCM chapter is under development.

Section 8.3.9 Nursing Facility Services Available to All Members is added.

Section 8.3.9.1 Preadmission Screening and Resident Review (PASRR) is added.

Section 8.3.9.2 Participation in Texas Promoting Independence Initiative’ is added.

Section 8.3.9.3 Nursing Facilities Training is added.

Section 8.3.9.4 Nursing Facility Claims Adjudication, Payment, and File Processing is added.

Section 8.3.10 Acute Care Services for Recipients of ICF-IID Program and IDD Waiver services is added.

Section 8.3.11 Cognitive Rehabilitation Therapy is added.
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8. OPERATIONS PHASE REQUIREMENTS

This Section describes Scope of Work requirements for the Operations Phase of the Contract.

Section 8.1 includes the general Scope of Work that applies to all MCO Programs (STAR, STAR+PLUS, and CHIP).

Section 8.2 includes the additional Medicaid Scope of Work that applies only to the STAR and STAR+PLUS MCOs.

Section 8.3 includes the additional Scope of Work that applies only to STAR+PLUS MCOs.

Section 8.4 includes the additional CHIP Scope of Work that applies only to CHIP MCOs.

The CHIP Perinatal Program is a CHIP subprogram. CHIP Program requirements apply to the CHIP Perinatal Program, unless the Contract otherwise indicates.

Additional information regarding the STAR, STAR+PLUS, and CHIP Program requirements, such as reporting timeframes and formats is included in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and the Uniform Managed Care Manual. HHSC reserves the right to modify these documents as it deems necessary using the procedures set forth in the Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

8.1 General Scope of Work

In each MCO Program and Service Area, HHSC will select MCOs to provide Health Care Services and prescription drug benefits to Members. The MCO must have approval from the Texas Department of Insurance (TDI) to operate as an HMO, ANHC, and/or an EPO in all zip codes in the respective Service Area(s).

Coverage for benefits will be available to enrolled Members effective on the Operational Start Date. The Operational Start Date is March 1, 2012, for all MCO Programs and Service Areas.

8.1.1 Administration and Contract Management
The MCO must comply, to the satisfaction of HHSC, with: (1) all provisions set forth in this Contract, and (2) all applicable provisions of state and federal laws, rules, regulations, and waiver agreements with the Centers for Medicare and Medicaid Services (CMS).

8.1.1.1 Performance Evaluation

On an annual basis, HHSC will provide the MCO with two Performance Improvement Project (PIP) topics per Program. The MCO must develop one PIP per topic. At HHSC’s direction, the MCO must conduct one PIP per program in collaboration with other MCOs in the Service Area. Absent HHSC’s direction, the MCO may choose to collaborate with other MCOs in the Service Area on one PIP per program. The MCO must send PIP projects to HHSC no later than August 30 each year. PIPs will follow CMS protocol, as described below. The purpose of health care quality PIPs is to assess and improve processes, and thereby outcomes, of care. In order for these projects to achieve real improvements in care and for interested parties to have confidence in the reported improvements, PIPs must be designed, conducted, and reported in a methodologically sound manner.

MCOs must use the following ten (10) step CMS protocol when conducting PIPs:

1. select the study topic(s);
2. define the study question(s);
3. select the study indicator(s);
4. use a representative and generalizable study population;
5. use sound sampling techniques (if sampling is used);
6. collect reliable data;
7. implement intervention and improvement strategies;
8. analyze data and interpret study results;
9. plan for real improvement; and
10. achieve sustained improvement.

(See Uniform Managed Care Manual Chapter 10.2.4, Performance Improvement Project Submission Instructions and 10.2.5, Performance Improvement Project Template).

The MCO must participate in semi-annual Contract Status Meetings (CSMs) with HHSC for the primary purpose of reviewing progress toward the achievement of annual PIPs and Contract requirements. HHSC may request additional CSMs as it deems necessary to address areas of noncompliance. HHSC will provide the MCO with reasonable advance notice of additional CSMs, generally at least five (5) Business Days.

The MCO must provide to HHSC, no later than 14 Business Days prior to each semi-annual CSM, an electronic report detailing the MCO's progress toward and any barriers in meeting the annual PIPs.

HHSC will track MCO performance on PIPs. It will also track other key facets of MCO performance through the use of a Performance Indicator Dashboard for Quality Measures (see Uniform Managed Care Manual Chapter 10.1.7). HHSC will compile the Performance Indicator Dashboard based on MCO submissions, data from the External Quality Review Organization (EQRO), and other data available to HHSC. HHSC will share the Performance Indicator Dashboard with the MCO on an annual basis.

8.1.1.1 MCO Report Cards

Texas Government Code § 536.051 requires HHSC to provide information to Medicaid and CHIP Members regarding MCO performance on outcome and process measures during the enrollment process. To comply with this requirement, HHSC will develop annual MCO report cards. HHSC will develop a separate report card for each Program Service Area to allow enrollees to easily compare the MCOs on quality measures. HHSC may publish the report cards on its website, and include them in the enrollment packets. HHSC will provide a copy of the report card to the MCO before publication and the MCO will have the opportunity to review and provide comments. However, HHSC reserves the right to publish the results while awaiting MCO feedback.

HHSC may charge the MCO any costs related to recalculating the report card measures if the EQRO determines the original data was valid.
8.1.1.2 Additional Readiness Reviews and Monitoring Efforts

During the Operations Phase, HHSC may conduct desk and/or onsite reviews as part of its normal Contract monitoring efforts. Additionally, an MCO that chooses to make a change to any operational system or undergo any major transition may be subject to an additional Readiness Review(s). HHSC will determine whether the proposed changes will require a desk review and/or an onsite review. The MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent for onsite reviews conducted as part of Readiness Review or HHSC’s normal Contract monitoring efforts. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.” Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.18, “Management Information System Requirements,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.2 Covered Services

The MCO is responsible for authorizing, arranging, coordinating, and providing Covered Services in accordance with the requirements of the Contract. The MCO must provide Medically Necessary Covered Services to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. The MCO must not impose any pre-existing condition limitations or exclusions or require Evidence of Insurability to provide coverage to any Member.

The MCO must provide full coverage for Medically Necessary Covered Services to all Members and, for STAR+PLUS Members, Functionally Necessary Community Long-term Services and Supports, without regard to the Member’s:

1. previous coverage, if any, or the reason for termination of such coverage;
2. health status;
3. confinement in a health care facility; or
4. for any other reason.

The MCO must not practice discriminatory selection, or encourage segregation among the total group of eligible Members by excluding, seeking to exclude, or otherwise discriminating against any group or class of individuals.

Covered Services for all Medicaid MCO Members are listed in Attachments B-2, STAR Covered Services, and B-2.2, STAR+PLUS Covered Services. Medicaid MCOs are responsible for providing all services and benefits available to clients of the Medicaid Fee-for-Service Program to the MCO’s Medicaid Members, with the exception of Non-Capitated Services (Section 8.2.2.8). Medicaid MCOs must provide the services and benefits described in the most recent Texas Medicaid Provider Procedures Manual and any updates to the Manual. A description of CHIP Covered Services and exclusions is provided in Attachment B-2.1, CHIP Covered Services. Covered Services are subject to change due to changes in federal and state law; changes in Medicaid, CHIP or CHIP Perinatal Program policy; and changes in medical practice, clinical protocols, or technology.

8.1.2.1 Value-added Services

MCOs may propose additional services for coverage. These are referred to as "Value-added Services." Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improved health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.
The MCO generally must offer Value-added Services to all MCO Program Members in a Service Area. For Medicaid Acute Care services, the MCO may distinguish between the Dual Eligible and non-Dual Eligible populations. The MCO is not required to offer the same Value-added Services to CHIP Perinate Members as traditional CHIP Members and CHIP Perinate Newborn Members. Value-added Services do not need to be consistent across more than one (1) MCO Program or across more than one (1) Service Area. Value-added Services that are approved by HHSC during the contracting process will be included in the Contract's scope of services.

Any Value-added Services that a MCO elects to provide must be provided at no additional cost to HHSC. The costs of Value-added Services are not reportable as allowable medical or administrative expenses, and therefore are not factored into the rate setting process. In addition, the MCO must not pass on the cost of the Value-added Services to Members or Providers.

The MCO may offer discounts on non-covered benefits to Members as Value-added Services, provided that the MCO complies with Texas Insurance Code § 1451.155 and § 1451.2065. The MCO must ensure that Providers do not charge Members for any other cost-sharing for a Value-added Service (including copayments or deductibles).

The MCO must specify the conditions and parameters regarding the delivery of the Value-added Services in the MCO's Marketing Materials and Member Handbook, and must clearly describe any limitations or conditions specific to the Value-added Services.

During the Operations Phase, Value-added Services can be added or removed only by written amendment of the Contract. MCOs will be given the opportunity to add or enhance Value-added Services twice per State Fiscal Year, with changes to be effective September 1 and March 1. MCOs will also be given the opportunity to delete or reduce Value-added Services once per State Fiscal Year, with changes to be effective September 1. HHSC may allow additional modifications to Value-added Services if Covered Services are amended by HHSC during a State Fiscal Year. This approach allows HHSC to coordinate biannual revisions to HHSC's MCO Comparison Charts for Members. A MCO's request to add, enhance, delete, or reduce a Value-added Service must be submitted to HHSC by April 1 of each year to be effective September 1 for the following contract period. The MCOs cannot reduce or delete any Value-added Services until September 1 of the next SFY. A second request to add or enhance Value-added Services must be submitted to HHSC by October 1 each year to be effective March 1. (See Uniform Managed Care Manual Chapter 4.5 "Physical and Behavioral Health Value-Added Services Template.")

A MCO's request to add a Value-added Service must:

a. define and describe the proposed Value-added Service;
b. specify the Service Areas and MCO Programs for the proposed Value-added Service;
c. identify the category or group of Members eligible to receive the Value-added Service if it is a type of service that is not appropriate for all mandatory Members;
d. note any limits or restrictions that apply to the Value-added Service;
e. identify the Providers responsible for providing the Value-added Service;
f. Describe how the MCO will identify the Value-added Service in administrative data (Encounter Data);
g. propose how and when the MCO will notify Providers and Members about the availability of such Value-added Service;
h. describe how a Member may obtain or access the Value-added Service; and
i. include a statement that the MCO will provide such Value-added Service for at least 12 months from the September 1 effective date.

A MCO cannot include a Value-added Service in any material distributed to Members or prospective Members until the Parties have amended the Contract to include that Value-added Service. If a Value-added Service is deleted by amendment, the MCO must notify each Member that the service is no longer available through the MCO. The MCO must also revise all materials distributed to prospective Members to reflect the change in Value-added Services.

8.1.2.2 Case-by-Case Added Services

Except as provided below, the MCO may offer additional benefits that are outside the scope of services to individual Members on a case-by-case basis. Case-by-case services may be based on Medical Necessity, cost-effectiveness, the wishes of the Member/Member’s family, the potential for improved health status of the Member, and for STAR+PLUS Members based on Functional Necessity.

Section 8.1.2.2, “Case-by-Case Added Services,” does not apply to the CHIP Perinate Members (unborn children).
8.1.3 Access to Care

All Covered Services must be available to Members on a timely basis in accordance the Contract's requirements and medically appropriate guidelines, and consistent with generally accepted practice parameters. The MCO must comply with the access requirements as established by the Texas Department of Insurance (TDI) for all MCOs doing business in Texas, except as otherwise required by this Contract. Medicaid MCOs must be responsive to the possibility of increased Members due to the phase-out of the PCCM model in Service Areas where HHSC has determined that adequate MCO coverage exists.

The MCO must provide coverage for Emergency Services to Members 24 hours a day and seven (7) days a week, without regard to prior authorization or the Emergency Service provider's contractual relationship with the MCO. The MCO's policy and procedures, covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws and regulations, whether the provider is Network or Out-of-Network. A MCO is not responsible for payment for unauthorized non-emergency services provided to a Member by Out-of-Network providers.

The MCO must also have a toll-free emergency and crisis Behavioral Health Services Hotline available 24 hours a day, seven (7) days a week. The Behavioral Health Services Hotline must meet the requirements described in Section 8.1.15.3. For Medicaid Members, a MCO must provide coverage for Emergency Services in compliance with 42 C.F.R. §438.114, and as described in more detail in Section 8.2.2.1. The MCO may arrange Emergency Services and crisis Behavioral Health Services through mobile crisis teams.

For CHIP Members, Emergency Covered Services, including emergency Behavioral Health Services, must be provided in accordance with the requirements of the Texas Insurance Code and TDI regulations.

MCO must require, and make best efforts to ensure, that PCPs are accessible to STAR, STAR+PLUS, CHIP, and CHIP Perinate Newborn Members 24 hours a day, seven (7) days a week and that its Network Primary Care Providers (PCPs) have after-hours telephone availability that is consistent with Section 8.1.4. The MCO must ensure that Network Providers offer office hours to Members that are at least equal to those offered to the MCO's commercial lines of business or Medicaid fee-for-service participants, if the provider accepts only Medicaid patients.

CHIP MCOs are not required to establish PCP Networks for CHIP Perinates (Unborn Child).

The MCO must provide that if Medically Necessary Covered Services are not available through Network Providers, the MCO must, upon the request of a Network Provider, allow a referral to a non-network physician or provider within the time appropriate to the circumstances relating to the delivery of the Services and the condition of the patient, but in no event to exceed five (5) Business Days after receipt of reasonably requested documentation. The MCO must fully reimburse the non-network provider in accordance with the Out-of-Network methodology for Medicaid as defined by HHSC in 1 T.A.C. §353.4, and for CHIP, at the usual and customary rate defined by TDI in 28 T.A.C. Section 11.506.

The Member will not be responsible for any payment for Medically Necessary Covered Services, including Functionally Necessary Covered Services, other than:

1. HHSC-specified copayments for CHIP Members, where applicable;

2. HHSC-specified copayments for Medicaid Members, where applicable (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract); and

3. STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services or, effective September 1, 2014, Nursing Facility services, and enter a 24-hour setting will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC. If the MCO provides services in a 24-hour setting as an alternative to Nursing Facility services or hospitalization for Members who do not qualify for the HCBS STAR+PLUS Waiver services in a 24-hour setting as an alternative to Nursing Facility or hospitalization, the Member will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC.

4. STAR+PLUS Members who enter a Nursing Facility on or after September 1, 2014, will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC.
8.1.3.1 Waiting Times for Appointments

Through its Provider Network composition and management, the MCO must ensure that the following standards are met. In all cases below, "day" is defined as a calendar day, and the standards are measured from the date of presentation or request, whichever occurs first.

1. Emergency Services must be provided upon Member presentation at the service delivery site, including at non-network and out-of-area facilities;
2. urgent care, including urgent specialty care, must be provided within 24 hours;
3. routine primary care must be provided within 14 days;
4. initial outpatient behavioral health visits must be provided within 14 days;
5. PCPs must make referrals for specialty care on a timely basis, based on the urgency of the Member's medical condition, but no later than 30 days;
6. pre-natal care must be provided within 14 days, except for high-risk pregnancies or new Members in the third trimester, for whom an appointment must be offered within five days, or immediately, if an emergency exists;
7. preventive health services for adults must be offered within 90 days; and
8. preventive health services for children, including well-child checkups should be offered to CHIP Members in accordance with the American Academy of Pediatrics (AAP) periodicity schedule. Medicaid MCOs should utilize the Texas Health Steps periodicity schedule. For a New Member birth through age 20, overdue or upcoming well-child checkups, including Texas Health Steps medical checkups, should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. The Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due on the child's birthday. The annual medical checkup is considered timely if it occurs no later than 364 calendar days after the child's birthday. For purposes of this requirement, the terms "New Member" and "Existing Member" are defined in Chapter 12.4 of the Uniform Managed Care Manual.

8.1.3.2 Access to Network Providers

The MCO's Network must include all of the provider types described in this section in sufficient numbers, and with sufficient capacity, to provide timely access to all Covered Services in accordance with the waiting times for appointments in Section 8.1.3.1. The MCO's Network must provide timely access to regular and preventive care to all Members, and Texas Health Steps services to all child Members in Medicaid.

This section includes distance standards for each provider type. For each provider type, the MCO must provide access to at least 90 percent of members in each Program and Service Area within the prescribed distance standard for each State Fiscal Quarter. This 90-percent benchmark does not apply to pharmacy providers (refer to the "Pharmacy Access" heading for applicable benchmarks).

HHSC will consider requests for exceptions to the distance standards for all provider types under limited circumstances. Each exception request must be supported by information and documentation as specified in HHSC's exception request template.

Medicaid PCP Access: At a minimum, the MCO must ensure that all adult Members have access to one age-appropriate Network PCP with an Open Panel within 30 miles of the Member's residence. Child Members must have access to two age-appropriate Network PCPs with an Open Panel within 30 miles of the Member's residence.

CHIP PCP Access: At a minimum, the MCO must ensure that all Members have access to one age-appropriate PCP in the Provider Network with an Open Panel within 30 miles of the Member's residence. This provision does not apply to CHIP Perinates, but it does apply to CHIP Perinate Newborns.

For the purpose of assessing compliance with the Medicaid and CHIP PCP access requirements, an internist who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20, and a pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

As described above, the MCO can request a special exception if no appropriate provider types are located within the mileage standards.
OB/GYN Access: STAR, STAR+PLUS and CHIP Program Networks: with the following exception, STAR, STAR+PLUS and CHIP MCOs must ensure that all female Members have access to an OB/GYN in the Provider Network within 75 miles of the Member's residence. CHIP MCOs must ensure that CHIP Perinate Members (unborn children) in rural areas have access to Network OB/GYNs within 125 miles of the Member's residence.

If an OB/GYN is acting as the Member's PCP, the MCO must follow the access requirements for the PCP (within 30 miles of the Member's residence).

The MCO must allow female Members to select an OB/GYN within its Provider Network. A female Member who selects an OB/GYN must be allowed direct access to the OB/GYN's Health Care Services without a referral from the Member's PCP or a prior authorization. The MCO must allow pregnant Member who is past the 24th week of pregnancy to remain under the Member's current OB/GYN care though the Member's post-partum checkup, even if the OB/GYN provider is, or becomes, Out-of-Network.

Outpatient Behavioral Health Service Provider Access: At a minimum, the MCO must ensure that all Members have access to a covered outpatient Behavioral Health Service Provider in the Network within 75 miles of the Member's residence. Outpatient Behavioral Health Service Providers must include Masters and Doctorate-level trained practitioners practicing independently or at community mental health centers, other clinics or at outpatient Hospital departments.

For CHIP, a Member must have Network access to an entity within 75 miles of the Member’s residence that provides Covered Services, including rehabilitative day treatment, through Qualified Mental Health Professionals for Community Services (QMHPs-CS). Beginning September 1, 2014, a Medicaid MCO must also ensure that a Member has Network access to an entity within 75 miles of the Member's residence that can provide Mental Health Rehabilitative Services through QMHP-CS. QMHPs-CS include Licensed Practitioners of the Healing Arts (LPHAs). QMHP-CS can also include Community Services Specialists (CSSP), Peer Providers, or Family Partners if acting under the supervision of an LPHA. In addition, day program providers who address pharmacology issues must be certified as Licensed Medical Personnel.

Other Specialist Physician Access: At a minimum, the MCO must ensure that all Members have access to a Network specialist physician for all covered services within 75 miles of the Member's residence for common medical specialties. For adult Members, common medical specialties must include general surgery, cardiology, orthopedics, urology, and ophthalmology. For child Members, common medical specialties must include orthopedics and otolaryngology. In addition, all Members must be allowed to: 1) select a Network ophthalmologist or therapeutic optometrist to provide eye Health Care Services, other than surgery, and 2) have access without a PCP referral to eye Health Care Services from a Network specialist who is an ophthalmologist or therapeutic optometrist for non-surgical services.

Hospital Access: The MCO must ensure that all Members have access to an Acute Care Hospital in the Provider Network within 30 miles of the Member's residence. For MCOs participating in the CHIP Program, exceptions to this access standard must be approved by HHSC on a case-by-case basis for Perinate Members (unborn children). MCOs participating in the Medicaid Rural Service Area may also request exceptions on a case-by-case basis.

Pharmacy Access: Effective March 1, 2012, the MCO must meet the following minimum requirements. The MCO must ensure that all Members have access to at least one (1) Network Pharmacy within 15 miles of the Member's residence, and access to at least one (1) pharmacy with 24-hour coverage within 75 miles of the Member's residence. MCOs may request exceptions to this requirement on a case-by-case basis.

Effective September 1, 2012, HHSC will apply additional benchmark performance standards. For purposes of this requirement only, the terms urban, suburban, and rural counties have the following meaning:

- **Urban** - Counties that have been designated as metropolitan by the Office of Management and Budget (OMB), and that contain the most populated city within a metropolitan area, also known as Metropolitan Statistical Area. HHSC Strategic Decision Support (SDS) classifies these counties as Metro Central City counties. A county meets the definition of metropolitan if it has a central city, or pair of twin cities in it, with a minimum population of 50,000.

- **Suburban** - Counties that have been designated as metropolitan by the OMB, and that are adjacent (share a boundary) to a Metro Central City county. The SDS classifies these counties as Metro Suburban counties.

- **Rural** - Non-metropolitan counties of the state, regardless of whether they are adjacent or non-adjacent to a metropolitan county.
For counties included in the Medicaid Rural Service Area, the following standard applies to STAR effective September 1, 2012:

- In urban counties, at least 75 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
- In suburban counties, at least 55 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence; and
- In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

For all other counties and Programs, the following standard applies effective September 1, 2012:

- In urban counties, at least 80 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
- In suburban counties, at least 75 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence; and
- In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

Note: MCOs may request exceptions to these requirements on a case-by-case basis. Mail order pharmacies, including specialty pharmacies that only mail prescriptions, will not be included when calculating these percentages. However, MCOs will be required to report on the number of prescriptions filled and number of clients served through mail order/specialty pharmacies by MCO Program and Service Area.

Nursing Facility Access: Effective September 1, 2014, STAR+PLUS MCOs must ensure that Members have access to a Nursing Facility in the Provider Network within 75 miles of the Member's residence.

All other Covered Services, except for services provided in the Member's residence: At a minimum, the MCO must ensure that all Members have access to at least one (1) Network Provider for each of the remaining Covered Services described in Attachments B-2, "STAR Covered Services," B-2.1 "CHIP Covered Services," and B-2.2, "STAR+PLUS Covered Services," within 75 miles of the Member's residence. This access requirement includes, but is not limited to, specialists, specialty Hospitals, psychiatric Hospitals, diagnostic and therapeutic services, and single or limited service health care physicians or Providers, as applicable to the MCO Program.

The MCO is not precluded from making arrangements with physicians or providers outside the MCO's Service Area for Members to receive a higher level of skill or specialty than the level available within the Service Area, including but not limited to, treatment of cancer, burns, and cardiac diseases. HHSC may consider exceptions to the above access-related requirements when an MCO has established, through utilization data provided to HHSC, that a normal pattern for securing Health Care Services within an area does not meet these standards, or when an MCO is providing care of a higher skill level or specialty than the level which is available within the Service Area.

8.1.3.3 Monitoring Access

The MCO is required to systematically and regularly verify that Covered Services furnished by Network Providers are available and accessible to Members in compliance with the standards described in Sections 8.1.3.1 and 8.1.3.2, and for Covered Services furnished by PCPs, the standards described in Section 8.1.4.2.

The MCO must enforce access and other Network standards required by the Contract and take appropriate action with noncompliant Providers.
The MCO must enter into written contracts with properly credentialed Providers as described in this Section. The Provider contracts must comply with the Uniform Managed Care Manual's requirements, and include reasonable administrative and professional terms.

The MCO must maintain a Provider Network sufficient to provide all Members with access to the full range of Covered Services required under the Contract. The MCO must ensure its Providers and Subcontractors meet all current and future state and federal eligibility criteria, reporting requirements, and any other applicable rules and/or regulations related to the Contract.

The Provider Network must be responsive to the linguistic, cultural, and other unique needs of any minority, elderly, or disabled individuals, or other special populations served by the MCO. This includes the capacity to communicate with Members in languages other than English, when necessary, as well as with those who are deaf or hearing impaired.

The MCO must seek to obtain the participation in its Provider Network of qualified providers currently serving the Medicaid and CHIP Members in the MCO's proposed Service Area(s). Medicaid MCOs utilizing Out-of-Network providers to render services to their Members must not exceed the utilization standards established in 1 T.A.C. §353.4. HHSC may modify this requirement for Medicaid MCOs that demonstrate good cause for noncompliance, as set forth in §353.4(e)(3).

The MCO must seek participation in the Provider Network from the following types of entities that may serve American Indian and Alaskan Native children:

1. health clinics operated by a federally-recognized tribe in the Service Area;
2. Federally Qualified Health Centers (FQHC) operated by a federally-recognized tribe in the Service Area; and
3. Urban Indian organizations in the Service Area.

All Providers: If licensure or certification is required to provide a Covered Service, then a Network Provider must be licensed or certified in Texas, except as provided in Section 8.1.4.10 Network Providers cannot be under sanction or exclusion from the Medicaid program. All Acute Care Providers serving Medicaid Members must be enrolled as Medicaid providers and have a Texas Provider Identification Number (TPIN). All Pharmacy Providers must be enrolled with HHSC’s Vendor Drug Program. Long-term Services and Supports Providers are not required to have a TPIN but must have a LTSS Provider number. Providers must also have a National Provider Identifier (NPI) in accordance with the timelines established in 45 C.F.R. Part 162, Subpart D.

Inpatient Hospital and medical services: The MCO must ensure access to Acute Care Hospitals and Specialty Hospitals in the MCO's Network. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. The MCO must enter into a Network Provider Agreement with any willing State Hospital that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

Children's Hospitals/Hospitals with specialized pediatric services: The MCO must ensure Members access to Hospitals designated as Children's Hospitals by Medicare and Hospitals with specialized pediatric services, such as teaching Hospitals and Hospitals with designated children's wings. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. If the MCO does not have a designated Children's Hospital and/or Hospital with specialized pediatric services in proximity to the Member's residence in its Network, the MCO must enter into written arrangements for services with Out-of-Network Hospitals. Provider Directories, Member Materials, and Marketing Materials must clearly distinguish between Hospitals designated as Children's Hospitals and Hospitals that have designated children's units.

Trauma: The MCO must ensure Members access to Texas Department of State Health Services (TDSHS)-designated Level I and Level II trauma centers within the State, or Hospitals meeting the equivalent level of trauma care in the MCO's Service Area or in close proximity to such Service Area. The MCO must make written Out-of-Network reimbursement arrangements with the DSHS-designated Level I and Level II trauma centers or Hospitals meeting equivalent levels of trauma care if the MCO does not include such a trauma center in its Network.

Transplant centers: The MCO must ensure Member access to HHSC-designated transplant centers or centers meeting equivalent levels of care. A list of HHSC-designated transplant centers can be found in the Procurement Library. If the MCO's Network does not include a designated transplant center or center meeting equivalent levels of care in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.
**Hemophilia centers:** The MCO must ensure Member access to hemophilia centers supported by the Centers for Disease Control (CDC). A list of these hemophilia centers can be found at [http://www.cdc.gov/ncbddd/hemophilia/HTC.html](http://www.cdc.gov/ncbddd/hemophilia/HTC.html). If the MCO's Network does not include CDC-supported hemophilia centers in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.

**Physician services:** The MCO must ensure that Primary Care Providers are available and accessible 24 hours per day, seven (7) days per week, within the Provider Network. The MCO must contract with a sufficient number of participating physicians and specialists within each Service Area to comply with Section 8.1.3's access requirements and meet Members' needs for all Covered Services.

The MCO must ensure that an adequate number of participating physicians have admitting privileges at one (1) or more participating Acute Care Hospitals in the Provider Network to ensure that necessary admissions are made. In no case may there be less than one Network PCP with admitting privileges available and accessible 24 hours per day, seven (7) days per week for each Acute Care Hospital in the Provider Network.

The MCO must ensure that an adequate number of participating specialty physicians have admitting privileges at one or more participating Hospitals in the MCO's Provider Network to ensure necessary admissions are made. The MCO must require that all physicians who admit to Hospitals maintain Hospital access for their patients through appropriate call coverage.

**Urgent Care Clinics:** The MCO must ensure that Urgent Care Clinics, including multi-specialty clinics serving in this capacity, are included within the Provider Network.

**Laboratory services:** The MCO must ensure that Network reference laboratory services are of sufficient size and scope to meet Members' non-emergency and emergency needs and the access requirements in Section 8.1.3. Reference laboratory specimen procurement services must facilitate the provision of clinical diagnostic services for physicians, Providers, and Members through the use of convenient reference satellite labs in each Service Area, strategically located specimen collection areas in each Service Area, and the use of a courier system under the management of the reference lab. For Medicaid Members, Texas Health Steps requires Providers to use the DSHS Laboratory Services for specimens obtained as part of a Texas Health Steps medical checkup, including Texas Health Steps newborn screens; blood lead testing; hemoglobin electrophoresis; and total hemoglobin tests that are processed at the Austin Laboratory; and Pap Smear, gonorrhea and chlamydia screening processed at the Women's Health Laboratories in San Antonio. Providers may submit specimens for glucose, cholesterol, HDL, lipid profile, HIV and RPR to the DSHS Laboratory or to a laboratory of the provider's choice. Hematocrit may be performed at the provider's clinic if the provider needs an immediate result for anemia screening. Providers should refer to the Texas Health Steps Online Provider Training Modules referencing specimen collection on the DSHS website and the Texas Medicaid Provider Procedures Manual, Children's Services Handbook for the most current information and any updates.

**Pharmacy Providers:** The MCO must ensure that all Pharmacy Network Providers meet all requirements under 1 Tex. Admin. Code § 353.909. Providers must not be under sanction or exclusion from the Medicaid or CHIP Programs. The MCO must enter into a Network Provider Agreement with any willing pharmacy provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms. However, the MCO may enter into selective contracts for specialty pharmacy services with one or more pharmacy provider, subject to the following conditions. These arrangements must comply with Texas Government Code § 533.005(a)(23)(G) and 1 Tex. Admin. Code § 353.905, § 354.1853, and § 370.701.

**Diagnostic imaging:** The MCO must ensure that diagnostic imaging services are available and accessible to all Members in each Service Area in accordance with the access standards in Section 8.1.3. The MCO must ensure that diagnostic imaging procedures that require the injection or ingestion of radiopaque chemicals are performed only under the direction of physicians qualified to perform those procedures.

**Home health services:** All Members living within the MCO's Service Area must have access to at least one (1) Network Provider of home health Covered Services. (These services are provided as part of the Acute Care Covered Services, not the Community Long Term Services and Supports.)

**Community Long Term Services and Supports:** All Members living within a STAR+PLUS MCO's Service Area must have access to Medically Necessary and Functionally Necessary Covered Services.

**Nursing Facility Services:** The STAR+PLUS MCO must ensure Members have access to Nursing Facility services effective September 1, 2014. Nursing facilities that are licensed, certified, and have a valid DADS contract on September 1, 2013, will be included on the STP list. PCPs associated with Nursing Facilities must have admitting privileges to Network Hospitals.
**Hospice Services**: Effective September 1, 2014, Nursing Facility residents in STAR+PLUS MCOs must have access to Hospice Services.

**Ambulance providers**: The MCO must enter into a Network Provider Agreement with any willing ambulance provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

**Mental Health Rehabilitative Services**: Effective September 1, 2014, the MCO must ensure Members have access to Mental Health Rehabilitative Services.

### 8.1.4.1 Provider Contract Requirements

The MCO is prohibited from requiring a provider or provider group to enter into an exclusive contracting arrangement with the MCO as a condition for Network participation.

The MCO’s contract with health care Providers must be in writing, must be in compliance with applicable federal and state laws and regulations, and must include minimum requirements specified in [Attachment A](#), "Uniform Managed Care Contract Terms and Conditions,” and [Uniform Managed Care Manual](#) Chapter 8.1 “Provider Contract Checklist.”

As described in Section 7, the MCO must submit model Provider contracts to HHSC for review during Readiness Review. The MCO must resubmit the model Provider contracts any time it makes substantive modifications to such agreements. HHSC retains the right to reject or require changes to any Provider contract that does not comply with MCO Program requirements or the HHSC-MCO Contract.

### 8.1.4.2 Primary Care Providers

The MCO’s PCP Network may include Providers from any of the following practice areas: General Practice; Family Practice; Internal Medicine; Pediatrics; Obstetrics/Gynecology (OB/GYN); Advanced Practice Registered Nurses (APRNs) and Physician Assistants (PAs) (when APRNs and PAs are practicing under the supervision of a physician specializing in Family Practice, Internal Medicine, Pediatrics or Obstetrics/Gynecology who also qualifies as a PCP under this contract); Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and similar community clinics; physicians serving Members residing in Nursing Facilities effective September 1, 2014; and specialist physicians who are willing to provide a Medical Home to selected Members with special needs and conditions. Texas Government Code Section 533.005(a)(13) and Texas Health and Safety Code Section 62.1551 require the MCO to use advance practice registered nurses (APRNs) and physician assistants (PAs) practicing under the supervision of a Network physician. The MCO must treat APRNs and PAs in the same manner as other Network PCPs with regard to: (1) selection and assignment as PCPs, (2) inclusion as PCPs in the MCO’s Provider Network, and (3) inclusion as a PCP in any Provider Directory maintained by the MCO.

An internist or other Provider who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20. An internist or other Provider who provides primary care to adults and children may be a PCP for children if:

1. the Provider assumes all MCO PCP responsibilities for such child Members in a specific age range from birth through age 20,
2. the Provider has a history of practicing as a PCP for the specified age range, as evidenced by the Provider's primary care practice including an established patient population within the specified age range, and
3. the Provider has admitting privileges to a local Hospital that includes admissions to pediatric units.

A pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

The PCP for a Member with disabilities, Special Health Care Needs, Chronic or Complex Conditions, or in a Nursing Facility may be a specialist physician who agrees to provide PCP services to the Member. The specialist physician must agree to perform all PCP duties required in the Contract, and PCP duties must be within the scope of the specialist’s license. Any interested person may initiate the request through the MCO for a specialist to serve as a PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions. The MCO must handle these requests in accordance with 28 Tex. Admin. Code Chapter 11, Subchapter J.

PCPs who provide Covered Services for STAR and CHIP newborns must either have admitting privileges at a Hospital that is part of the MCO's Provider Network, or make referral arrangements with a Provider who has admitting privileges to a Network.
Hospital. STAR+PLUS PCPs must either have admitting privileges at a Network Hospital, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital.

The MCO must require, through contract provisions, that PCPs are accessible to Members 24 hours a day, seven (7) days a week. The MCO is encouraged to enter into Network Provider agreements with sites that offer primary care services during evening and weekend hours. The following are acceptable and unacceptable telephone arrangements for contacting PCPs after their normal business hours.

Acceptable after-hours coverage:

1. the office telephone is answered after-hours by an answering service that meets language requirements of the Major Population Groups and that can contact the PCP or another designated medical practitioner. All calls answered by an answering service must be returned within 30 minutes;
2. the office telephone is answered after normal business hours by a recording in the language of each of the Major Population Groups served, directing the patient to call another number to reach the PCP or another provider designated by the PCP. Someone must be available to answer the designated provider's telephone. Another recording is not acceptable; and
3. the office telephone is transferred after office hours to another location where someone will answer the telephone and be able to contact the PCP, or another designated medical provider, who can return the call within 30 minutes.

Unacceptable after-hours coverage:

1. the office telephone is only answered during office hours;
2. the office telephone is answered after-hours by a recording that tells patients to leave a message;
3. the office telephone is answered after-hours by a recording that directs patients to go to an Emergency Room for any services needed; and
4. returning after-hours calls outside of 30 minutes.

The CHIP MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the AAP recommendations. Medicaid MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the Texas Health Steps periodicity schedule. The MCO must require PCPs, through contract provisions, to provide adults with preventive services in accordance with the U.S. Preventive Services Task Force requirements. The MCO must make best efforts to ensure that PCPs follow these periodicity requirements for children and adult Members. Best efforts must include, but not be limited to, Provider education, Provider profiling, monitoring, and feedback activities.

The MCO must require PCPs, through contract provisions, to assess the medical needs of Members for referral to specialty care providers and provide referrals as needed. PCPs must coordinate Members' care with specialty care providers after referral. The MCO must make best efforts to ensure that PCPs assess Member needs for referrals and make such referrals. Best efforts must include, but not be limited to, Provider education activities and review of Provider referral patterns.

8.1.4.3 PCP Notification

The MCO must furnish each PCP with a current list of Members enrolled or assigned to that Provider no later than five (5) Business Days after the MCO receives the Enrollment File from the HHSC Administrative Services Contractor each month. The MCO may offer and provide such enrollment information in alternative formats, such as through access to a secure Internet site, when such format is acceptable to the PCP.

8.1.4.4 Provider Credentialing and Re-credentialing

The MCO must review, approve, and periodically recertify the credentials of all participating physician Providers and all other licensed Providers who participate in the MCO’s Network. The MCO may subcontract with another entity to which it delegates credentialing activities if the delegated credentialing is maintained in accordance with the National Committee for Quality Assurance (NCQA) delegated credentialing requirements and any comparable requirements defined by HHSC.

At a minimum, the scope and structure of an MCO’s credentialing and re-credentialing processes must be consistent with recognized MCO industry standards, such as those provided by NCQA, or URAC and relevant state and federal regulations including 28 Tex. Admin. Code §§ 11.1902 and 11.1402(c), relating to provider credentialing and notice. Medicaid MCOs must
also comply with 42 C.F.R. § 438.12 and 42 C.F.R. § 438.214(b). The re-credentialing process must occur at least every three years.

The MCOs must use state-identified credentialing criteria for Nursing Facilities and may only contract with a Nursing Facility with a valid certification, license, and contract with DADS. The MCO may not discriminate for the participation, reimbursement, or indemnification of any provider who is acting within the scope of his or her license or certification under applicable State law, solely on the basis of that license or certification. Additionally, if the MCO declines to include individual or groups of providers in its Network, it must give the affected providers written notice of the reasons for its decision.

The re-credentialing process must take into consideration Provider performance data including Member Complaints and Appeals, quality of care, and utilization management.

8.1.4.1 Expedited Credentialing Process

MCOs must comply with the requirements of Texas Insurance Code Chapter 1452, Subchapters C, D, and E, regarding expedited credentialing and payment of physicians, podiatrists, and therapeutic optometrists who have joined established medical groups or professional practices that are already contracted with the MCO. Additionally, the MCO must comply with the Subchapters’ hold harmless requirements for Members.

The MCO must complete the credentialing process for a new provider and its claim systems must be able to recognize the provider as a Network Provider no later than 90 calendar days after receipt of a complete application.

If an application does not include required information, the MCO must provide the provider written notice of all missing information no later than 5 Business Days after receipt.

Additionally, if a provider qualifies for expedited credentialing, the MCO’s claims system must be able to process claims from the provider as if the Provider was a Network Provider no later than 30 calendar days after receipt of a complete application, even if the MCO has not yet completed the credentialing process.

8.1.4.5 Board Certification Status

The MCO must maintain a policy with respect to board certification for PCPs and specialty physicians that encourages participation of board certified PCPs and specialty physicians in the Provider Network. The MCO must make information on the percentage of board-certified PCPs in the Provider Network and the percentage of board-certified specialty physicians, by specialty, available to HHSC upon request.

8.1.4.6 Provider Relations Including Manual, Materials and Training

The MCO must maintain a provider relations presence in each Service Area or, for the Medicaid Rural Service Area, in regions approved by HHSC.

The STAR+PLUS MCOs must assign a provider relations specialist to each Network Nursing Facility. The assigned provider relations specialist may be assigned to more than one Nursing Facility in a Service Area. The specialist must be proficient in Nursing Facility billing and able to resolve provider billing and payment inquiries. The MCO must notify the Nursing Facility within 10 days of any change to the assigned provider relations specialist.

The MCO must prepare and issue Provider Manual(s) to all Network Providers, including any necessary specialty manuals (e.g., behavioral health, Nursing Facility Services). For newly contracted Providers, the MCO must issue copies of the Provider Manual(s) no later than five Business Days after inclusion in the Network. The Provider Manual must contain sections relating to special requirements of the MCO Program(s) and the enrolled populations in compliance with the requirements of this Contract, including Uniform Managed Care Manual Chapter 3.3.

HHSC or its designee must approve the Provider Manual, and any substantive revisions to the Provider Manual, prior to publication and distribution to Providers. The Provider Manual must contain the critical elements defined in Uniform Managed Care Manual Chapter 3, Critical Elements. HHSC’s initial review of the Provider Manual is part of the Operational Readiness Review described in Section 7, Transition Phase Requirements.

The MCO must provide training to all Providers and their staff regarding the requirements of the Contract and special needs of Members. The MCO’s STAR, STAR+PLUS, CHIP and/or CHIP Perinatal Program training must be completed within 30 days.
of placing a newly contracted Provider on active status. The MCO must provide ongoing training to new and existing Providers as required by the MCO, or as required by HHSC to comply with the Contract. The MCO must maintain and make available upon request enrollment or attendance rosters dated and signed by each attendee, or other written evidence of training of each Provider and his or her staff.

The MCO must establish ongoing Provider training that includes the following issues:

1. Covered Services and the Provider’s responsibilities for providing and coordinating these services.
   a. Special emphasis must be placed on areas that vary from commercial coverage rules (e.g., Early Childhood Intervention services, therapies and DME/Medical Supplies); pharmacy services and processes, including information regarding outpatient drug benefits, HHSC’s drug formulary, preferred drugs, prior authorization processes, and 72 hour emergency supplies of prescription drugs;
   b. For Medicaid, the MCO should also place special emphasis on Mental Health Rehabilitative Services and the availability of Targeted Case Management for qualified Members, and the processes for making referrals and coordination with Non-capitated Services;
2. relevant requirements of the Contract;
3. the MCO’s quality assurance and performance improvement program and the Provider’s role in such a program;
4. the MCO’s policies and procedures, especially regarding Network and Out-of-Network referrals;
5. Member cost-sharing obligations, benefit limitations, Value-added Services, and prohibitions on balance-billing Members for Covered Services;
6. Cultural Competency Training;
7. Texas Health Steps benefits, periodicity, and required elements of a checkup;
8. Medical Transportation Program services available to Medicaid members such as rides to services by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, and meals and lodging when away from home;
9. the importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
10. information about the MCO’s process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
11. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit;
12. for STAR in the Medicaid Rural Service Area, the process for continuing up to six months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process;
13. for STAR+PLUS, the role of the MCO Service Coordinators;
14. for STAR+PLUS, information on discharge planning, transitional care, and other educational programs related to long-term care settings;
15. administrative issues such as claims filing and services available to Members; and
16. requirements of the Frew v. Janek Consent Decree and Corrective Action Orders.

Provider Materials must comply with state and federal laws; Attachment A, Uniform Managed Care Contract Terms and Conditions; and Uniform Managed Care Manual Chapter 3, Critical Elements.

As described above, HHSC must approve the MCO’s Provider Manual and all revisions. Additionally, the MCO must submit, for HHSC’s review, all other Provider Materials relating to Medicaid or CHIP prior to use or mailing. If HHSC has not responded to MCO’s request for review within 15 Business Days, the MCO may use the submitted materials. HHSC reserves the right to require discontinuation or correction of any Provider Materials that are not in compliance with State and Federal laws or the Contract’s requirements.

8.1.4.7 Provider Hotline

The MCO must operate a toll-free telephone line for Provider inquiries from 8 a.m. to 5 p.m. local time for the Service Area, Monday through Friday, except for State-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html. The Provider Hotline must be staffed with personnel who are knowledgeable about Covered Services, each applicable MCO Program, and for Medicaid, about Non-capitated Services.

The MCO must ensure that after regular business hours the line is answered by an automated system with the capability to provide callers with operating hours information and instructions on how to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition. The MCO must have a process in place to handle after-hours inquiries from
Providers seeking to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition, provided, however, that the MCO and its Providers must not require such verification prior to providing Emergency Services.

The MCO must ensure that the Provider Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system is used;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. the average hold time is two (2) minutes or less; and
4. the call abandonment rate is seven percent (7%) or less.

The MCO must conduct ongoing call quality assurance to ensure these standards are met. The Provider Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO's Programs. The Provider Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor Provider Hotline performance and submit reports summarizing call center performance as required by Section 8.1.20. If the MCO subcontracts with a Behavioral Health Organization (BHO) that is responsible for Provider Hotline functions related to Behavioral Health Services, the BHO's Provider Hotline must meet the requirements in Section 8.1.4.7.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Provider Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.4.8 Provider Reimbursement

The MCO must pay for all Medically Necessary Covered Services provided to Members. A STAR+PLUS MCO must also pay for all Functionally Necessary Covered Services provided to Members. The MCO's Network Provider Agreement must include a complete description of the payment methodology or amount, as described in Uniform Managed Care Manual Chapter 8.1.

The MCO must ensure claims payment is timely and accurate as described in Section 8.1.18.5, "Claims Processing Requirements," and UMCM Chapters 2.0 through 2.3. The MCO must require tax identification numbers from all participating Providers. The MCO is required to do back-up withholding from all payments to Providers who fail to give tax identification numbers or who give incorrect numbers.

Provider payments must comply with all applicable state and federal laws, rules, and regulations, including the following sections of the Patient Protection and Affordable Care Act (PPACA) and, upon implementation, corresponding federal regulations:

- Section 2702 of PPACA, entitled "Payment Adjustment for Health Care-Acquired Conditions;"
- Section 6505 of PPACA, entitled "Prohibition on Payments to Institutions or Entities Located Outside of the United States;" and
- Section 1202 of the Health Care and Education Reconciliation Act as amended by PPACA, entitled "Payments to Primary Care Physicians."

As required by Texas Government Code § 533.005(a)(25), the MCO cannot implement across-the-board Provider reimbursement rate reductions unless: (1) it receives HHSC's prior approval, or (2) the reductions are based on changes to the Medicaid fee schedule or cost containment initiatives implemented by HHSC. For purposes of this requirement an across-the-board rate reduction is a reduction that applies to all similarly-situated providers or types of providers. The MCO must submit a request for an across-the-board rate reduction to HHSC's Director of Program Operations, if the reduction is not based on a change in the Medicaid fee schedule or cost containment initiative implemented by HHSC. The MCO must submit the request at least 90 days prior to the planned effective date of the reduction, and provide a copy to the Health Plan Manager. If HHSC does not issue a written statement of disapproval within 45 days of receipt, then the MCO may move forward with the reduction on the planned effective date.
8.1.4.8.1 Potentially Preventable Complications

STAR, STAR+PLUS, and CHIP MCOs must identify Present on Admission (POA) indicators as required in the Uniform Managed Care Manual, and STAR, STAR+PLUS, and CHIP MCOs must reduce or deny payments for Potentially Preventable Complications that were not POA using a methodology approved by HHSC in the Uniform Managed Care Manual.

8.1.4.8.2 Provider Incentives

The MCO must develop and submit to HHSC a written plan using a form provided by HHSC, for expansion of alternative payment structures with its Providers that encourages innovation and collaboration, as well as increase quality and efficiency. Payment structures should be focused on incentivizing quality outcomes, shared savings, or both resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions rather than based on volume. The plan will include mechanisms by which the MCO will provide incentive payments to hospitals, physicians and other health care providers for quality care. The plan will include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for incentive payments, shared savings, or both. The MCO must submit its initial plan to HHSC no later than December 1, 2013, and no later than December 1 of each year thereafter. HHSC will evaluate the plan and provide feedback to the MCO. Upon HHSC’s approval of the plan, HHSC will retrospectively evaluate the MCO on its execution of the written plan. Modifications can be made to the plan, but are subject to HHSC review and approval. Plan approval is based on the following criteria: the number of providers, diversity of selected providers, geographic representation, and the methodology of the shared savings, data sharing strategy with providers, and other factors. Each year, the annual plan must show a measurable increase from the previous year.

HHSC’s retrospective review of the execution of the plan may include a review of encounter data, MCO financial statistical reports, and surveys or interviews with MCO representatives or providers. HHSC may ask the MCO to submit additional information upon request. HHSC may delay or reduce payments to the MCO if it does not submit a plan by the required deadline or does not execute a plan as approved.

8.1.4.8.3 Nursing Facility Incentives

HHSC will develop a Nursing Facility payment system that incentivizes the reduction of potentially preventable events, including potentially preventable Hospital admissions, Hospital readmissions, unnecessary institutionalization, and Acute Care costs. HHSC will also develop payment incentives that encourage Nursing Facility culture change, including the development of resident-centered service delivery and improvements to Nursing Facility physical plant features. HHSC will consult with the MCOs in the development of this incentive program.

8.1.4.9 Termination of Provider Contracts

Unless prohibited or limited by applicable law, the MCO must make a good faith effort to give written notice of termination of a Network Provider, within 15 calendar days after receipt or issuance of the termination notice, to each Member who receives his or her primary care from, or who is seen on a regular basis by, the Network Provider. The MCO must send notice to: (1) all Members in a PCP’s panel, and (2) all Members who have had two or more visits with the Network Provider for home-based or office-based care in the past 12 months. The MCO must notify HHSC of provider terminations in accordance with UMCM Chapter 5.4.1.1, “Provider Termination Report.”

The MCO’s process for terminating CHIP Provider contracts must comply with the Texas Insurance Code and TDI regulations.

8.1.4.10 Out-of-State Providers

To participate in Medicaid, the provider must be enrolled with HHSC as a Medicaid provider. The MCO may enroll out-of-state providers in its Medicaid and CHIP Networks in accordance with 1 Tex. Admin. Code § 352.17 and Pharmacy Network Providers in accordance with 1 Tex. Admin. Code § 353.909 as effective on September 1, 2014.

The MCO may enroll out-of-state diagnostic laboratories in its Medicaid and CHIP Networks under the circumstances described in Texas Government Code § 531.066.

8.1.4.11 Provider Advisory Groups
The MCO must establish and conduct quarterly meetings with Network Providers. Membership in the Provider Advisory Group(s) must include, at a minimum, acute, community-based LTSS (STAR+PLUS only), and pharmacy providers. The MCO must maintain a record of Provider Advisory Group meetings, including agendas and minutes, for at least three years.

8.1.4.12 Provider Protection Plan

The MCO must comply with HHSC's provider protection plan requirements for reducing the administrative burdens placed on Network Providers, and ensuring efficiency in Network enrollment and reimbursement. At a minimum, the plan must comply with the requirements of Texas Government Code § 533.0055, and:

- Provide for timely and accurate claims adjudication and proper claims payment in accordance with UMCM Chapters 2.0 through 2.3.
- Include Network Provider training and education on the requirements for claims submission and appeals, including the MCO's policies and procedures (see also Section 8.1.4.6, "Provider Relations Including Manual, Materials and Training.")
- Ensure Member access to care, in accordance with Section 8.1.3, "Access to Care," and the UMCM's Geo-Mapping requirements (see UMCM Chapters 5.14.1 through 5.14.4)
- Ensure prompt credentialing, as required by Section 8.1.4.4, "Provider Credentialing and Re-credentialing."
- Ensure compliance with state and federal standards regarding prior authorizations, as described in Sections 8.1.8, "Utilization Management," and 8.1.21.2, "Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies."
- Include other measures developed by HHSC or a provider protection plan workgroup, or measures developed by the MCO and approved by HHSC.

Additionally, the MCO must participate in HHSC's work group, which will develop recommendations and proposed timelines for other components of the provider protection plan.

8.1.5 Member Services

The MCO must maintain a Member Services Department to assist Members and their family members or guardians in obtaining Covered Services for Members. The MCO must maintain employment standards and requirements (e.g., education, training, and experience) for Member Services Department staff and provide a sufficient number of staff for the Member Services Department to meet the requirements of this Section.

8.1.5.1 Member Materials

The MCO must design, print and distribute Member identification (ID) cards and a Member Handbook to Members. Within five (5) Business Days following the receipt of an Enrollment File from the HHSC Administrative Services Contractor, the MCO must mail a Member's ID card and Member Handbook to the Case Head or Account Name for each new Member. When the Case Head or Account Name represents two (2) or more new Members, the MCO is only required to send one (1) Member Handbook. The MCO is responsible for mailing materials only to those households for whom valid address data are contained in the Enrollment File.

The MCO must design, print and deliver Provider Directories to the HHSC Administrative Services Contractor as described in Section 8.1.5.4.

Member Materials must be at or below a 6th grade reading level as measured by the appropriate score on the Flesch reading ease test. Member Materials must be available in English, Spanish, and the languages of other Major Population Groups. HHSC will provide the MCO with reasonable notice when the enrolled population reaches the 10% threshold for a Major Population Group in the MCO's Service Area. All Member Materials must be available in a format accessible to the visually impaired, which may include large print, Braille, and audiotapes.

The MCO must submit member materials to HHSC for approval prior to use or mailing. HHSC will identify any required changes to the Member materials within 15 Business Days. If HHSC has not responded to a request for review by the fifteenth Business Day, the Contractor may proceed to use the submitted materials. HHSC reserves the right to require discontinuation of any Member materials that violate the terms of this Contract, including but not limited to Marketing Policies and Procedures as described in Uniform Managed Care Manual Chapter 4.3, "Uniform Managed Care Marketing Policies and Procedures."
If the MCO distributes HHSC-approved Member Materials groups of Members or all Members (i.e., “mass communications,”) it also must post a copy of the materials on its website.

The MCO’s Member Materials and other communications cannot contain discretionary clauses, as described in Section 1271.057(b) of the Texas Insurance Code. For CHIP MCOs, this restriction also applies to the MCO’s Evidence of Coverage or Certificate of Coverage documents.

**8.1.5.2 Member Identification (ID) Card**

All Member ID cards must, at a minimum, include the following information:

1. the Member's name;
2. the Member's Medicaid or CHIP Program number;
3. the effective date of the PCP assignment (excluding CHIP Perinates);
4. the PCP’s name (not required for Dual Eligible STAR+PLUS Members, CHIP Perinates, and Nursing Facility residents), address (optional for all products), and telephone number (not required for Dual Eligible STAR+PLUS Members, CHIP Perinates, and Nursing Facility residents);
5. the name of the MCO;
6. the 24-hour, seven (7) day a week toll-free Member services telephone number and BH Hotline number operated by the MCO; and
7. any other critical elements identified in *Uniform Managed Care Manual* Chapter 3, Critical Elements.

The MCO must reissue the Member ID card if a Member reports a lost card or name change, if the Member requests a new PCP, or for any other reason that results in a change to the information disclosed on the ID card.

**8.1.5.3 Member Handbook**

HHSC must approve the Member Handbook, and any substantive revisions, prior to publication and distribution. As described in Section 7, “Transition Phase Requirements,” the MCO must develop and submit to HHSC the draft Member Handbook for approval during the Readiness Review and must submit a final Member Handbook incorporating changes required by HHSC prior to the Operational Start Date.

The Member Handbook for each applicable MCO Program must, at a minimum, meet the Member materials requirements specified by Section 8.1.5.1 and must include critical elements in *Uniform Managed Care Manual* Chapter 3, “Critical Elements.” CHIP MCOs must issue Member Handbooks to both CHIP Perinates and CHIP Perinates Newborns. The Member Handbook for CHIP Perinate Newborns may be the same as that used for CHIP.

The MCO must produce a revised Member Handbook, or an insert informing Members of changes to Covered Services, upon HHSC notification and at least 30 days prior to the effective date of such change in Covered Services. In addition to modifying the Member Materials for new Members, the MCO must notify all existing Members of the Covered Services change during the timeframe specified in this subsection.

**8.1.5.4 Provider Directory**

The Provider Directory for each MCO Program, and any substantive revisions, must be approved by HHSC prior to publication and distribution, with the exception of PCP information changes or clerical corrections. The MCO is responsible for submitting draft Provider Directory updates to HHSC for prior review and approval.

As described in Section 7, “Transition Phase Requirements,” during Readiness Review the MCO must develop and submit to HHSC the draft Provider Directory template for approval and must submit a final Provider Directory incorporating changes required by HHSC prior to the Operational Start Date. Such draft and final Provider Directories must be submitted according to the deadlines established in Section 7, “Transition Phase Requirements.”

The Provider Directory for each applicable MCO Program must, at a minimum, meet the Member Materials requirements specified by Section 8.1.5.1 above and must include critical elements in *Uniform Managed Care Manual* Chapter 3. The Provider Directory must include only Network Providers credentialed by the MCO in accordance with Section 8.1.4.4. If the
MCO contracts with limited Provider Networks, the Provider Directory must comply with the requirements of 28 T.A.C. §11.1600(b)(11), relating to the disclosure and notice of limited Provider Networks.

At a minimum, the MCO must update the Provider Directory on a quarterly basis. The MCO must make such updates available to existing Members on request, and must provide such updates to the HHSC Administrative Services Contractor at the beginning of each State Fiscal Quarter. Weight limits for the Provider Directories are included in Uniform Managed Care Manual Chapter 3.1, “MMC Provider Directory” and Chapter 3.2, “CHIP Provider Directory”. HHSC will require MCOs that exceed the weight limits to compensate HHSC for postage fees in excess of the weight limits.

The MCO must send the most recent Provider Directory, including any updates, to Members upon request. The MCO must, at least annually, include written and verbal offers of such Provider Directory in its Member outreach efforts and education materials.

8.1.5.5 Internet Website

The MCO must develop and maintain, consistent with HHSC standards and Texas Insurance Code Section 843.2015 and other applicable state laws, a website to provide general information about the MCO's Program(s), its Provider Network, its customer services, and its Complaints and Appeals process. The website must contain a link to financial literacy information on the Office of Consumer Credit Commissioner's webpage. The MCO may develop a page within its existing website to meet the requirements of this section.

For each Program operated by the MCO, the MCO's website must include either a Provider Directory in text-searchable format, or Network Provider search functionality. This information must be accurate and the MCO must update it at least twice a month. The online Provider Directory or online Provider search functionality must designate PCPs with open versus closed panels. The online Provider Directory or online Provider search functionality must also identify Providers that provide Long-Term Services and Supports (LTSS). The MCO must list Home Health Ancillary providers on its website, with an indicator for pediatric services if provided.

8.1.5.6 Member Hotline

The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week. The Member Hotline must be staffed with personnel who are knowledgeable about its MCO Program(s) and Covered Services between the hours of 8:00 a.m. to 5:00 p.m. local time for the Service Area, Monday through Friday, excluding state-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html.

The MCO must ensure that after hours, on weekends, and on holidays the Member Services Hotline is answered by an automated system with the capability to provide callers with operating hours and instructions on what to do in cases of emergency. All recordings must be in English, Spanish, and the languages of other Major Population Groups in the Service Area. A voice mailbox must be available after hours for callers to leave messages. The MCO's Member Services representatives must return calls received by the automated system from Members or their representatives on the next Business Day.

If the Member Hotline does not have a voice-activated menu system, the MCO must have a menu system that will accommodate Members who cannot access the system through other physical means, such as pushing a button.

The MCO must ensure that its Member Service representatives treat all callers with dignity and respect the callers' need for privacy. At a minimum, the MCO's Member Service representatives must be:

1. knowledgeable about Covered Services;
2. able to answer non-technical questions about the role of the PCP, as applicable;
3. able to answer non-clinical questions about referrals or the process for receiving authorization for procedures or services;
4. able to give information about Providers in a particular area;
5. knowledgeable about Fraud, Abuse, and Waste including the Lock-in Program and the requirements to report any conduct that, if substantiated, may constitute Fraud, Abuse, or Waste;
6. trained regarding Cultural Competency;
7. trained regarding the process used to confirm the status of persons with Special Health Care Needs;
8. for Medicaid Members, able to answer non-clinical questions about accessing Non-capitated Services.
9. for Medicaid Members, trained regarding: a) the emergency prescription process and what steps to take to immediately address problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) how Members in the Lock-in Program can fill prescriptions at a non-designated pharmacy in an emergency situation; and c) DME processes for obtaining services and how to address common problems; 10. for CHIP Members, able to give correct cost-sharing information relating to premiums, co-pays or deductibles, as applicable. (Cost-sharing does not apply to CHIP Perinates (unborn child), CHIP Perinate Newborns, and some Members in the traditional CHIP Program. See Uniform Managed Care Manual Chapter 6.3, for additional information regarding CHIP cost-sharing; and
11. hotlines must meet Cultural Competency requirements and must appropriately handle calls from non-English speaking (and particularly, Spanish-speaking) callers, as well as calls from individuals who are deaf or hard-of-hearing. To meet these requirements, the MCO must employ bilingual Spanish-speaking Member Services representatives and must secure the services of other contractors as necessary to meet these requirements. The MCO must provide such oral interpretation services to all Hotline callers free of charge.

The MCO must process all incoming Member correspondence and telephone inquiries in a timely and responsive manner. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. The MCO must ensure that the toll-free Member Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. at least 80% of calls must be answered by Hotline staff within 30 seconds; measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The Member Services Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO's Medicaid and/or CHIP Programs. The Member Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor its performance regarding HHSC Member Hotline standards and submit performance reports summarizing call center performance for the Member Hotline as indicated in Section 8.1.20 and Uniform Managed Care Manual Chapter 5.4.3, "Hotline Reports."

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO's Member Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, "reasonable travel costs" include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.5.6.1 Nurseline

If the MCO provides a 24-hour nurse hotline, it must train hotline staff about: a) the emergency prescription process and what steps to take to immediately address Medicaid Members’ problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) the HHSC-OIG Lock-in Program pharmacy override process to ensure Member access to Medically Necessary outpatient drugs; and c) DME processes for obtaining services and how to address common problems. The 24-hour Nurse Hotline will attempt to respond immediately to problems concerning emergency medicines by means at its disposal, including explaining the rules to Medicaid Members so that they understand their rights and, if need be, by offering to contact the pharmacy that is refusing to fill the prescription to explain the 72-hour supply policy, Lock-in Program override procedure, and DME processes.

8.1.5.7 Member Education

The MCO must, at a minimum, develop and implement health education initiatives that educate Members about:

1. how the MCO system operates, including the role of the PCP;
2. Covered Services, limitations and any Value-added Services offered by the MCO;
3. the value of screening and preventive care; and
4. how to obtain Covered Services, including:
   a. Emergency Services;
   b. accessing OB/GYN and specialty care;
   c. Behavioral Health Services;
   d. Disease Management programs;
   e. Service Coordination, treatment for pregnant women, Members with Special Health Care Needs, including Children with Special Health Care Needs, Nursing Facility residents in STAR+PLUS, and other special populations;
   f. Early Childhood Intervention (ECI) Services;
   g. screening and preventive services, including well-child care (Texas Health Steps medical checkups for Medicaid Members);
   h. for CHIP Members, Member copayments responsibilities (note that copayments to do not apply to CHIP Perinates (unborn child) and CHIP Perinate Newborn Members);
   i. for Medicaid Members, Member copayment responsibilities (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract);
   j. suicide prevention;
   k. identification and health education related to Obesity;
   l. obtaining 72-hour supplies of emergency prescriptions from Network pharmacies;
   m. how Members in the Lock-in Program can receive outpatient drugs in an emergency situation;
   n. Case Management for Children and Pregnant Women;
   o. Cognitive Rehabilitation Therapy for STAR+PLUS Members (effective March 1, 2014);
   p. Nursing Facility Services for STAR+PLUS Members (available September 1, 2014);
   q. Discharge planning, transitional care, and other education programs on all available long term care settings for Nursing Facility residents in STAR+PLUS;
   r. Supported Employment and Employment Assistance for STAR+PLUS Members (effective September 1, 2014); and
5. Medical Transportation Program for Medicaid Members.

The MCO must provide a range of health promotion and wellness information and activities for Members in formats that meet the needs of all Members. The MCO must propose, implement, and assess innovative Member education strategies for wellness care and immunization, as well as general health promotion and prevention. The MCO must conduct wellness promotion programs to improve the health status of its Members. The MCO may cooperatively conduct health education classes with one or more of the contracted MCOs in the Service Area. The MCO must work with its Providers to integrate health education, wellness, and prevention training into each Member's care.

The MCO also must provide condition and disease-specific information and educational materials to Members, including information on its Service Management and Disease Management programs as described in Sections 8.1.13 and 8.1.14. Condition- and disease-specific information must be oriented to various groups of Members, such as children, the elderly, persons with disabilities and non-English speaking Members, as appropriate to the MCO's Medicaid or CHIP Programs.

Per Texas Health and Safety Code § 48.052(c), MCOs may use certified Community Health Workers to conduct outreach and Member education activities.

### 8.1.5.8 Cultural Competency Plan

The MCO must have a comprehensive written Cultural Competency Plan describing how it will ensure culturally competent services, and provide Linguistic Access and Disability-related Access. The Cultural Competency Plan must describe how the individuals and systems within the MCO will effectively provide services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each. As described in Section 7, “Transition Phase Requirements,” the MCO must submit the Cultural Competency Plan to HHSC during Readiness Review. During the Operations Phase, the MCO must submit modifications and amendments to the Plan to HHSC no later than 30 days prior to implementation of a change. The MCO must also make the Plan available to its Network Providers.

### 8.1.5.9 Member Complaint and Appeal Process
The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Complaints regarding its services, processes, procedures, and staff. The MCO must ensure that Member Complaints are resolved within 30 calendar days after receipt. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of the MCO's receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Appeals regarding the denial or limited authorization of a requested service, including the type or level of service and the denial, in whole or in part, of payment for service. Within this process, the MCO must respond fully and completely to each Appeal and establish a tracking mechanism to document the status and final disposition of each Appeal.

The MCO must ensure that Member Appeals are resolved within 30 calendar days, unless the MCO can document that the Member requested an extension or the MCO shows there is a need for additional information and the delay is in the Member's interest. The MCO is subject to liquidated damages if at least 98 percent of Member Appeals are not resolved within 30 days of the MCO's receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

Medicaid MCOs must follow the Member Complaint and Appeal Process described in Section 8.2.6. CHIP MCOs must comply with the CHIP Complaint and Appeal Process described in Sections 8.4.2.

8.1.5.10 Member Advisory Groups

The MCO must establish and conduct quarterly meetings with Members in each service area in which it operates. Membership in the Member Advisory Group(s) must include at least three Members attending each meeting and allow for member advocates to participate. The MCO must maintain a record of Member Advisory Group meetings, including agendas and minutes, for at least three years.

8.1.5.11 Member Eligibility

The MCO may provide eligibility renewal assistance for Members whose eligibility is about to expire.

8.1.6 Marketing and Prohibited Practices

The MCO and its Subcontractors must adhere to the Marketing Policies and Procedures as set forth in Uniform Managed Care Manual Chapter 4.3, “Uniform Managed Care Marketing Policies and Procedures.”

8.1.7 Quality Assessment and Performance Improvement

The MCO must provide for the delivery of quality care with the primary goal of improving the health status of Members and, where the Member's condition is not amenable to improvement, maintain the Member's current health status by implementing measures to prevent any further decline in condition or deterioration of health status. The MCO must work in collaboration with Providers to actively improve the quality of care provided to Members, consistent with the Quality Improvement Goals and all other requirements of the Contract. The MCO must provide mechanisms for Members and Providers to offer input into the MCO’s quality improvement activities.

8.1.7.1 QAPI Program Overview

The MCO must develop, maintain, and operate a Quality Assessment and Performance Improvement (QAPI) Program consistent with the Contract and TDI requirements, including 28 T.A.C. §11.1901(a)(5) and §11.1902. Medicaid MCOs must also meet the requirements of 42 C.F.R. §438.240.

The MCO must have on file with HHSC an approved plan describing its QAPI Program, including how the MCO will accomplish the activities required by this section. The MCO must submit a QAPI Program Annual Summary in a format and timeframe specified by HHSC or its designee. The MCO must keep participating physicians and other Network Providers
informed about the QAPI Program and related activities. The MCO must include in Provider contracts a requirement securing cooperation with the QAPI.

The MCO must approach all clinical and non-clinical aspects of quality assessment and performance improvement based on principles of Continuous Quality Improvement (CQI)/Total Quality Management (TQM) and must:

1. evaluate performance using objective quality indicators;
2. foster data-driven decision-making;
3. recognize that opportunities for improvement are unlimited;
4. solicit Member and Provider input on performance and QAPI activities;
5. support continuous ongoing measurement of clinical and non-clinical effectiveness and Member satisfaction;
6. support programmatic improvements of clinical and non-clinical processes based on findings from ongoing measurements; and
7. support re-measurement of effectiveness and Member satisfaction, and continued development and implementation of improvement interventions as appropriate.

8.1.7.2 QAPI Program Structure

The MCO must maintain a well-defined QAPI structure that includes a planned systematic approach to improving clinical and non-clinical processes and outcomes. The MCO must designate a senior executive responsible for the QAPI Program and the Medical Director must have substantial involvement in QAPI Program activities. At a minimum, the MCO must ensure that the QAPI Program structure:

1. is organization-wide, with clear lines of accountability within the organization;
2. includes a set of functions, roles, and responsibilities for the oversight of QAPI activities that are clearly defined and assigned to appropriate individuals, including physicians, other clinicians, and non-clinicians;
3. includes annual objectives and/or goals for planned projects or activities including clinical and non-clinical programs or initiatives and measurement activities; and
4. evaluates the effectiveness of clinical and non-clinical initiatives.

8.1.7.3 Clinical Indicators

The MCO must engage in the collection of clinical indicator data. The MCO must use such clinical indicator data in the development, assessment, and modification of its QAPI Program.

8.1.7.4 QAPI Program Subcontracting

If the MCO subcontracts any of the essential functions or reporting requirements contained within the QAPI Program to another entity, the MCO must maintain detailed files documenting work performed by the Subcontractor. The file must be available for review by HHSC or its designee upon request.

8.1.7.5 Behavioral Health Integration into QAPI Program

The MCO must integrate behavioral health into its QAPI Program and include a systematic and ongoing process for monitoring, evaluating, and improving the quality and appropriateness of Behavioral Health Services provided to Members. Except for the Members identified below, the MCO must collect data, and monitor and evaluate for improvements to physical health outcomes resulting from behavioral health integration into the Member’s overall care.

STAR Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program, and Behavioral Health Services are not a covered benefit for CHIP Perinates (unborn children).
8.1.7.6 Clinical Practice Guidelines

The MCO must adopt not less than two (2) evidence-based clinical practice guidelines for each applicable MCO Program. Such practice guidelines must be based on valid and reliable clinical evidence, consider the needs of the MCO’s Members, be adopted in consultation with Network Providers, and be reviewed and updated periodically, as appropriate. The MCO must develop practice guidelines based on the health needs and opportunities for improvement identified as part of the QAPI Program.

The MCO may coordinate the development of clinical practice guidelines with other HHSC MCOs in a Service Area to avoid providers receiving conflicting practice guidelines from different MCOs.

The MCO must disseminate the practice guidelines to all affected Providers and, upon request, to Members and potential Members.

The MCO must take steps to encourage adoption of the guidelines, and to measure compliance with the guidelines, until such point that 90% or more of the Providers are consistently in compliance, based on MCO measurement findings. The MCO must employ substantive Provider motivational incentive strategies, such as financial and non-financial incentives, to improve Provider compliance with clinical practice guidelines. The MCO’s decisions regarding utilization management, Member education, coverage of services, and other areas included in the practice guidelines must be consistent with the MCO’s clinical practice guidelines.

8.1.7.7 Provider Profiling

The MCO must conduct PCP and other Provider profiling activities at least annually. As part of its QAPI Program, the MCO must describe the methodology it uses to identify which and how many Providers to profile and to identify measures to use for profiling such Providers.

Provider profiling activities must include, without limitation:

1. developing PCP and Provider-specific reports that include a multi-dimensional assessment of a PCP or Provider’s performance using clinical, administrative, and Member satisfaction indicators of care that are accurate, measurable, and relevant to the enrolled population;

2. establishing PCP, Provider, group, Service Area or regional Benchmarks for areas profiled, where applicable, including STAR, STAR+PLUS, and CHIP Program-specific Benchmarks, where appropriate; and

3. providing feedback to individual PCPs and Providers regarding the results of their performance and the overall performance of the Provider Network.

8.1.7.8 Network Management

The MCO must:

1. use the results of its Provider profiling activities to identify areas of improvement for individual PCPs and Providers, and/or groups of Providers;

2. establish Provider-specific quality improvement goals for priority areas in which a Provider or Providers do not meet established MCO standards or improvement goals;

3. develop and implement incentives, which may include financial and non-financial incentives, to motivate Providers to improve performance on profiled measures; and

4. at least annually, measure and report to HHSC on the Provider Network and individual Providers’ progress, or lack of progress, towards such improvement goals.
If the MCO implements a physician incentive plan, the plan must comply with the requirements of 42 C.F.R. §438.6(h), §422.208 and §422.210. The MCO cannot make payments under a physician incentive plan if the payments are designed to induce providers to reduce or limit Medically Necessary Covered Services to Members.

If the physician incentive plan places a physician or physician group at a substantial financial risk for services not provided by the physician or physician group, the MCO must ensure adequate stop-loss protection and conduct and submit annual Member surveys no later than five (5) Business Days after the MCO finalizes the survey results (refer to 42 C.F.R. §422.208 for information concerning “substantial financial risk” and “stop-loss protection”).

The MCO must make information regarding physician incentive plans available to Members upon request, in accordance with the Uniform Managed Care Manual’s requirements. The MCO must provide the following information to the Member:

1. whether the Member’s PCP or other Providers are participating in the MCO’s physician incentive plan;
2. whether the MCO uses a physician incentive plan that affects the use of referral services;
3. the type of incentive arrangement; and
4. whether stop-loss protection is provided.

No later than five (5) Business Days prior to implementing or modifying a physician incentive plan, the MCO must provide the following information to HHSC:

1. Whether the physician incentive plan covers services that are not furnished by a physician or physician group. The MCO is only required to report on items 2-4 below if the physician incentive plan covers services that are not furnished by a physician or physician group.
2. The type of incentive arrangement (e.g., withhold, bonus, capitation);
3. The percent of withhold or bonus (if applicable); and
4. The panel size, and if patients are pooled, the method used (HHSC approval is required for the method used); and

If the physician or physician group is at substantial financial risk, the MCO must report proof that the physician or group has adequate stop-loss coverage, including the amount and type of stop-loss coverage.

8.1.7.9 Collaboration with the EQRO

The MCO will collaborate with HHSC’s external quality review organization (EQRO) to develop studies, surveys, or other analytical approaches that will be carried out by the EQRO. The purpose of the studies, surveys, or other analytical approaches is to assess the quality of care and service provided to Members and to identify opportunities for MCO improvement. To facilitate this process, the MCO will supply claims data to the EQRO in a format identified by HHSC in consultation with MCOs, and will supply medical records for focused clinical reviews conducted by the EQRO. The MCO must also work collaboratively with HHSC and the EQRO to annually measure selected HEDIS measures that require chart reviews. During the first year of operations, HHSC anticipates that the selected measures will include, at a minimum, well-child visits and immunizations, appropriate use of asthma medications, measures related to Members with diabetes, and control of high blood pressure.

8.1.8 Utilization Management

The MCO must have a written utilization management (UM) program description, which includes, at a minimum:

1. procedures to evaluate the need for Medically Necessary Covered Services;
2. the clinical review criteria used, the information sources, the process used to review and approve the provision of Covered Services;
3. the method for periodically reviewing and amending the UM clinical review criteria; and
4. the staff position functionally responsible for the day-to-day management of the UM function.

The MCO must make best efforts to obtain all necessary information, including pertinent clinical information, and consult with the treating physician as appropriate in making UM determinations. When making UM determinations, the MCO must comply with the requirements of 42 C.F.R. §456.111 (Hospitals) and 42 CFR §456.211 (Mental Hospitals), as applicable.

The MCO must issue coverage determinations, including adverse determinations, according to the following timelines:

1. within three (3) Business Days after receipt of the request for authorization of services;
2. within one (1) Business Day for concurrent Hospitalization decisions; and
3. within one (1) hour for post-stabilization or life-threatening conditions, except that for Emergency Medical Conditions and Emergency Behavioral Health Conditions, the MCO must not require prior authorization.

The MCO's UM Program must include written policies and procedures to ensure:

1. consistent application of review criteria that are compatible with Members' needs and situations;
2. determinations to deny or limit services are made by physicians under the direction of the Medical Director;
3. at the HMO's discretion, pharmacy prior authorization determinations may be made by pharmacists, subject to the limitations described in Attachment A, Section 4.04, "Medical Director;"
4. appropriate personnel are available to respond to utilization review inquiries 8:00 a.m. to 5:00 p.m., Monday through Friday, with a telephone system capable of accepting utilization review inquiries after normal business hours. The MCO must respond to calls within one (1) Business Day;
5. confidentiality of clinical information; and
6. compensation to individuals or entities conducting UM activities is not structured to provide incentives for the individual or entity to deny, limit, or discontinue medically necessary services as required by 42 C.F.R. § 438.210(e), and quality is not adversely impacted by financial and reimbursement-related processes and decisions.

For MCOs with preauthorization or concurrent review programs, qualified medical professionals must supervise preauthorization and concurrent review decisions.

The MCO UM Program must include policies and procedures to:

1. routinely assess the effectiveness and the efficiency of the UM Program;
2. evaluate the appropriate use of medical technologies, including medical procedures, drugs and devices;
3. target areas of suspected inappropriate service utilization;
4. detect over- and under-utilization;
5. routinely generate Provider profiles regarding utilization patterns and compliance with utilization review criteria and policies;
6. compare Member and Provider utilization with norms for comparable individuals;
7. routinely monitor inpatient admissions, emergency room use, ancillary, and out-of-area services;
8. ensure that when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by MHMR which are published at: http://www.dshs.state.tx.us/MHSA/UMGUIDELINES/; and
9. refer suspected cases of Network Provider, Out-of-Network provider, or Member Fraud, Abuse, or Waste to the Office of Inspector General (OIG) as required by Section 8.1.19 .

8.1.8.1 Compliance with State and Federal Prior Authorization Requirements

The MCO must adopt prior authorization (PA) requirements that comply with state and federal laws governing authorization of health care services and prescription drug benefits, including 42 U.S.C. § 1396r-8 and Texas Government Code §§ 531.073 and 533.005(a)(23). In addition, the MCO must comply with Texas Human Resources Code § 32.073 and Texas Insurance Code §§ 1217.004 and 1369.256, which require MCOs to use national standards for electronic prior authorization of prescription drug and health care benefits no later than two years after adoption, and accept PA requests submitted using the Texas Department of Insurance’s (TDI’s) standard form, once adopted.

8.1.9 Early Childhood Intervention (ECI)
The MCO must ensure Network Providers are educated regarding the federal laws on child find and referral procedures (e.g., 20 U.S.C. § 1435(a)(5); 34 C.F.R. § 303.303). The MCO must require Network Providers to identify and refer any Member under the age of three suspected of having a developmental delay or disability or otherwise meeting eligibility criteria for ECI services in accordance with 40 Tex. Admin. Code Chapter 108 to the designated ECI program for screening and assessment within seven calendar days from the day the Provider identifies the Member. The MCO must use written educational materials developed or approved by the Department of Assistive and Rehabilitative Services- Division for Early Childhood Intervention Services for these child find activities. The local ECI program will determine eligibility for ECI services using the criteria contained in 40 Tex. Admin. Code Chapter 108.

ECI Providers must submit claims for all physical, occupational, speech, and language therapy to the MCO.

ECI Targeted Case Management services and Early Childhood Intervention Specialized Skills Training are Non-capitated Services, as described in Section 8.2.2.8.

The MCO must contract with qualified ECI Providers to provide ECI Covered Services to Members under the age of three who are eligible for ECI services. The MCO must permit Members to self-refer to local ECI Service Providers without requiring a referral from the Member's PCP. The MCO's policies and procedures, including its Provider Manual, must include written policies and procedures for allowing a self-referral to ECI providers.

The MCO will implement the Individual Family Service Plan (IFSP) and other services, including ongoing case management and other Covered Services required by the Member's IFSP. Ongoing case management does not include ECI Targeted Case Management services. The IFSP is an agreement developed by the interdisciplinary team that consists of the MCO, ECI Case Manager/Service Coordinator, the Member/family, and other professionals who participated in the Member's evaluation or are providing direct services to the Member. The interdisciplinary team may include the Member's Primary Care Physician (PCP) with parental consent. The IFSP identifies the Member's present level of development based on assessment, describes the services to be provided to the child to meet the needs of the child and the family, and identifies the person or persons responsible for each service required by the plan. The IFSP must be maintained by the MCO and, with parental consent, provided to the PCP to enhance coordination of the plan of care. The IFSP may be included in the Member's medical record.

The MCO must require, through contract provisions, that all Medically Necessary health and Behavioral Health Services contained in the Member's IFSP are provided to the Member in the amount, duration, scope and service setting established by the IFSP. The MCO must allow services to be provided by an Out-of-Network provider if a Network Provider is not available to provide the services in the amount, duration, scope and service setting as required by the IFSP. The IFSP will serve as authorization for services and the MCO cannot create unnecessary barriers for the Member to obtain IFSP services, including requiring prior authorization for the ECI assessment or additional authorization for services. For STAR Members in the Dallas Service Area, Behavioral Health Services will be provided through NorthSTAR and will not be included on the IFSP.

8.1.10 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) - Specific Requirements

The MCO must, by contract, require its Providers to coordinate with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to provide medical information necessary for WIC eligibility determinations, such as height, weight, hematocrit or hemoglobin. The MCO must make referrals to WIC for Members who are potentially eligible for WIC. The MCO may use the nutrition education provided by WIC to satisfy certain health education requirements of the Contract.

8.1.11 Coordination with Texas Department of Family and Protective Services

The MCO must cooperate and coordinate with the Texas Department of Family and Protective Services (TDFPS) for the care of a child who is receiving services from or has been placed in the conservatorship of TDFPS.
The MCO must comply with all provisions related to Covered Services, including Behavioral Health Services, in the following documents:

1. a court order (Order) entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS;
2. a TDFPS Service Plan entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS; and
3. a TDFPS Service Plan voluntarily entered into by the parents or person having legal custody of a Member and TDFPS.

The MCO cannot deny, reduce, or controvert the Medical Necessity of any health or Behavioral Health Services included in the above-referenced Orders of TDFPS Service Plans. The MCO may participate in the preparation of the medical and behavioral care plan prior to TDFPS submitting the health care plan to the Court. Any modification or termination of court-ordered services must be presented and approved by the court having jurisdiction over the matter.

A Member or the parent or guardian whose rights are subject to an Order or TDFPS Service Plan cannot use the MCO’s Complaint or Appeal processes, or the HHSC Fair Hearing process to Appeal the necessity of the Covered Services.

The MCO must include information in its Provider Manuals and training materials regarding:

1. providing medical records to TDFPS;
2. scheduling medical and Behavioral Health Services appointments within 14 days unless requested earlier by TDFPS; and
3. recognition of abuse and neglect, and appropriate referral to TDFPS.

The MCO must continue to provide all Covered Services to a Member receiving services from, or in the protective custody of, TDFPS until the Member has been (1) disenrolled from the MCO due to loss of Medicaid managed care eligibility; or (2) enrolled in STAR Health, HHSC’s managed care program for children in foster care.

8.1.12 Services for People with Special Health Care Needs

8.1.12.1 Identification

The MCO must develop and maintain a system and procedures for identifying Members with Special Health Care Needs (MSHCN).

The MCO must contact Members pre-screened by the HHSC Administrative Services Contractor as MSHCN to determine whether they meet the MCO’s MSHCN assessment criteria, and to determine whether the Member requires special services described in this section. The MCO must implement mechanisms to assess each Member that has been prescreened by the Administrative Services Contractor, or identified by the MCO as having special health care needs, in order to identify ongoing special conditions requiring a course of treatment or regular care monitoring. The MCO’s assessment mechanisms must use appropriate health care professionals.

The MCO must provide information to the HHSC Administrative Services Contractor that identifies Members who the MCO has assessed to be MSHCN, including any Members pre-screened by the HHSC Administrative Services Contractor and confirmed by the MCO as a MSHCN. The information must be provided in a format and on a timeline as determined by HHSC. The information must be updated with newly identified MSHCN by the 10th day of each month. In the event that a MSHCN changes MCOs, the MCO must provide the receiving MCO information concerning the results of the MCO’s identification and assessment of that Member’s needs to prevent duplication of those activities.

8.1.12.2 Access to Care and Service Management
Once identified, the MCO must have effective systems to ensure the provision of Covered Services to meet the special preventive, primary Acute Care, and specialty health care needs appropriate for treatment of a Member’s condition(s). All STAR+PLUS and Former Foster Care Child (FFCC) Members are considered MSHCN.

The MCO must provide access to identified PCPs and specialty care Providers with experience serving MSHCN. Such Providers must be board-qualified or board-eligible in their specialty. The MCO may request exceptions from HHSC for approval of traditional providers who are not board-qualified or board-eligible but who otherwise meet the MCO’s credentialing requirements.

The MCO must have Network PCPs and specialty care Providers that have demonstrated experience with children who have special health needs in pediatric specialty centers such as children’s Hospitals, teaching Hospitals, and tertiary care centers.

The MCO is responsible for working with MSHCN, their health care providers, their families and, if applicable, legal guardians to develop a seamless package of care in which primary, Acute Care, and specialty service needs are met through a Service Plan that is understandable to the Member, and his or her representatives.

The Service Plan includes, but is not limited to, the following:

1. the Member’s history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide the services.

The Service Plan should incorporate as a component of the plan the Individual Family Service Plan (IFSP) for members in the Early Childhood Intervention (ECI) Program. The Service Plan may include information regarding non-covered services, such as Non-Capitated Services (see below), community and other resources, and information on how to access affordable, integrated housing.

The MCO is responsible for providing Service Management, developing a Service Plan, and ensuring MSHCN have access to treatment by a multidisciplinary team when the Member’s PCP determines the treatment is Medically Necessary, or to avoid separate and fragmented evaluations and service plans. The team must include both physician and non-physician providers that the PCP determines are necessary for the comprehensive treatment of the Member. The team must:

1. participate in Hospital discharge planning;
2. participate in pre-admission Hospital planning for non-emergency Hospitalizations;
3. develop specialty care and support service recommendations to be incorporated into the Service Plan; and
4. provide information to the Member, or when applicable, the Member’s representatives concerning the specialty care recommendations.

MSHCN, their families, legal guardians, or their health providers may request Service Management from the MCO. The MCO must make an assessment of whether Service Management is needed and furnish Service Management when appropriate. The MCO may also recommend to MSHCNs or their families or legal guardians that Service Management be furnished if the MCO determines that Service Management would benefit the Member.

The MCO must provide information and education in its Member Handbook and Provider Manual about the care and treatment available in the MCO’s plan for Members with Special Health Care Needs, including the availability of Service Management.

The MCO must have a mechanism in place to allow Members with Special Health Care Needs to have direct access to a specialist as appropriate for the Member’s condition and identified needs, such as a standing referral to a specialty physician.

The MCO must also provide MSHCN with access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. §11.900, and Section 8.1.4.2, Primary Care Providers.

The MCO must implement a systematic process to coordinate Non-capitated Services, and enlist the involvement of community organizations that may not be providing Covered Services but are otherwise important to the health and wellbeing of Members. The MCO also must make a best effort to establish relationships with State and local programs and community organizations, such as those listed below, in order to make referrals for MSHCN and other Members who need community services:

1. Community Resource Coordination Groups (CRCGs);
2. Early Childhood Intervention (ECI) Program;
3. local school districts (Special Education);
4. Health and Human Services Commission’s Medical Transportation Program (MTP);
5. Texas Department of Assistive and Rehabilitative Services (DARS) Blind Children’s Vocational Discovery and Development Program;
6. Texas Department of State Health (DSHS) services, including Title V Maternal and Child Health, Children with Special Health Care Needs (CSHCN) Programs;
7. other state and local agencies and programs such as food stamps, and the Women, Infants, and Children’s (WIC) Program, and Case Management for Children and Pregnant Women; and
8. civic and religious organizations and consumer and advocacy groups, such as United Cerebral Palsy, which also work on behalf of the MSHCN population.

8.1.13 Service Management for Certain Populations

The MCO must have service management programs and procedures for the following populations, as applicable to the MCO:

1. high-cost catastrophic cases;
2. women with high-risk pregnancies (STAR and STAR+PLUS Programs only);
3. individuals with mental illness and co-occurring substance abuse;
4. Farmworker Children (FWC) (STAR and STAR+PLUS Programs only); and
5. Former Foster Care Child (FFCC) Members (STAR Program only).

8.1.14 Disease Management (DM)

The MCO must provide or arrange the provision of comprehensive disease management (DM) programs consistent with state and federal statutes and regulations. The program design of these DM programs must focus on the whole person, typically high-risk enrollees with complex chronic or co-morbid conditions rather than traditionally-designed programs with restricted diagnoses or disease silos. These programs must identify enrollees at highest risk of utilization of medical services, tailor interventions to better meet enrollees' needs, encourage provider input in care plan development, and apply clinical evidence-based practice protocols for individualized care.

MCOs must focus their DM programs on 3 main components:

• client self-management;
• provider practice/delivery system design; and
• technological support.

Under client self-management, a client becomes an informed and active participant in the management of physical and mental health conditions and co-morbidities. Under the provider practice/delivery system design approach, medical home providers take an active role in helping their patients make informed healthcare decisions. Technology, such as the use of predictive modeling, helps identify potential program patients and providers.

8.1.14.1 Special Populations

The MCO is also required to have a specialized program for targeting, outreach, education and intervention for Members who have excessive utilization patterns that indicate typical DM approaches are not effective. For the purposes of this contract, this group of Members is called "super-utilizers." The MCO must have the following infrastructure in place to address super-utilizers' needs, using, at a minimum, the following criteria.

1. Methodology for identification of super-utilizers on an ongoing basis, which can be based on cost, utilization of the ER, and utilization of inpatient or pharmacy, services, etc.
2. Resources dedicated to ongoing targeting and identification of super-utilizers such as staff, specialized analytical tools, etc.
3. Staff resources for effective outreach and education of Providers and super-utilizers.
4. Specialized intervention strategies for super-utilizers. The interventions must include an option for in-person interactions with the Member that occur outside of a standard clinical setting. This in-person intervention may be performed by medical care providers or other non-medical providers that are employed by the MCO or are subcontracted with the MCO.
5. Evaluation process to determine effectiveness of super-utilizer program.

On or before December 1, 2013, the MCO must provide its plan for management of super-utilizers including the criteria listed above. HHSC will evaluate the plan and provide feedback to the MCO. Upon HHSC's approval of the plan, each MCO will be retrospectively evaluated on their execution of the written plan, as described in 8.1.14.3. An MCO may use the same plan from year to year; however, if there are changes to the plan, the MCO must submit them to HHSC.

The disease management requirements do not apply to Dual Eligible Members or CHIP Perinate Members.

8.1.14.2 DM and Participating Providers

At a minimum, the MCO must:

1. implement a system for Providers to request specific DM interventions;
2. give Providers information, including differences between recommended prevention and treatment and actual care received by Members enrolled in a DM program, and information concerning such Members' adherence to a service plan; and
3. for Members enrolled in a DM program, provide reports on changes in a Member's health status to his or her PCP.

8.1.14.3 MCO DM Evaluation

HHSC or its EQRO will evaluate the MCO's DM program.

HHSC or its EQRO will also evaluate DM as it relates to specialized populations identified in 8.1.14.1. These evaluations will be on a retrospective basis, and will include an analysis of MCO Encounter Data and other relevant data (e.g., reports). Evaluations could also include interviews with MCO staff that oversee the program as well as identified Providers. Based on HHSC's retrospective evaluation, MCOs may be required to submit a Corrective Action Plan if directed by HHSC.

It is HHSC's intent to hold quarterly collaborative calls or webinars with MCO medical directors to discuss plan implementation, barriers, successful strategies, etc.

8.1.15 Behavioral Health (BH) Network and Services

The requirements in this subsection pertain to all MCOs except: (1) the STAR MCOs in the Dallas Service Area, whose Members receive Behavioral Health Services through the NorthSTAR Program, and (2) the CHIP Perinatal Program MCOs with respect to their Perinate Members (unborn children).

The MCO must provide, or arrange to have provided, to Members all Medically Necessary Behavioral Health (BH) Services as described in Attachments B-2, "STAR Covered Services," B-2.1, "CHIP Covered Services," and B-2.2, "STAR+PLUS Covered Services," All BH Services must comply with the access standards included in Section 8.1.3. For Medicaid MCOs, BH Services are described in more detail in the Texas Medicaid Provider Procedures Manual. When assessing Members for BH Services, the MCO and its Network Behavioral Health Service Providers must use the DSM multi-axial classification in effect at the time of service. HHSC may require use of other assessment instrument/outcome measures in addition to the DSM. Providers must document DSM and assessment/outcome information in the Member's medical record.

8.1.15.1 BH Provider Network

The MCO must maintain a Behavioral Health Services Provider Network that includes psychiatrists, psychologists, and other Behavioral Health Service Providers. To ensure accessibility and availability of qualified Providers to all Members in the Service Area, the Provider Network must include Behavioral Health Service Providers with experience serving special
populations among the MCO Program(s)’ enrolled population, including, as applicable, children and adolescents, persons with disabilities, the elderly, and cultural or linguistic minorities.

8.1.15.2 Member Education and Self-referral for Behavioral Health Services

The MCO must maintain a Member education process to help Members know where and how to obtain Behavioral Health Services.

The MCO must permit Members to self refer to any Network Behavioral Health Services Provider without a referral from the Member’s PCP. The MCOs’ policies and procedures, including its Provider Manual, must include written policies and procedures for allowing such self-referral to Behavioral Health Services.

The MCO must permit Members to participate in the selection of the appropriate behavioral health providers, and must provide the Member with information on accessible Network Providers with relevant experience.

8.1.15.3 Behavioral Health Services Hotline

This Section includes Member Hotline requirements. Requirements for Provider Hotlines are found in Section 8.1.4.7.

The MCO must have an emergency and crisis Behavioral Health Services Hotline staffed by trained personnel 24 hours a day, seven (7) days a week, toll-free throughout the Service Area. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess Behavioral Health emergencies. Emergency and crisis Behavioral Health Services may be arranged through mobile crisis teams. It is not acceptable for an emergency intake line to be answered by an answering machine.

The MCO must operate a toll-free hotline as described in Section 8.1.5.6 to handle Behavioral Health-related calls. The MCO may operate one hotline to handle emergency and crisis calls and routine Member calls. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. Hotline services must meet Cultural Competency requirements and provide linguistic access to all Members, including the interpretive services required for effective communication.

The Behavioral Health Services Hotline may serve multiple MCO Programs if the Hotline staff is knowledgeable about all of the MCO Programs. The Behavioral Health Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all such Service Areas, including the Behavioral Health Provider Network in each Service Area. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no incoming calls receive a busy signal;
3. at least 80% of calls must be answered by toll-free line staff within 30 seconds measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The MCO must monitor the MCO’s performance against the Behavioral Health Services Hotline standards and submit performance reports summarizing call center performance as indicated in Section 8.1.20 and the Uniform Managed Care Manual.

As a component of quality monitoring, HHSC may require the MCO to implement a system where callers are given the option of participating in an automated survey at the end of a call.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Behavioral Health Services Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such
monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.15.4 Coordination between the BH Provider and the PCP

The MCO must require, through Provider contract provisions, that PCPs have screening and evaluation procedures for the detection and treatment of, or referral for, any known or suspected Behavioral Health problems and disorders. PCPs may provide any clinically appropriate Behavioral Health Services within the scope of their practice.

The MCO must provide training to Network PCPs on how to screen for and identify behavioral health disorders, the MCO’s referral process for Behavioral Health Services, and clinical coordination requirements for such services. The MCO must include training on coordination and quality of care such as behavioral health screening techniques for PCPs and new models of behavioral health interventions.

The MCO must develop and disseminate policies regarding clinical coordination between Behavioral Health Service Providers and PCPs. The MCO must require that Behavioral Health Service Providers refer Members with known or suspected and untreated physical health problems or disorders to their PCP for examination and treatment, with the Member’s or the Member’s legal guardian’s consent. Behavioral Health Providers may only provide physical Health Care Services if they are licensed to do so. This requirement must be specified in all Provider Manuals.

The MCO must require that behavioral health Providers send initial and quarterly (or more frequently if clinically indicated) summary reports of a Members’ behavioral health status to the PCP, with the Member’s or the Member’s legal guardian’s consent. This requirement must be specified in all Provider Manuals.

8.1.15.5 Follow-up after Hospitalization for Behavioral Health Services

The MCO must require, through Provider contract provisions, that all Members receiving inpatient psychiatric services are scheduled for outpatient follow-up and/or continuing treatment prior to discharge. The outpatient treatment must occur within seven (7) days from the date of discharge. The MCO must ensure that Behavioral Health Service Providers contact Members who have missed appointments within 24 hours to reschedule appointments.

8.1.15.6 Chemical Dependency

The MCO must comply with 28 T.A.C. §3.8001 et seq., regarding utilization review for Chemical Dependency Treatment. Chemical Dependency Treatment must comply with the standards set forth in 28 T.A.C. Part 1, Chapter 3, Subchapter HH.

8.1.15.7 Court-Ordered Services

The MCO must provide inpatient psychiatric services to Members birth through age 20, up to the annual limit, who have been ordered to receive the services by a court of competent jurisdiction under Texas Health and Safety Code Chapters 573 and 574, relating to Court-Ordered Commitments to inpatient mental health facilities. The MCO is not obligated to cover placements as a condition of probation, authorized by the Texas Family Code. These placements are Non-capitated services.

The MCO cannot deny, reduce, or controvert the Medical Necessity of inpatient mental health services provided pursuant to a Court-ordered Commitment for Members birth through age 20. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination.

A Member who has been ordered to receive treatment under Texas Health and Safety Code Chapter 573 or 574 can only Appeal the commitment through the court system.

8.1.15.8 Local Mental Health Authority (LMHA)

The MCO must coordinate with the Local Mental Health Authority (LMHA) and state psychiatric facility regarding admission and discharge planning, treatment objectives and projected length of stay for Members committed by a court of law to the state psychiatric facility.
8.1.16 Financial Requirements for Covered Services

The MCO must pay for or reimburse Providers for all Medically Necessary Covered Services provided to all Members. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to Members. The MCO is not liable for cost incurred in connection with health care rendered prior to the date of the Member’s Effective Date of Coverage in that MCO.

Coverage under Medicaid and CHIP is secondary to all other insurance coverage. A Member may receive collateral health benefits under a different type of insurance such as workers compensation or personal injury protection under an automobile policy. If a Member is entitled to coverage for specific services payable under another insurance plan and the MCO paid for such Covered Services, the MCO may obtain reimbursement from the responsible insurance entity not to exceed 100% of the value of Covered Services paid. See Sections 8.2.9 and 8.4.5 for additional information regarding coordination of benefits and recoveries from third parties.

8.1.17 Accounting and Financial Reporting Requirements

The MCO’s accounting records and supporting information related to all aspects of the Contract must be accumulated in accordance with Federal Acquisition Regulations (“FAR”), Generally Accepted Accounting Principles (GAAP), Attachment A, "Uniform Managed Care Contract Terms and Conditions," and the cost principles contained in the Cost Principles Document in Uniform Managed Care Manual Chapter 6.1. HHSC will not recognize or pay services that cannot be properly substantiated by the MCO and verified by HHSC.

The MCO must:

1. maintain accounting records for each applicable MCO Program separate and apart from other corporate accounting records;
2. maintain records for all claims payments, refunds and adjustment payments to providers, Capitation Payments, interest income and payments for administrative services or functions and must maintain separate records for medical and administrative fees, charges, and payments;
3. ensure and provide access to HHSC and/or its auditors or agents to the detailed records and supporting documentation for all costs incurred by the MCO. The MCO must ensure such access to its Subcontractors, including Affiliates, for any costs billed to or passed to the MCO with respect to an MCO Program;
4. maintain an accounting system that provides an audit trail containing sufficient financial documentation to allow for the reconciliation of billings, reports, and financial statements with all general ledger accounts; and

The MCO agrees to pay for all reasonable costs incurred by HHSC to perform an examination, review or audit of the MCO’s books relating to this Contract.

8.1.17.1 Financial Reporting Requirements

HHSC will require the MCO to provide financial reports by MCO Program and by Service Area to support Contract monitoring as well as State and Federal reporting requirements. All financial information and reports submitted by the MCO become the property of HHSC. HHSC may, at its discretion, release such information and reports to the public at any time and without notice to the MCO. In accordance with state and federal laws regarding Member confidentiality, HHSC will not release any Member-identifying information contained in such reports.

CHIP Perinatal Program data will be integrated into the CHIP Program financial reports. Except for the Financial Statistical Report, no separate CHIP Perinatal Program reports are required. For all other CHIP financial reports, where appropriate, HHSC will designate specific attributes within the CHIP Program financial reports that CHIP MCOs must complete to allow HHSC to extract financial data particular to the CHIP Perinatal Program.

Any data submitted with respect to the required financial reports or filings that is in PDF (or similar file format such as TIF) must be generated in a text-searchable format.
Due dates, content, and formats for the following deliverables and reports may be referenced herein or in Uniform Managed Care Manual Chapter 5.0 “Consolidated Deliverables Matrix.”

(a) **Financial-Statistical Report (FSR)** – The MCO must file four (4) quarterly and two (2) annual Financial-Statistical Reports (FSR) for each complete State Fiscal Year, in the format and timeframe specified by HHSC. HHSC will include FSR format and directions in Uniform Managed Care Manual Chapter 5.3.1. The MCO must incorporate financial and statistical data of delegated networks (e.g., IPAs, ANHCs, Limited Provider Networks), if any, in its FSR Reports. The FSR is one (1) of the primary financial reports used by HHSC to monitor Contract financial results. It is a modified (HHSC-defined) form of an income statement, with some other elements added. Not all expenses incurred may be included on the FSR.

All amounts reported in the FSRs must be reported in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.” Each FSR must provide amounts by month, with a year-to-date total (based on the SFY, or other Contract period as designated by HHSC). Each successive FSR will show the most current amounts for each month in the SFY; thus, a given month’s amount may change in future FSRs as more claims run-out is experienced for the month. Quarterly FSRs are generally due 30 days after the end of each State Fiscal Quarter. The MCO must transmit these reports electronically, in a locked MS Excel file.

After the 4th Quarter FSR, the first annual FSR for a given SFY (the “90-day FSR”) must reflect claims run-out and accruals through the 90th calendar day after the end of the Contract Year. This report must be filed on or before the 120th calendar day after the end of the Contract Period. If the MCO has made a pre-tax profit in excess of the thresholds as established in the Contract with respect to the Experience Rebate, then a payment for any amounts to be refunded to HHSC is due in conjunction with filing the 90-day FSR. The second annual report for a given SFY (the “334-day FSR”) must reflect data completed through the 334th calendar day after the end of the Contract Period, and must be filed on or before the 365th calendar day following the end of the Contract Period. The 334-day FSR is routinely audited by HHSC and/or its independent auditors.

HHSC will post all or part of an FSR on the HHSC website.

As set forth above, CHIP MCOs are required to submit separate FSRs for the CHIP Perinatal Program, in accordance with Uniform Managed Care Manual Chapters 5.3.1.7 and 5.3.1.8.

(b) **Delivery Supplemental Payment (DSP) Report** - The MCO must submit a monthly DSP Report in accordance with Uniform Managed Care Manual Chapter 5.3.5. The Report must include only unduplicated deliveries and only deliveries for which the MCO has made a payment to either a Hospital or other provider.

(c) **Claims Lag Report** - The MCO must submit a Claims Lag Report on a quarterly basis, by the last day of the month following the reporting period. The report must disclose the amount of incurred claims each month and the amount paid each month, on a contract-to-date basis. The report must be submitted in accordance with Uniform Managed Care Manual Chapter 5.6.2.

(d) **Third Party Liability and Recovery (TPL/TPR) Report** – The MCO must file TPL/TPR Reports in accordance with Uniform Managed Care Manual Chapter 5.3.4. MCOs must submit TPL/TPR reports quarterly, by MCO Program and Service Area. TPL/TPR reports must include total dollars costs avoided, and total dollars recovered from third party payers through the MCO’s coordination of benefits and subrogation efforts during the Quarter.

(e) **Report of Legal and Other Proceedings and Related Events** - The MCO must comply with the Uniform Managed Care Manual Chapter 5.8, regarding the disclosure of certain matters involving either the MCO, its Affiliates, and/or its Material Subcontractors. Reports are due both on an as-occurs basis and annually each August 31st. The as-occurs report is due no later than 30 days after the event that triggered the notification requirement.

(f) **Audit Reports** - The MCO must comply with the Uniform Managed Care Manual Chapter 5.3.11 regarding notification and/or submission of certain internal and external audit reports.

(g) **Affiliate Report** – The MCO must submit an Affiliate Report on an as-occurs basis and annually by August 31st of each year in accordance with the Uniform Managed Care Manual. The “as-occurs” update is due within 30 days of the event that triggered the change. Note that “Affiliate” is a defined term (see Attachment A, “Uniform Managed Care Contract Terms and Conditions”).

(h) **MCO Disclosure Statement** - The MCO must file:
   1. an updated MCO Disclosure Statement by September 1st of each Contract Year;
2. a “change notification” abbreviated version of the report, no later than 30 days after any of the following events:
   a. entering into, renewing, modifying, or terminating a relationship with an affiliated party;
   b. after any change in control, ownership, or affiliations; or,
   c. after any material change in, or need for addition to, the information previously disclosed.

The MCO Disclosure Statement will include, at a minimum, a listing of the MCO’s control, ownership, and any affiliations, and information regarding Affiliate transactions. This report will replace, and be in lieu of, the former “Section 1318 Financial Disclosure Report” and the “Form CMS 1513,” and will disclose the same information, plus other information as may be required by HHSC and/or CMS Program Integrity requirements. Minor quarterly adjustments in stock holdings for publicly-traded corporations are excluded from the reporting requirements. The reporting format is included in the Uniform Managed Care Manual.

(i) TDI Filings – The MCO must provide HHSC with a copy of the following information no later than 30 calendar days after the MCO’s submission to TDI:

1. the “Health Annual Statement” and the “Annual Audited Financial Report” including all schedules, attachments, exhibits, supplements, management discussion, supplemental filings, etc., and any other annual financial filings (including any filings that may take the place of the above-named annual financial filings, and any financial filings that occur less frequently than on a quarterly basis);
2. the annual figures for controlled risk-based capital; and
3. the quarterly financial statements.

Additionally, if the MCO is a foreign carrier (i.e., domiciled in another state), copies of any filings with the National Association of Insurance Commissioners (NAIC), as well as the financial statements filed with the state insurance department in its state of domicile, must be submitted to HHSC no later than 30 calendar days after submission to NAIC or the state of domicile.

Notwithstanding the 30 calendar day deadlines described above, the MCO must notify HHSC if it cannot provide the most recent Annual Statements by March 31st each year, and the Annual Audited Financial Report by June 30th each year. The notice should include an expected submission date.

(j) Registration Statement (also known as the “Form B”) –

With the following exceptions, MCOs must submit a complete state insurance department registration statement, also known as Form B, and all annual and other amendments to this form, and any other related or similar information filed by the MCO with the insurance regulatory authority of its domiciliary jurisdiction. The exceptions to this requirement are those MCOs that are either (i) part of a County Hospital District or other governmental entity, or (ii) a stand-alone entity with no parent or other Affiliates. If the MCO is excepted from the TDI Form B filing requirement, the MCO must demonstrate this and explain the nature of the exemption.

The Form B is filed in three (3) forms: (i) the initial registration; (ii) the annual amendment; and (iii) the every-five-years complete restatement of registration. For purposes herein, the MCO must submit:

1. the complete registration restatement that was due to TDI by approximately May 2010;
2. each annual registration amendment form (which is due to TDI within 120 days of the end of the MCO’s parent’s fiscal year), commencing with the most recent one that the MCO has filed after May 2010;
3. future complete five-year registration re-statements (the first of which will be due to TDI by approximately May 2015); and
4. any other registration statement amendments or re-statements that may be submitted to TDI, per TDI regulations.
If the MCO was not yet subject to TDI requirements with respect to the May 2010 registration re-statement, it must submit its initial registration.

If the MCO anticipates that the registration statement annual amendment form will be filed at some other date than approximately 120 days after the end of the parent’s fiscal year, then the MCO must notify HHSC of the anticipated filing date.

All registration statement submission items herein are due to HHSC by the later of: (i) 30 calendar days after the MCO’s submission of the item to TDI, or (ii) the date identified in this section.

(k) TDI Examination Report - The MCO must furnish HHSC with a full and complete copy of any examination report issued by TDI, including the financial, market conduct, target exam, quality of care components, and corrective action plans and responses. The MCO must submit this information to HHSC no later than 30 calendar days after the MCO receives the final version of the examination report from TDI.

The MCO must furnish HHSC with a copy of any similar examination report issued by a state insurance department in any other states where the MCO operates a Medicaid, CHIP, or other managed care product. These reports are also due no later than 30 calendar days after the MCO receives the final version of the examination report.

Each September 1st, the MCO must notify HHSC of the anticipated date of the next issuance of a state department of insurance financial examination report, unless the last submitted financial examination report is less than two (2) years old. This annual notification should include a list of any other states in which the MCO is potentially subject to such examination reports, or a statement that there are no other states.

(l) Employee Bonus and/or Incentive Payment Plan – If a MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(m) Filings with other entities, and other existing financial reports – The MCO must submit an electronic copy of the following reports or filings pertaining to the MCO, or its parent, or its parent’s parent:

1. SEC Form 10-K. For publicly-traded (stock-exchange-listed) for-profit corporations, submit the most-recent annual SEC Form 10K filing.

2. IRS Form 990. For nonprofit entities, submit the most recent annual IRS Form 990 filing, complete with any and all attachments or schedules. If a nonprofit entity is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.

3. If the MCO is a nonprofit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for the MCO and/or its parent, including all attachments, schedules, and supplements.

4. Annual Report. The MCO must submit this report if it is different than or supplementary to the audited financial statements or Form 10-K required herein, and if it is distributed to either shareholders, customers, employees, owner(s), parent, bank or creditor(s), donors, the community, or to any regulatory body or constituents, or is otherwise externally distributed or posted.

5. Bond or debt rating analysis. If the MCO or its ultimate parent has been the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most recent complete detailed report from each rating entity that has produced such a report.
All of the above such reports or filings are due to HHSC no later than 30 calendar days after such report is filed or otherwise initially distributed. Each report should include all exhibits, attachments, notes, supplemental data, management letters, auditor letters, etc., and any updates, revisions, clarifications, or supplemental filings. If the reporting entity has a regular required due date for any of the above reports, and receives an extension on the filing deadline, then the MCO should notify HHSC of any such extension and the estimated revised filing date.

8.1.18 Management Information System Requirements

The MCO must maintain a Management Information System (MIS) that supports all functions of the MCO’s processes and procedures for the flow and use of MCO data. If the MCO subcontracts a MIS function, the Subcontractor’s MIS must comply with the requirements of this section.

The MCO must have hardware, software, and a network and communications system with the capability and capacity to handle and operate all MIS subsystems for the following operational and administrative areas:

1. Enrollment/Eligibility Subsystem;
2. Provider Subsystem;
3. Encounter/Claims Processing Subsystem;
4. Financial Subsystem;
5. Utilization/Quality Improvement Subsystem;
6. Reporting Subsystem;
7. Interface Subsystem; and
8. TPL/TPR Subsystem, as applicable to each MCO Program.

The MIS must enable the MCO to meet the Contract requirements, including all applicable state and federal laws, rules, and regulations. The MIS must have the capacity and capability to capture and utilize various data elements required for MCO administration.

The MCO must have a system that can be adapted to changes in Business Practices/Policies within the timeframes negotiated by the Parties. The MCO is expected to cover the cost of such systems modifications over the life of the Contract.

The MCO is required to participate in the HHSC Systems Work Group.

The MCO must provide HHSC written notice of major systems changes and implementations no later than 180 days prior to the planned change or implementation, including any changes relating to Material Subcontractors, in accordance with the requirements of this Contract and Attachment A, “Uniform Managed Care Contract Terms and Conditions.” HHSC retains the right to modify or waive the notification requirement contingent upon the nature of the request from the MCO.

The MCO must provide HHSC any updates to the MCO’s organizational chart relating to MIS and the description of MIS responsibilities at least 30 days prior to the effective date of the change. The MCO must provide HHSC official points of contact for MIS issues on an ongoing basis.

HHSC, or its agent, may conduct a Systems Readiness Review to validate the MCO’s ability to meet the MIS requirements as described in Section 7, “Transition Phase Requirements.” The System Readiness Review may include a desk review and/or an onsite review and must be conducted for the following events:

1. a new plan is brought into the MCO Program;
2. an existing plan begins business in a new Service Area or a Service Area expansion;
3. an existing plan changes location;

4. an existing plan changes its processing system, including changes in Material Subcontractors performing MIS or claims processing functions; and

5. an existing plan in one (1) or two (2) HHSC MCO Programs is initiating a Contract to participate in any additional MCO Programs.

If HHSC determines that it is necessary to conduct an onsite review, the MCO is responsible for all reasonable travel costs associated with such onsite reviews. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking, and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

If for any reason an MCO does not fully meet the MIS requirements, then the MCO must, upon request by HHSC, either correct such deficiency or submit to HHSC a Corrective Action Plan and Risk Mitigation Plan to address such deficiency. Immediately upon identifying a deficiency, HHSC may impose contractual remedies according to the severity of the deficiency. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 12 and Attachment B-3, “Deliverables/Liquidated Damages Matrix,” for additional information regarding remedies and damages. Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.1.2, “Additional Readiness Reviews and Monitoring Efforts,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 12.02(e) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.18.1 Encounter Data

The MCO must provide complete Encounter Data for all Covered Services, including Value-added Services. Encounter Data must follow the format and data elements as described in the HIPAA-compliant 837 Companion Guides and Encounter Submission Guidelines. HHSC will specify the method of transmission, the submission schedule, and any other requirements in Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix." The MCO must submit Encounter Data transmissions at least monthly, and include all Encounter Data and Encounter Data adjustments processed by the MCO. In addition, Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments processed by the MCO. Encounter Data quality validation must incorporate assessment standards developed jointly by the MCO and HHSC. The MCO must submit complete and accurate Encounter Data not later than the 30th calendar day after the last day of the month in which the claim was adjudicated. The MCO must make original records available for inspection by HHSC for validation purposes. Encounter Data that does not meet quality standards must be corrected and returned within a time period specified by HHSC.

For reporting claims processed by the MCO and submitted on Encounter 837 and NCPDP format, the MCO must use the procedure codes, diagnosis codes, provider identifiers, and other codes as directed by HHSC. Any exceptions will be considered on a code-by-code basis after HHSC receives written notice from the MCO requesting an exception.

The MCO's Provider Agreements must require Network Providers to comply with the requirements of Texas Government Code § 531.024161, regarding reimbursement of claims based on orders or referrals by supervising providers.

8.1.18.2 MCO Deliverables related to MIS Requirements

At the beginning of each State Fiscal Year, the MCO must submit the following documents and corresponding checklists for HHSC’s review and approval:

1. Disaster Recovery Plan;*

2. Business Continuity Plan;* and


* The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.
Additionally, at the beginning of each State Fiscal Year, if the MCO modifies the following documents, it must submit the revised documents and corresponding checklists for HHSC’s review and approval:

1. Joint Interface Plan;

2. Risk Management Plan; and


The MCO must submit plans and checklists in accordance with the Uniform Managed Care Manual Chapter 5.2, “Information Concerning MIS Deliverables;” Chapter 7, “Management Information Systems;” and Chapter 5.0, “Consolidated Deliverables Matrix.” Additionally, if a Systems Readiness Review is triggered by one of the events described in Section 8.1.18, the MCO must submit all of the deliverables identified in this Section 8.1.18 in accordance with an HHSC-approved timeline.

The MCO must follow all applicable Joint Interface Plans (JIPs) and all required file submissions for HHSC’s Administrative Services Contractor, External Quality Review Organization (EQRO), and HHSC Medicaid Claims Administrator. The JIPs can be accessed through Uniform Managed Care Manual Chapter 7.1, “Joint Interface Plans (JIP).”

8.1.18.3 System-wide Functions

The MCO’s MIS system must include key business processing functions and/or features, which must apply across all subsystems as follows:

1. process electronic data transmission or media to add, delete or modify membership records with accurate begin and end dates;

2. track Covered Services received by Members through the system, and accurately and fully maintain those Covered Services as HIPAA-compliant Encounter transactions;

3. transmit or transfer Encounter Data transactions on electronic media in the HIPAA format to the contractor designated by HHSC to receive the Encounter Data;

4. maintain a history of changes and adjustments and audit trails for current and retroactive data;

5. maintain procedures and processes for accumulating, archiving, and restoring data in the event of a system or subsystem failure;

6. employ industry standard medical billing taxonomies (procedure codes, diagnosis codes, NDC codes) to describe services delivered and Encounter transactions produced;

7. accommodate the coordination of benefits;

8. produce standard Explanation of Benefits (EOBs) for providers;

9. Pay financial transactions to Network Providers and Out-of-Network providers in compliance with federal and state laws, rules and regulations;

10. ensure that all financial transactions are auditable according to GAAP guidelines;

11. ensure that Financial Statistical Reports (FSRs) comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” with respect to segregating costs that are allowable for inclusion in HHSC-designed financial reports;

12. relate and extract data elements to produce report formats (provided within the Uniform Managed Care Manual) or otherwise required by HHSC;
13. ensure that written process and procedures manuals document and describe all manual and automated system procedures and processes for the MIS; and

14. maintain and cross-reference all Member-related information with the most current Medicaid, or CHIP Program Provider number.

8.1.18.4 Health Insurance Portability and Accountability Act (HIPAA) Compliance

The MCO’s MIS system must comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to the Health Insurance Portability and Accountability Act (HIPAA) of 1996, P.L. 104-191 (August 21, 1996), as amended or modified. The MCO must comply with HIPAA Electronic Data Interchange (EDI) requirements, including the HIPAA-compliant format version. MCO's enrollment files must be in the 834 HIPAA-compliant format. Eligibility inquiries must be in the 270/271 HIPAA-compliant format, with the exception of pharmacy services. Pharmacies may submit eligibility inquiries in the NCPDP E1 HIPAA-compliant format. Claim transactions for pharmacy services must be in the NCPDP B1/B2 HIPAA-compliant formats; all others must be in the 837/835 HIPAA-compliant format.

The MCO must also be 5010 compliant by January 2012. The following website includes the final rules for 5010 Compliancy and ICD-10 Compliancy: www.cms.hhs.gov/TransactionCodeSetsStandards/02_TransactionsandCodeSetsRegulations.asp.

The MCO must provide its Members with a privacy notice as required by HIPAA. The MCO must provide HHSC with a copy of its privacy notice during Readiness Review and any changes to the notice prior to distribution.

8.1.18.5 Claims Processing Requirements

The MCO must process and adjudicate all provider claims for Medically Necessary health care Covered Services that are filed within the timeframes specified in Uniform Managed Care Manual Chapter 2.0, Claims Manual, and pharmacy claims in that are filed in accordance with the timeframes specified in Uniform Managed Care Manual Chapter 2.2, Pharmacy Claims Manual, and beginning September 1, 2014, Nursing Facility claims that are filed in accordance with the timeframes specified in Uniform Managed Care Manual Chapter 2.3, Nursing Facility Claims Manual. The MCO is subject to contractual remedies, including liquidated damages and interest, if the MCO does not process and adjudicate claims in accordance with the procedures and the timeframes listed in Uniform Managed Care Manual Chapters 2.0, 2.1, 2.2, and 2.3.

The MCO must maintain an automated claims processing system that registers the date a claim is received by the MCO the detail of each claim transaction (or action) at the time the transaction occurs, and has the capability to report each claim transaction by date and type to include interest payments. The claims system must maintain information at the claim and line detail level. The claims system must maintain adequate audit trails and report accurate claims performance measures to HHSC.

The MCO's claims system must maintain online and archived files. The MCO must keep online automated claims payment history for the most current 18 months. The MCO must retain other financial information and records, including all original claims forms, for the time period established in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 9.01, "Record Retention and Audit." All claims data must be easily sorted and produced in formats as requested by HHSC.

The MCO must offer its Providers/Subcontractors the option of submitting and receiving claims information through electronic data interchange (EDI) that allows for automated processing and adjudication of claims. EDI processing must be offered as an alternative to the filing of paper claims. Electronic claims must use HIPAA-compliant electronic formats.

HHSC reserves the right to require the MCO to receive initial electronic claims through an HHSC-contracted vendor at a future date. This function will allow Providers to send claims to one location, which will then identify where the claim should be submitted. The MCO will be expected to have an interface that allows receipt of these electronic submissions. If HHSC implements this requirement, then the MCO must maintain a mechanism to receive claims in addition to the HHSC claims portal. Providers must be able to send claims directly to the MCO or its Subcontractor.
The MCO must provide a provider portal that supports functionality to reduce administrative burden on Network Providers at no cost to the Providers. A provider portal brings information together from diverse sources in a uniform way. The provider portal functionality must include the following.

• Client eligibility verification
• Submission of electronic claims
• Prior Authorization requests
• Claims appeals and reconsiderations
• Exchange of clinical data and other documentation necessary for prior authorization and claim processing

To the extent possible, the provider portal should support both online and batch processing as applicable to the information being exchanged. Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. Specifically in managed care, batch billing is a technique that allows Providers to send billing information all at once in a batch rather than in separate individual transactions. To facilitate the exchange of clinical data and other relevant documentation, the Provider Portal must provide a secure exchange of information between the Provider and MCO, including, as applicable, a Subcontractor of the MCO.

The MCO must make an electronic funds transfer (EFT) payment process (for direct deposit) available to Network Providers.

The MCO may deny a claim submitted by a provider for failure to file in a timely manner as provided for in Uniform Managed Care Manual Chapters 2.0, 2.1, 2.2, and 2.3. The MCO must not pay any claim submitted by a provider:

1) excluded or suspended from the Medicare, Medicaid, or CHIP programs for Fraud, Abuse, or Waste;
2) on payment hold under the authority of HHSC or its authorized agent(s);
3) with pending accounts receivable with HHSC;
4) for neonatal services provided on or after September 1, 2017, if submitted by a Hospital that does not have a neonatal level of care designation from HHSC;
5) for maternal services provided on or after September 1, 2019, if submitted by a Hospital that does not have a maternal level of care designation from HHSC; or
6) for a Nursing Facility Service provided on or after September 1, 2014, that does not comply with DADS' criteria for Clean Claims.

In accordance with Texas Health and Safety Code § 241.186, the restrictions on payment identified in items 4-5 above do not apply to emergency services that must be provided or reimbursed under state or federal law.

With the following exceptions, the MCO must complete all audits of a provider claim no later than two years after receipt of a clean claim, regardless of whether the provider participates in the MCO's Network. This limitation does not apply in cases of provider Fraud, Waste, or Abuse that the MCO did not discover within the two-year period following receipt of a claim. In addition, the two-year limitation does not apply when the officials or entities identified in Attachment A, Section 9.02(c), conclude an examination, audit, or inspection of a provider more than two years after the MCO received the claim. Finally, the two-year limitation does not apply when HHSC has recovered a capitation from the MCO based on a Member's ineligibility. If an exception to the two-year limitation applies, then the MCO may recoup related payments from providers.

If an additional payment is due to a provider as a result of an audit, the MCO must make the payment no later than 30 days after it completes the audit. If the audit indicates that the MCO is due a refund from the provider, the MCO must send the provider written notice of the basis and specific reasons for the recovery no later than 30 days after it completes the audit. If the provider disagrees with the MCO's request, the MCO must give the provider an opportunity to appeal, and may not attempt to recover the payment until the provider has exhausted all appeal rights.

The MCO's provider agreement must specify that program violations arising out of performance of the contract are subject to administrative enforcement by the Health and Human Services Commission Office of Inspector General (OIG) as specified in 1 Tex. Admin. Code, Chapter 371, Subchapter G.

The MCO is subject to the requirements related to coordination of benefits for secondary payors in the Texas Insurance Code Section 843.349(e-f).
The MCO must notify HHSC of major claim system changes in writing no later than 180 days prior to implementation. The MCO must provide an implementation plan and schedule of proposed changes. HHSC reserves the right to require a desk or onsite Readiness Review of the changes.

The MCO must make available to Providers claims coding and processing guidelines for the applicable provider type. Providers must receive 90 days notice prior to the MCO's implementation of changes to claims guidelines.

8.1.18.6 National Correct Coding Initiative

MCOs must comply with the requirements of Section 6507 of the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), regarding “Mandatory State Use of National Correct Coding Initiatives,” including all applicable rules, regulations, and methodologies implemented as a result of this initiative.

8.1.19 Fraud and Abuse

A MCO is subject to all state and federal laws and regulations relating to Fraud, Abuse, and Waste in health care and the Medicaid and CHIP programs. The MCO must cooperate and assist HHSC and any state or federal agency charged with the duty of identifying, investigating, sanctioning or prosecuting suspected Fraud, Abuse or Waste. In order to facilitate cooperation with the Office of Inspector General (OIG) at HHSC, the MCO must have staff available for Special Investigative Unit (SIU) representation located in the state. The MCO must allow access to premises and provide originals and/or copies of all records and information requested free of charge to the Inspector General for the Texas Health and Human Services System, HHSC or its authorized agent(s), the Centers for Medicare and Medicaid Services (CMS), the U.S. Department of Health and Human Services (DHHS), Federal Bureau of Investigation, the Office of the Attorney General, TDI, or other units of state government.

Each MCO must designate one primary and one secondary contact person for all HHSC OIG records requests. HHSC OIG records requests will be sent to the designated MCO contact person(s) in writing via email, fax or regular mail, and will provide the specifics of the information being requested (see below). The MCO will respond to the appropriate HHSC OIG staff member within the timeframe designated in the request. If the MCO is unable to provide all of the requested information in the designated timeframe, an extension may be granted and must be request in writing (email) by the MCO no less than two (2) Business Days prior to the due date. When a request for data is provided to the MCO, the MCO's response must include data for all data fields, as available. If any data field is left blank, an explanation must accompany the response. The data must be provided in the order and format requested. The MCO must not include any additional data fields in its response. All requested information must be accompanied by a notarized Business Records Affidavit unless indicated otherwise in HHSC OIG's record request.

The most common requests will include:

- 1099 data and other financial information - three (3) Business Days.
- Claims data for sampling - 5 Business Days.
- Urgent claims data requests - three (3) Business Days (with OIG manager's approval).
- Provider education information - 10 Business Days.
- Files associated with an HMO conducted investigation - 15 Business Days.
- Other time-sensitive requests - as needed.

The MCO must submit a written Fraud and Abuse compliance plan to the HHSC OIG for approval each year. The plan must be submitted 90 days prior to the start of the State Fiscal Year. (See Section 7, Transition Phase Requirements, for requirements regarding timeframes for submitting the original plan.) If an MCO has not made any changes to its plan from the previous year, it may notify the HHSC OIG that: (1) no changes have been made to the previously-approved plan, (2) the plan will remain in place for the upcoming State Fiscal Year. The notification must be signed and certified by an officer or director of the MCO that is responsible for carrying out the Fraud and Abuse compliance plan. Upon receipt of a written request from the HHSC OIG, the MCO must submit the complete Fraud and Abuse compliance plan.

The MCO is subject to and must meet all requirements in Section 531.113 of the Texas Government Code, Section 533.012 of the Texas Government Code, Title 1 Texas Administrative Code (TAC), Part 15, Chapter 353, Subchapter F, Rule 353.501-353.505, and Title 1 Texas Administrative Code (TAC), Part 15, Chapter 370, Subchapter F, Rule 370.501-370.505 as well as all laws specified in Attachment A, Section 7.02. Additionally, the MCO must require all employees who process...
Medicaid claims, including Subcontractors, to attend annual training as provided by HHSC per Texas Government Code § 531.105. Failure to comply with any requirement of 8.1.19 and 8.1.20.2(c) and (d) subjects the MCO to enforcement pursuant to 1 TEX. ADMIN. CODE Chapter 371 Subchapter G in addition to any other legal remedy.

42 C.F.R. § 455.23 requires the State Medicaid agency to suspend all Medicaid payments to a provider after the agency determines there is a credible allegation of fraud for which an investigation is pending under the Medicaid program against an individual or entity unless the agency has good cause to not suspend payments or suspend payment only in part. In Texas, HHSC OIG is responsible for evaluating allegations of fraud and imposing payment suspensions when appropriate. The rules governing payment suspensions based upon pending investigations of credible allegations of fraud apply to Medicaid managed care entities. Managed care capitation payments may be included in a suspension when an individual network provider is under investigation based upon credible allegations of fraud, depending on the allegations at issue.

The MCO is required to cooperate with HHSC OIG when payment suspensions are imposed. When HHSC OIG sends notice that payments to a provider have been suspended, the MCO must also suspend payments to the provider within 1 business day. When such notice is received, the MCO must respond to the notice within 3 business days and inform HHSC OIG of whether the MCO has implemented the suspension.

The MCO must also report all of the following information to HHSC OIG after it suspends payments to the provider: date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, amount of payments held, and, if applicable, the good cause rationale for not suspending payment (for example, the provider is not enrolled in the MCO's network) or imposing a partial payment suspension. If the MCO does not suspend payments to the provider, HHSC may impose contractual or other remedies.

For payment suspensions initiated by the MCO, the MCO must report the following information to HHSC OIG: the nature of the suspected fraud, basis for the suspension, date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, the amount of payments held, and, if applicable, the good cause rationale for imposing a partial payment suspension.

Additional Requirements for STAR and STAR+PLUS MCOs:

In accordance with Section 1902(a)(68) of the Social Security Act, STAR and STAR+PLUS MCOs and their Subcontractors that receive or make annual Medicaid payments of at least $5 million must:

1. Establish written policies for all employees, managers, officers, contractors, Subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information about the False Claims Act, administrative remedies for false claims and statements, any state laws about civil or criminal penalties for false claims, and whistleblower protections under such laws, as described in Section 1902(a)(68)(A).
2. Include as part of such written policies detailed provisions regarding the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.
3. Include in any employee handbook a specific discussion of the laws described in Section 1902(a)(68)(A), the rights of employees to be protected as whistleblowers, and the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.

HHSC OIG's Lock-in Program (OIG-LP) restricts, or locks in, a Medicaid Member to a designated provider or pharmacy if it finds that the Member used Medicaid services, including drugs, at a frequency or amount that is duplicative, excessive, contraindicated, or conflicting; or that the Member's actions indicate abuse, misuse, or fraud. The MCO is required to maintain, and provide to OIG upon request, written policies for all employees, managers, officers, contractors, subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information related to the "HHSC OIG Lock-in Program MCO Policies and Procedures" about overutilization of prescription medications.

8.1.20 General Reporting Requirements

The MCO must provide and must require its Subcontractors to provide at no cost to the Texas Health and Human Services Commission (HHSC):

1. all information required under the Contract, including but not limited to, the reporting requirements or other information related to the performance of its responsibilities hereunder as reasonably requested by the HHSC; and
2. any information in its possession sufficient to permit HHSC to comply with the Federal Balanced Budget Act of 1997 or other federal or state laws, rules, and regulations. All information must be provided in accordance with the timelines, definitions, formats and instructions as specified by HHSC. Where practicable, HHSC may consult with MCOs to establish timeframes and formats reasonably acceptable to both parties.

Any deliverable or report in Section 8.1.20 without a specified due date is due quarterly on the last day of the month following the end of the reporting period. Where the due date states 30 days, the MCO is to provide the deliverable by the last day of the month following the end of the reporting period. Where the due date states 45 days, the MCO is to provide the deliverable by the 15th day of the second month following the end of the reporting period. (See Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix."

**8.1.20 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Statistical Performance Measures**

The MCO must provide to HHSC or its designee all information necessary to analyze the MCO's provision of quality care to Members using measures to be determined by HHSC in consultation with the MCO. These measures must be consistent with HEDIS or other externally based measures or measurement sets, and involve collection of information beyond that present in Encounter Data. The Performance Indicator Dashboards, found in Uniform Managed Care Manual Chapter 10.1 provides additional information on the role of the MCO and the EQRO in the collection and calculation of HEDIS, Consumer Assessment of Healthcare Providers and Systems (CAHPS), and other performance measures.

**8.1.20.2 Reports**

The MCO must provide the following reports, in addition to the Financial Reports described in Section 8.1.17 and the reporting requirements listed elsewhere in the Contract. Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix," includes a list of all required reports, and a description of the format, content, file layout and submission deadlines for each report.

For the following reports, MCO must integrate CHIP Perinatal Program data into CHIP Program reports. With the exception of FSR reporting, separate CHIP Perinatal Program reports generally are not required. Where appropriate, HHSC will designate specific attributes within the CHIP Program reports that the CHIP MCOs must complete to allow HHSC to extract data particular to the CHIP Perinatal population.

(a) **Claims Summary Report** - The MCO must submit quarterly Claims Summary Reports by MCO Program, Service Area and claim type by the 30th day following the end of the reporting period unless otherwise specified. Claim Types include facility and/or professional services for Acute Care, Behavioral Health, Vision, Pharmacy, and Long Term Services and Supports. Within each claim type, claims data must be reported separately by applicable claim form. The format for the Claims Summary Report is contained in Uniform Managed Care Manual Chapter 5.6.1.

(b) **QAPI Program Annual Summary Report** - The MCO must submit a QAPI Program Annual Summary in a format and timeframe as specified in Uniform Managed Care Manual Chapter 5.7, "Quality Reports."

(c) **Fraudulent Practices Report** - Utilizing the HHSC-Office of Inspector General (OIG) fraud referral form, the MCO's assigned officer or director must report and refer all possible acts of Waste, Abuse, or Fraud to the HHSC-OIG within 30 Business Days of receiving the reports of possible acts of Waste, Abuse, or Fraud from the MCO's Special Investigative Unit (SIU). The report and referral must include: an investigative report identifying the allegation, statutes/regulations violated or considered, and the results of the investigation; copies of program rules and regulations violated for the time period in question; copies of any HMO contractual provisions, policies, published HMO program bulletins, policy notification letters, or provider policy or procedure manuals that apply to the alleged conduct for the time period in question; the estimated overpayment identified; a summary of the interviews conducted; the Encounter Data submitted by the provider for the time in question; and all supporting documentation obtained as the result of the investigation. This requirement applies to all reports of possible acts of Waste, Abuse, and Fraud.

Additional reports required by the Office of the Inspector General relating to Waste, Abuse, or Fraud are listed in Uniform Managed Care Manual Chapter 5.5, "Fraud Deliverable/Report Formats."

(d) **Provider Termination Report: (CHIP, STAR, and STAR+PLUS) -** MCO must submit a quarterly report that identifies any Providers who cease to participate in MCO's Provider Network, either voluntarily or involuntarily. The report must be submitted in the format specified by HHSC, no later than 30 days after the end of the reporting period.
(e) **PCP Network & Capacity Report: (CHIP only)** - For the CHIP Program, MCO must submit a quarterly report listing all unduplicated PCPs in the MCO's Provider Network. For the CHIP Perinatal Program, the Perinate Newborn Members are assigned PCPs that are part of the CHIP PCP Network. Perinate Members are not assigned PCPs. The report must be submitted in the format specified by HHSC no later than 30 days after the end of the reporting quarter.

(f) **Summary Report of Member Complaints and Appeals** - The MCO must submit quarterly Member Complaints and Appeals reports. The MCO must include in its reports Complaints and Appeals submitted to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides Member services. The MCO must submit the Complaint and Appeals reports electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified in *Uniform Managed Care Manual* Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Member Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

(g) **Summary Report of Provider Complaints** - The MCO must submit Provider complaints reports on a quarterly basis. The MCO must include in its reports complaints submitted by providers to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides provider services. The complaint reports must be submitted electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified by HHSC in the *Uniform Managed Care Manual* Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Provider Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

(h) **Hotline Reports** - The MCO must submit quarterly status reports of the Member Hotline, the Behavioral Health Services Hotline, and the Provider Hotline performance compared to the performance standards set out in Sections 8.1.4.7, 8.1.5.6, and 8.1.15.3, using the format specified by HHSC in *Uniform Managed Care Manual* Chapter 5.4.3, "Hotline Reports."

If the MCO is not meeting a hotline performance standard, HHSC may require the MCO to submit monthly hotline performance reports and implement corrective actions until the hotline performance standards are met. If a MCO has a single hotline serving multiple Service Areas, multiple MCO Programs, or multiple hotline functions, (i.e. Member, Provider, Behavioral Health Services hotlines), HHSC may request on an annual basis that the MCO submit certain hotline response information by MCO Program, Service Area, and hotline function, as applicable to the MCO. HHSC may also request additional hotline information if a MCO is not meeting a hotline performance standard.

(i) **Historically Underutilized Business (HUB) Reports** - Upon contract award, the MCO must attend a post award meeting, which will be scheduled by the HHSC HUB Program Office, to discuss the development and submission of a HUB Subcontracting Plan (HSP) Progress Assessment Report (PAR) for the inclusion of HUBs. The MCO must maintain its original HSP and submit monthly PAR reports documenting the MCO's good faith effort to comply with the originally submitted HSP. The report must be in the format included in *Uniform Managed Care Manual* Chapter 5.4.4.4 for the HUB monthly reports. The MCO must comply with the HUB Program's HSP and PAR requirements for all Subcontractors.

(j) **Medicaid Managed Care Texas Health Steps Medical Checkups Reports** - Medicaid MCOs must submit reports identifying the number of New Members and Existing Members receiving Texas Health Steps medical checkups, or refusing to obtain the medical checkups. Medicaid MCOs must also document and report those Members refusing to obtain the medical checkups. The documentation must include the reason the Member refused the checkup or the reason the checkup was not received.

The definitions, timeframe, format, and details of the reports are contained and described in *Uniform Managed Care Manual* Chapters 12.4, 12.5, and 12.6.

(k) **Children of Migrant Farm Workers Annual Plan** - Medicaid MCOs must submit an annual plan in the timeframe and format described in *Uniform Managed Care Manual* Chapters 12.1 and 12.2 that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers (FWC).
(l) **Children of Migrant Farm Workers Annual Report (FWC Annual Report)** - Medicaid MCOs must submit an annual report, in the timeframe and format described in **Uniform Managed Care Manual** Chapters 12.1, 12.3, 12.25, and 12.26 about the identification of and delivery of services to Children of Migrant Farm Workers (FWC).

(m) **Frew Quarterly Monitoring Report** - Each calendar year quarter, HHSC prepares a report for the court that addresses the status of the Consent Decree paragraphs of the Frew v. Janek lawsuit. Medicaid MCOs must prepare responses to questions posed by HHSC on the Frew Quarterly Monitoring Report template. The timeframe, format, and details of the report are set forth in **Uniform Managed Care Manual** Chapter 12.

(n) **Frew Annual Provider Training Report** - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must compile a summary of the training health care and pharmacy providers receive throughout the year for the October Quarterly Monitoring Report for the court. Medicaid MCOs must report to HHSC health care and pharmacy provider training conducted throughout the year to be included in this report. The training report must include, at a minimum, the number of Medicaid enrolled healthcare and pharmacy providers that received the training and a description of provider feedback received on the subject matter and methodology of the training. The timeframe, format, and details of the report are contained and described in **Uniform Managed Care Manual** Chapter 12.

(o) **Frew Provider Recognition Report** - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must recognize Medicaid enrolled healthcare and pharmacy providers who complete Frew, Texas Health Steps, and/or pharmacy benefit education training. Medicaid MCOs must collect and track provider training recognition information for all Frew, Texas Health Steps, and/or pharmacy benefit education trainings conducted and report the names of those Medicaid enrolled healthcare and pharmacy providers who consent to being recognized to HHSC quarterly. The timeframe, format, and details of the report are contained and described in **Uniform Managed Care Manual** Chapter 12.

(p) **Medicaid Disproportionate Share Hospital (DSH) Reports** - Medicaid MCOs must file preliminary and final Medicaid DSH Reports so that HHSC can identify and reimburse Hospitals that qualify for Medicaid DSH funds. The preliminary and final DSH Reports must include the data elements and be submitted in the form and format specified by HHSC in **Uniform Managed Care Manual** Chapter 5.3.9, "Disproportionate Share Hospital Report." The preliminary DSH Reports are due on or before March 1 of the year following the federal fiscal reporting year. The final DSH Reports are due no later than April 1 of the year following the federal fiscal reporting year.

(q) **Out-of-Network Utilization Reports** - The MCO must file quarterly Out-of-Network Utilization Reports in accordance with Uniform Managed Care Manual Chapter 5.3.8, "Out Of Network (OON) Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(r) **Drug Utilization Review (DUR) Reports** - MCOs must submit the DUR reports in accordance with the requirements of HHSC's Uniform Managed Care Manual.

(s) **Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports** - For each State Fiscal Quarter, Medicaid MCOs must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups. The time frame, format, and details of the report are contained and described in **Uniform Managed Care Manual** Chapter 12.

(t) **STAR+PLUS Long Term Services and Supports (LTSS) Utilization Quarterly Reports** - The STAR+PLUS MCO must file quarterly LTSS Utilization Reports in accordance with **Uniform Managed Care Manual** Chapter 5.4.5.1, "STAR+PLUS LTSS Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(u) **Service Coordination Report** - STAR+PLUS MCOs must submit annual reports regarding the number and types of visits conducted by Service Coordinators, as described in the Uniform Managed Care Manual. The reports are due 30 days after the end of each State Fiscal Year.

(v) **Nursing Facility Reports** - Beginning in SFY 2015, the STAR+PLUS MCO must file quarterly Nursing Facility Utilization Reports in accordance with Uniform Managed Care Manual Chapter 5.4.5.2., STAR+PLUS Nursing Facility Report. Quarterly reports are due 30 days after the end of each quarter.

### 8.1.21 Pharmacy Services

The MCO must provide pharmacy-dispensed prescriptions as a Covered Service.
The MCO must submit pharmacy clinical guidelines and prior authorization policies and for review and approval during Readiness Review, then after the Operational Start Date prior to any changes. In determining whether to approve these materials, HHSC will review factors such as the clinical efficacy and Members' needs.

The MCO must allow pharmacies to fill prescriptions for covered drugs ordered by any licensed provider regardless of Network participation and must encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO is responsible for negotiating reasonable pharmacy provider reimbursement rates, including individual MCO maximum allowable cost (MAC) rates, as described in Section 8.1.21.11, "Maximum Allowable Cost Requirements." The MCO must ensure that, as an aggregate, rates comply with 42 C.F.R. Part 50, Subpart E, regarding upper payment limits.

8.1.21.1 Formulary and Preferred Drug List

The MCO must provide access to covered outpatient drugs and biological products through formularies and a preferred drug list (PDL) developed by HHSC. HHSC will maintain separate Medicaid and CHIP formularies, and a Medicaid PDL. The MCO must administer the PDL in a way that allows access to all non-preferred drugs that are on the formulary through a structured PA process.

The MCO must educate Network Providers about how to access HHSC's formularies and the Medicaid PDL on HHSC's website. In addition, no later than November 1, 2013, the MCO must allow Network Providers access to the formularies and Medicaid PDL through a free, point-of-care web-based application accessible on smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs, Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly.

8.1.21.2 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies

The MCO must adopt PA policies and procedures that are consistent with Section 8.1.8.1, "Compliance with State and Federal Prior Authorization Requirements."

The MCO must adhere to HHSC's PDL for Medicaid. Preferred drugs must adjudicate as payable without PA, unless they are subject to Clinical Edits. HHSC will identify Clinical Edits that the MCO must implement on the Vendor Drug Program website, and HHSC approval is required for all other Clinical Edit policies and any revisions. HHSC will respond to Clinical Edit approval requests within 30 calendar days. If a requested drug is subject to more than one edit (e.g., the drug is both non-preferred and subject to a Clinical Edit), the MCO must process all edits concurrently.

HHSC's Medicaid PA, PDL, Clinical Edit, and other policies for the fee-for-service Vendor Drug Program are available on HHSC's Vendor Drug Program website at http://www.txvendordrug.com/index.shtml. HHSC's website also includes exception criteria for each drug class included on HHSC's Medicaid PDL. These exception criteria describe the circumstances under which a non-preferred drug may be dispensed without a PA. If HHSC modifies the policies described above on the Vendor Drug Program website, HHSC will notify MCOs.

The MCO may require a prescriber's office to request a PA as a condition of coverage or pharmacy payment if the PA request is approved or denied within 24 hours of receipt. If a prescription cannot be filled when presented to the pharmacist due to a PA requirement and the prescriber's office cannot be reached, then the MCO must instruct the pharmacy to dispense a 72-hour emergency supply of the prescription. The pharmacy is not required to dispense a 72-hour supply if the dispensing pharmacist determines that taking the prescribed medication would jeopardize the Member's health or safety, and he or she has made good faith efforts to contact the prescriber. The pharmacy may fill consecutive 72-hour supplies if the prescriber's office remains unavailable. The MCO must reimburse the pharmacy for dispensing the temporary supply of medication.

The MCO must provide access to a toll-free call center for prescribers to call to request a PA for non-preferred drugs or drug that are subject to Clinical Edits. If the prescriber's office calls the MCO's PA call center, the MCO must provide a PA approval or denial immediately. For all other PA requests, the MCO must notify the prescriber's office of a PA denial or approval no later than 24 hours after receipt. If the MCO cannot make a timely PA determination, the MCO must allow the Member to receive a sufficient supply (e.g., a 72-hour supply) of the medication pending resolution of the PA request.

The MCO's PA system must accept PA requests from prescribers that are sent electronically, by phone, fax, or mail. The MCO may not charge pharmacies for PA transaction, software, or related costs for processing PA requests.
If the MCO or its PBM operates a separate call center for PA requests, the PA call center must meet the provider hotline performance standards set forth in Section 8.1.4.7, "Provider Hotline." The MCO must train all PA, provider hotline, and pharmacy call center staff on the requirements for dispensing 72-hour emergency supplies of medication.

The MCO may not require a PA for any drug exempted from PA requirements by federal law.

For drug products purchased by a pharmacy through the Health Resources Services Administration (HRSA) 340B discount drug program, the MCO may only impose Clinical Edit PA requirements. These drugs must be exempted from all PDL PA requirements.

A provider may appeal PA denials on a Member's behalf, in accordance with Sections 8.2.6 (Medicaid) and 8.4.2 (CHIP).

If a Member changes Medicaid or CHIP health plans, the MCO must provide the new health plan information about the Member's PA and medication history at no cost and upon request. The MCO, in consultation with HHSC, will develop a standard process and timeline for implementing a standard format for sharing member medication and PA history. HHSC expects the former MCO to respond with the requested information within 72-hours of the new MCO's request.

8.1.21.3 Coverage Exclusions

In accordance with 42 U.S.C. § 1396r-8, the MCO must exclude coverage for any drug marketed by a drug company (or labeler) that does not participate in the federal drug rebate program. The MCO is not permitted to provide coverage for any drug product, brand name or generic, legend or non-legend, sold or distributed by a company that did not sign an agreement with the federal government to provide Medicaid rebates for that product.

8.1.21.4 DESI Drugs

The MCO must not provide coverage under any circumstances for drug products that have been classified as less-than-effective by the Food and Drug Administration (FDA) Drug Efficacy Study Implementation (DESI).

8.1.21.5 Pharmacy Rebate Program

Under the provisions of, 42 U.S.C. §1396r-8, drug companies that wish to have their products covered through the Texas Medicaid Program must sign an agreement with the federal government to provide the pharmacy claims information that is necessary to return federal rebates to the state.

The MCO is not authorized to negotiate rebates with drug companies for preferred pharmaceutical products. HHSC or its designee will negotiate rebate agreements. If the MCO or its PBM has an existing rebate agreement with a manufacturer, all Medicaid and CHIP outpatient drug claims, including provider-administered drugs, must be exempt from such rebate agreements. The MCO must include National Drug Codes (NDCs) on all encounters for outpatient drugs and biological products, including physician-administered drugs.

The MCO must implement a process to timely support HHSC's Medicaid and CHIP rebate dispute resolution processes.

a. The MCO must allow HHSC or its designee to contact Network pharmacy Providers to verify information submitted on claims, and upon HHSC's request, assist with this process.

b. The MCO must establish a single point of contact where HHSC's designee can send information or request clarification.

c. HHSC will notify the MCO of claims submitted with incorrect information. The MCO must correct this information on the next scheduled pharmacy encounter data transmission.

8.1.21.6 Drug Utilization Review Program

The MCO must have a process in place to conduct prospective and retrospective utilization review of prescriptions that is consistent with Medicare Part D drug utilization review standards (see 42 C.F.R. § 423.153). Prospective review should take place at the dispensing pharmacy’s point-of-sale (POS). The prospective review at the POS should compare the prescribed medication against previous drug history for drug-to-drug, interactions, ingredient duplication, therapeutic duplication, age or...
gender contraindications, drug-allergy contraindications, overutilization or underutilization, incorrect dosage, and high dose situations. The MCO’s retrospective review should monitor prescriber and contracted pharmacies for outlier activities. Retrospective reviews should also determine whether services were delivered as prescribed and consistent with the MCO’s payment policies and procedures. The MCO must provide a summary of the quarterly retrospective reviews, including outcomes, as described in UMCM Chapter 5.13.1, MCO Drug Utilization Review (DUR) Quarterly Report Template.

The MCO’s Drug Utilization Review should specifically assess prescribing patterns for psychotropic medications as defined by Texas Family Code § 266.001(7). If the MCO identifies patterns outside of the MCO’s parameters for psychotropic medications, or if HHSC notifies the MCO of outlier prescribing patterns, then the MCO must conduct a peer-to-peer discussion on the appropriateness of the drug regimen with the prescriber. For children, the MCO must model its parameters on DFPS’s Psychotropic Medication Utilization Parameters for Foster Children. (See DFPS’s website for more information: http://www.dfps.state.tx.us/Child_Protection/Medical_Services/guide-psychotropic.asp). For adults, the MCO must base its parameters for psychotropic medications on approved compendia, such as peer-reviewed academic literature or nationally accepted guidelines.

8.1.21.7 Pharmacy Benefit Manager (PBM)

The MCO must use a PBM to process prescription claims.

The MCO must identify the proposed PBM and the ownership of the proposed PBM. If the PBM is owned wholly or in part by a retail pharmacy provider, chain drug store or pharmaceutical manufacturer, the MCO will submit a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information. The MCO must provide a plan documenting how it will monitor these Subcontractors. These assurances and procedures must be submitted for HHSC's review during Readiness Review (see Section 7, "Transition Phase Requirements") then prior to initiating any PBM Subcontract after the Operational Start Date.

The MCO must ensure its subcontracted PBM follows all pharmacy-related Contract, UMCM, state, and federal law requirements related to the provision of pharmacy services.

8.1.21.8 Financial Disclosures for Pharmacy Services

The MCO must disclose all financial terms and arrangements for remuneration of any kind that apply between the MCO and any prescription drug manufacturer or labeler, including formulary management, drug-switch programs, educational support, claims processing, pharmacy network fees, data sales fees, and any other fees. Article 9 of Attachment A, "Uniform Managed Care Contract Terms and Conditions," provides HHSC with the right to audit this information at any time. HHSC agrees to maintain the confidentiality of information disclosed by the MCO pursuant to this section, to the extent that the information is confidential under state or federal law.

8.1.21.9 Limitations Regarding Registered Sex Offenders

HHSC’s Medicaid and CHIP formularies do not include sexual performance enhancing medications. If these medications are added to the Medicaid or CHIP formulary, then the MCO must comply with the requirements of Texas Government Code §531.089 prohibiting the provision of sexual performance enhancing medication to persons required to register as sex offenders under Chapter 62, Texas Code of Criminal Procedure.

8.1.21.10 Specialty Drugs

The MCO must develop policies and procedures for reclassifying prescription drugs from retail to specialty drugs for purposes of entering into selective contracting arrangements for specialty drugs. The MCO's policies and procedures must comply with 1 Tex. Admin. Code § 353.905 and § 354.1853 and include processes for notifying Network Pharmacy Providers.

8.1.21.11 Maximum Allowable Cost Requirements

The MCO must develop maximum allowable cost (MAC) prices and lists that comply with state and federal laws, including Texas Government Code § 533.005(a)(23)(K). To place an outpatient drug on a MAC list, the MCO must ensure that:
• the drug is listed as "A" or "B" rated in the most recent version of the United States Food and Drug Administration's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book, has an "NR" or "NA" rating or similar rating by a nationally recognized reference; and

• the drug is generally available for purchase by pharmacies in Texas from national or regional wholesalers and is not obsolete.

The MCO cannot set a MAC on a drug that is both preferred on HHSC's PDL and a brand name drug.

The MCO must provide a Network pharmacy the sources used to determine the MAC pricing at contract execution, renewal, and upon request. When determining MAC prices, the MCO may only compare drugs listed as therapeutically equivalent in the most recent version of the Orange Book to formulate the MAC price.

The MCO must review and update MAC prices at least once every seven days to reflect any modifications of MAC pricing, and establish a process for eliminating products from the MAC list or modifying MAC prices in a timely manner to remain consistent with pricing changes and product availability in the Service Area.

The MCO must implement a process for allowing Network pharmacies to challenge a MAC price no later than September 1, 2013. The MCO must submit the process for HHSC's review and approval prior to implementation and modification. The MCO must respond to a challenge by the 15th day after it is made. If the challenge is successful, the MCO must adjust the drug price, effective on the date the challenge is resolved, and apply the new price to all similarly situated Network pharmacies, as appropriate and determined by the MCO. If the challenge is denied, the MCO must provide the pharmacy the reasons for the denial. The MCO must provide a quarterly report regarding MAC price challenges in the manner and format specified in the UMCM.

No later than March 1, 2014, the MCO must implement a process that allows a Network pharmacy to readily access the pharmacy's MAC price through a website. The MCO must submit the process for HHSC's review and approval prior to implementation and modification. As described in Texas Government Code § 533.005(a-2), a MAC price list that is specific to a Network pharmacy is confidential for all other purposes.

The MCO must inform HHSC no later than 21 days after implementing a MAC price list for drugs dispensed at retail pharmacies but not by mail.

8.1.21.12 Mail-Order and Delivery

The MCO may include mail-order pharmacies in its pharmacy Network, but cannot require Members to use a mail-order pharmacy. The MCO cannot charge a Member who opts to use a mail order pharmacy any fees for using this service, including postage or handling for standard or expedited deliveries.

In Medicaid fee-for-service, the Vendor Drug Program pays qualified community retail pharmacies for pharmaceutical delivery services. The MCO must implement a process to ensure that Medicaid and CHIP Members receive free outpatient pharmaceutical deliveries from community retail pharmacies in their Service Areas, or through other methods approved by HHSC. Mail order delivery is not an appropriate substitute for delivery from a qualified community retail pharmacy unless requested by the Member. The MCO's process must be approved by HHSC, submitted using HHSC's template, and include all qualified community retail pharmacies identified by HHSC.

8.1.21.13 Health Resources and Services Administration 340B Discount Drug Program

The MCO must use a shared-savings approach for reimbursing Network Providers that participate in the federal Health Resources and Services Administration's (HRSA's) 340B discount drug program. The MCO cannot require a Network Provider to submit its actual acquisition cost (AAC) on outpatient drugs and biological products purchased through the 340B program, consistent with UMCM Chapter 2.2, "Pharmacy Claims Manual." In addition, the MCO cannot impose PA requirements based on non-preferred status ("PDL PAs") for these drugs and products.

8.1.21.14 Pharmacy Claims and File Processing

The MCO must process claims in accordance with UMCM Chapter 2.2, Pharmacy Claims Manual, and Texas Insurance Code § 843.339. This law requires the MCO to pay clean claims that are submitted electronically no later than 18 days after
adjudication, and no later than 21 days after adjudication if the claim is not submitted electronically. In addition, the MCO must comply with Sections 8.2.1 (Medicaid) and 8.4.3 (CHIP) regarding payment of out-of-network pharmacy claims.

HHSC will provide the MCO or its designee with pharmacy interface files, including formulary, PDL, third party liability, master provider, and drug exception files. Due to the point-of-sale nature of outpatient pharmacy benefits, the MCO must ensure all applicable MIS systems (including pharmacy claims adjudication systems) are updated to include the data provided in the pharmacy interface files. The MCO must update within two business days of the files becoming available through HHSC’s file transfer process, unless clarification is needed or data/file exceptions are identified. If clarification is needed, the MCO must notify HHSC within the same two business days. Additionally, the MCO must be able to perform off-cycle formulary and PDL updates at HHSC’s request.

The MCO must ensure that all daily enrollment and eligibility files in the Joint Interface Plan are loaded into the pharmacy claims adjudication system within two calendar days of receipt.

8.1.21.15 Pharmacy Audits

The MCO must comply with the requirements of Texas Insurance Code § 843.3401, regarding audits of pharmacists and pharmacies, including the prohibition on the use of extrapolation.

8.1.21.16 E-Prescribing

The MCO must provide the appropriate data to the national e-prescribing network, which at a minimum will support: eligibility confirmation, PDL benefit confirmation, identification of preferred drugs that can be used in place of non-preferred drugs ("alternative drugs"), medication history, and prescription routing.

8.1.22 Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)

The MCO must make reasonable efforts to include FQHCs and RHCs (freestanding and Hospital-based) in its Provider Network. If a Member visits an FQHC or RHC (or a Municipal Health Department's public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must pay full encounter rates to FQHCs and RHCs for Medically Necessary Covered Services provided to Medicaid and CHIP Members using the prospective payment methodology described in Sections 1902(bb) and 2107(e)(1) of the Social Security Act. Because the MCO is responsible for the full payment amount in effect on the date of service, HHSC cost settlements (or "wrap payments") will not apply.

8.1.23 Payment by Members.

Except as provided in Section 8.1.23.1, MCOs, Network Providers, and Out-of-Network Providers are prohibited from billing or collecting any amount from a Member for Covered Services.

However, the STAR+PLUS MCO will work with Members or their representatives to help facilities collect applied income where applicable.

MCOs must also inform Members of their responsibility to pay the costs for non-covered services, and must require its Network Providers to:

1. inform Members of costs for non-covered services prior to rendering such services; and
2. obtain a signed private pay form from such Members.

8.1.23.1 Cost Sharing
CHIP Network Providers and Out-of-Network Providers may collect copayments authorized in the CHIP State Plan from CHIP Members.

CHIP families that meet the enrollment period cost share limit requirement must report it to the HHSC Administrative Services Contractor. The HHSC Administrative Service Contractor notifies the MCO that a family’s cost share limit has been reached. Upon notification from the HHSC Administrative Services Contractor that a family has reached its cost-sharing limit for the term of coverage, the MCO will generate and mail to the CHIP Member a new Member ID card within five calendar days, showing that the CHIP Member’s cost-sharing obligation for that term of coverage has been met. No cost-sharing may be collected from these CHIP Members for the balance of their term of coverage.

Providers are responsible for collecting all Member copayments at the time of service. Copayments that families must pay vary according to their income level. Copayments do not apply, at any income level, to Covered Services that qualify as well-baby and well-child care services, preventive services, or pregnancy-related services as defined by 42 C.F.R. §457.520 and SSA § 2103(e)(2).

Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the copayments outlined in the CHIP Cost Sharing Table in Uniform Managed Care Manual Chapter 6.3, “CHIP Cost Sharing,” are the only amounts that an MCO may impose and a provider may collect from a CHIP-eligible family. As required by 42 C.F.R. §457.515, this includes, without limitation, Emergency Services that are provided at an Out-of-Network facility. Cost sharing for such Emergency Services is limited to the copayment amounts set forth in the CHIP Cost Sharing Table. If the MCO would have paid a lesser amount than the CHIP copayment in the absence of a CHIP copayment, then the copayment amount will be capped at the lesser amount.

Federal law prohibits charging premiums, deductibles, coinsurance, copayments, or any other cost-sharing to Members of Native Americans or Alaskan Natives. The HHSC Administrative Services Contractor will notify the MCO of Members who are not subject to cost sharing requirements. The MCO is responsible for educating Providers regarding the cost sharing waiver for this population.

An MCO’s monthly Capitation Payment will not be adjusted for a family’s failure to make its CHIP premium payment. There is no relationship between HHSC’s Capitation Payment to the MCO for coverage provided during a month and the family’s payment of its CHIP premium obligation for that month.

Cost sharing does not apply to CHIP Perinatal Program Members. The exemption from cost sharing applies through the end of the enrollment period.

As of the Effective Date of the Contract, cost sharing does not apply to Medicaid Members. If HHSC implements cost-sharing for Medicaid Members after the Effective Date of this Contract, the requirements of this section will apply, and HHSC will amend the Uniform Managed Care Manual to include Medicaid Cost Sharing Tables. Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the Medicaid copayments outlined in the Uniform Managed Care Manual will be the only amounts that an MCO may impose and a provider may collect from a Medicaid-eligible family.

8.1.24 Immunizations

The MCO must educate Providers on the Immunization Standard Requirements set forth in Chapter 161, Health and Safety Code; the standards in the Advisory Committee on Immunization Practices (ACIP) Immunization Schedule; the AAP Periodicity Schedule for CHIP Members; and the ACIP Immunization Schedule for Medicaid Members. The MCO must educate Providers that Medicaid Members birth through age 20 must be immunized during the Texas Health Steps checkup according to the ACIP routine immunization schedule. The MCO shall also educate Providers that the screening provider is responsible for administration of the immunization and should not refer children to Local Health Departments to receive immunizations.

The MCO must educate Providers about, and require Providers to comply with, the requirements of Chapter 161, Health and Safety Code, relating to the Texas Immunization Registry (ImmTrac), to include parental consent on the Vaccine Information Statement.
The MCO must notify Medicaid and CHIP Providers that they may enroll, as applicable, as Texas Vaccines for Children Providers. In addition, the MCO must work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry.

8.1.25 Dental Coverage

The MCO is not responsible for reimbursing dental providers for preventive and therapeutic dental services obtained by Medicaid or CHIP Members, with the exception of the dental services available to STAR+PLUS Members in the enrolled in the HCBS STAR+PLUS Waiver. However, medical and/or Hospital charges, such as anesthesia, that are necessary in order for Medicaid or CHIP Members to access standard therapeutic dental services, are Covered Services for Medicaid or CHIP Members. The MCO must provide access to facilities and physician services that are necessary to support the dentist who is providing dental services to a Medicaid or CHIP Member under general anesthesia or intravenous (IV) sedation.

The MCO must inform Network facilities, anesthesiologists, and PCPs what authorization procedures are required, and how Providers are to be reimbursed for the preoperative evaluations by the PCP and/or anesthesiologist and for the facility services. For dental-related medical Emergency Services, the MCO must reimburse Network and Out-of-Network providers in accordance with federal and state laws, rules, and regulations.

8.1.26 Health Home Services

The MCO must provide Health Home Services. The MCOs must include a designated Provider to serve as the health home. The designated provider must meet the qualifications as established by the U.S. Secretary of Health and Human Services. The designated provider may be a provider operating with a team of health professionals, or a health team selected by the enrollee. The Health Home Services must be part of a person-based approach and holistically address the needs of persons with multiple chronic conditions or a single serious and persistent mental or health condition.

Health Home Services must include:

1. patient self-management education;
2. provider education;
3. evidence-based models and minimum standards of care;
4. standardized protocols and participation criteria;
5. provider-directed or provider-supervised care;
6. a mechanism to incentivize providers for provision of timely and quality care;
7. implementation of interventions that address the continuum of care;
8. mechanisms to modify or change interventions that are not proven effective;
9. mechanisms to monitor the impact of the Health Home Services over time, including both the clinical and the financial impact.
10. comprehensive care management;
11. care coordination and health promotion;
12. comprehensive traditional care, including appropriate follow-up, from inpatient to other settings;
13. patient and family support (including authorized representatives);
14. referral to community and social support services, if relevant, and;
15. use of health information technology to link services, as feasible and appropriate.

The Health Home Services requirements do not apply to Dual Eligible Members unless HHSC enters into a Dual Eligible Demonstration Project with the CMS. Under a demonstration project, STAR+PLUS MCOs will be required to coordinate health home initiatives with their affiliated Medicare Advantage/Special Needs Plans.

8.1.26.1 Health Home Services and Participating Providers

HHSC encourages MCOs to develop provider incentive programs for designated Providers who meet the requirements for patient-centered medical homes found in Texas Government Code §533.0029.

At a minimum, the MCO must:

1. maintain a system to track and monitor all Health Home Services participants for clinical, utilization, and cost measures;
2. implement a system for Providers to request specific Health Home interventions;
3. inform Providers about differences between recommended prevention and treatment and actual care received by Members enrolled in a Health Home Services program and Members' adherence to a service plan; and

4. provide reports on changes in a Member's health status to his or her PCP for Members enrolled in a Health Home Services program.

8.1.26.2 MCO Health Home Services Evaluation

HHSC or its EQRO will evaluate the MCO's Health Home Services program.

8.1.27 Cancellation of Product Orders

If a Network Provider offers delivery services for covered products, such as durable medical equipment (DME), home health supplies, or outpatient drugs or biological products, then the MCO's Network Provider Agreement must require the Provider to reduce, cancel, or stop delivery at the Member's or the Member's authorized representative's written or oral request. The Provider must maintain records documenting the request.

8.1.28 Preadmission Screening and Resident Review (PASRR) Referring Entity Requirements

The MCO must follow any PASRR requirements when acting as a referring entity for Members as required by 40 Tex. Admin. Code §§ 17.101, 17.102(25), and 17.301.

8.2 Additional Medicaid MCO Scope of Work

The following provisions apply to any MCO participating in the STAR or STAR+PLUS MCO Program.

8.2.1 Continuity of Care and Out-of-Network Providers

The MCO must ensure that the care of newly enrolled Members is not disrupted or interrupted. The MCO must take special care to provide continuity in the care of newly enrolled Members whose health or behavioral health condition has been treated by specialty care providers or whose health could be placed in jeopardy if Medically Necessary Covered Services are disrupted or interrupted. The MCO must ensure Members receiving services through a prior authorization receive continued authorization of those services for the shortest period of one of the following: (1) 90 calendar days after the transition to a new MCO, (2) until the expiration date of the prior authorization, or (3) until the MCO has evaluated and assessed the Member and issued or denied a new authorization. See Section 8.1.14, Disease Management/Health Home Services, for specific requirements for new Members transferring to the MCO’s Disease Management/Health Home Service Program.

The MCO is required to ensure that Expansion Service Area clients receiving acute care services through a prior authorization as of the STAR and STAR+PLUS Operational Start Date receive continued authorization of those services for the shorter period of one of the following: 90 calendar days after Operational Start Date, or (2) until the expiration date of the prior authorization. The MCO is also required to ensure that Expansion Service Area clients receiving Community-based Long Term Care Services as of the STAR+PLUS Operational Start Date receive continued authorization of those services for up to 6 months after the Operational Start Date, unless a new assessment has been completed and new authorizations issued as described in Section 8.3.2.4. During transition, an HHSC’s Administrative Services Contractor or an HHS Agency will provide the MCO with files identifying Members with prior authorizations for acute care services and Members receiving Community-based Long Term Care Services. The MCO is required to work with HHSC, its Administrative Services Contractor, and DADS to ensure that all necessary authorizations are in place within the MCO’s system(s) for the continuation of Community-based Long Term Care Services and prior authorized acute care services. The MCO must describe the process it will use to ensure continuation of these services in its Transition/Implementation Plan for the Expansion Service Areas as noted in Section 7.2.1 Contract Start-Up and Planning. The MCO is also required to ensure that Community-based Long Term Care Services Providers in the Expansion Service Areas are educated about and trained regarding the process for continuing these services prior to the Operational Start Date (see Section 8.3.6.1 Training).

As described in Section 8.1.3.2, the MCO must allow pregnant Members past the 24th week of pregnancy to remain under the care of the Member’s current OB/GYN through the Member’s postpartum checkup, even if the provider is Out-of-Network. If a Member wants to change her OB/GYN to one who is in the Network, she must be allowed to do so if the Provider to whom she wishes to transfer agrees to accept her in the last trimester of pregnancy.
The MCO must pay a Member’s existing Out-of-Network providers for Medically Necessary Covered Services until the Member’s records, clinical information and care can be transferred to a Network Provider, or until such time as the Member is no longer enrolled in that MCO, whichever is shorter. Payment to Out-of-Network providers must be made within the time period required for Network Providers. The MCO must comply with Out-of-Network provider reimbursement rules as adopted by HHSC.

With the exception of pregnant Members who are past the 24th week of pregnancy, this Article does not extend the obligation of the MCO to reimburse the Member’s existing Out-of-Network providers for ongoing care for:

1. more than 90 days after a Member enrolls in the MCO’s Program, or
2. for more than nine (9) months in the case of a Member who, at the time of enrollment in the MCO, has been diagnosed with and receiving treatment for a terminal illness and remains enrolled in the MCO.

The MCO’s obligation to reimburse the Member’s existing Out-of-Network provider for services provided to a pregnant Member past the 24th week of pregnancy extends through delivery of the child, immediate postpartum care, and the follow-up checkup within the first six (6) weeks of delivery.

If a Member moves out of a Service Area, the MCO must provide or pay Out-of-Network providers in the new Service Area who provide Medically Necessary Covered Services to Members through the end of the period for which the MCO received a Capitation Payment for the Member.

If Covered Services are not available within the MCO’s Network, the MCO must provide Members with timely and adequate access to Out-of-Network services for as long as those services are necessary and not available in the Network, in accordance with 42 C.F.R. §438.206(b)(4). The MCO will not be obligated to provide a Member with access to Out-of-Network services if such services become available from a Network Provider.

The MCO must ensure that each Member has access to a second opinion regarding the use of any Medically Necessary Covered Service. A Member must be allowed access to a second opinion from a Network Provider or Out-of-Network provider if a Network Provider is not available, at no cost to the Member, in accordance with 42 C.F.R. §438.206(b)(3).

8.2.2 Provisions Related to Covered Services for Medicaid Members

8.2.2.1 Emergency Services

MCO policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws, rules, and regulations including 42 C.F.R. §438.114, whether the provider is Network or Out-of-Network. MCO policies and procedures must be consistent with the prudent layperson definition of an Emergency Medical Condition and the claims adjudication processes required under the Contract and 42 C.F.R. §438.114.

The MCO must pay for professional, facility, and ancillary services provided in a Hospital emergency department that are Medically Necessary to perform the medical screening examination and stabilization of a Member presenting with an Emergency Medical Condition or an Emergency Behavioral Health Condition, whether rendered by Network Providers or Out-of-Network providers.

The MCO cannot require prior authorization as a condition for payment for an Emergency Medical Condition, an Emergency Behavioral Health Condition, or labor and delivery. The MCO cannot limit what constitutes an Emergency Medical Condition on the basis of lists of diagnoses or symptoms. The MCO cannot refuse to cover Emergency Services based on the emergency room provider, Hospital, or fiscal agent not notifying the Member’s PCP or the MCO of the Member’s screening and treatment within ten (10) calendar days of presentation for Emergency Services. The MCO may not hold the Member who has an Emergency Medical Condition liable for payment of subsequent screening and treatment needed to diagnose the specific condition or stabilize the patient. The MCO must accept the emergency physician or provider’s determination of when the Member is sufficiently stabilized for transfer or discharge.
A medical screening examination needed to diagnose an Emergency Medical Condition must be provided in a Hospital based emergency department that meets the requirements of the Emergency Medical Treatment and Active Labor Act (EMTALA) (42 C.F.R. §§489.20, 489.24 and 438.114(b)&(c)). The MCO must pay for the emergency medical screening examination, as required by 42 U.S.C. §1395dd. The MCO must reimburse for both the physician's services and the Hospital's Emergency Services, including the emergency room and its ancillary services.

When the medical screening examination determines that an Emergency Medical Condition exists, the MCO must pay for Emergency Services performed to stabilize the Member. The emergency physician must document these services in the Member's medical record. The MCO must reimburse for both the physician's and Hospital's emergency stabilization services including the emergency room and its ancillary services.

The MCO must cover and pay for Post-Stabilization Care Services in the amount, duration, and scope necessary to comply with 42 C.F.R. §438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii). The MCO is financially responsible for post-stabilization care services obtained within or outside the Network that are not pre-approved by a Provider or other MCO representative, but administered to maintain, improve, or resolve the Member’s stabilized condition if:

1. the MCO does not respond to a request for pre-approval within one (1) hour;
2. the MCO cannot be contacted; or
3. the MCO representative and the treating physician cannot reach an agreement concerning the Member’s care and a Network physician is not available for consultation. In this situation, the MCO must give the treating physician the opportunity to consult with a Network physician and the treating physician may continue with care of the patient until an Network physician is reached. The MCO’s financial responsibility ends as follows: the Network physician with privileges at the treating Hospital assumes responsibility for the Member’s care; the Network physician assumes responsibility for the Member’s care through transfer; the MCO representative and the treating physician reach an agreement concerning the Member’s care; or the Member is discharged.

8.2.2.2 Family Planning - Specific Requirements

The MCO must provide access to confidential family planning services.

The MCO must require, through Provider contract provisions, that Members requesting contraceptive services or family planning services are also provided counseling and education about the family planning and family planning services available to Members. The MCO must develop outreach programs to increase community support for family planning and encourage Members to use available family planning services.

The MCO must ensure that Members have the right to choose any Medicaid-enrolled family planning provider, whether the provider chosen by the Member is in or outside the Provider Network. The MCO must provide Members access to information about available providers of family planning services and the Member’s right to choose any Medicaid-enrolled family planning provider.

The MCO must provide, at a minimum, the full scope of services available under the Texas Medicaid program for family planning services. The MCO will reimburse family planning agencies no less than the Medicaid fee-for service amounts for family planning services, including Medically Necessary medications, contraceptives, and supplies and will reimburse Out-of-Network family planning providers in accordance with HHSC’s administrative rules. The MCO cannot require prior authorization for family planning services whether rendered by a Network or Out-of-Network provider.

The MCO must provide medically approved methods of contraception to Members, provided that the methods of contraception are Covered Services. Contraceptive methods must be accompanied by verbal and written instructions on their correct use. The MCO must establish mechanisms to ensure all medically approved methods of contraception are made available to the Member, either directly or by referral to a Subcontractor.

The MCO must develop, implement, monitor, and maintain standards, policies and procedures for providing information regarding family planning to Providers and Members, specifically regarding State and federal laws governing Member confidentiality (including minors). Providers and family planning agencies cannot require parental consent for minors to receive family planning services. The MCO must require, through contractual provisions, that Subcontractors have mechanisms in place to ensure Member’s (including minor’s) confidentiality for family planning services.
8.2.2.3 Texas Health Steps (EPSDT)

8.2.2.3.1 Medical Checkups

The MCO must develop effective methods to ensure that children birth through age 20 receive Texas Health Steps services when due and according to the recommendations established by the Texas Health Steps periodicity schedule for children. The MCO must arrange for Texas Health Steps services for all eligible Members, except when Members or their representatives knowingly and voluntarily decline or refuse services after receiving sufficient information to make an informed decision.

For New Members birth through age 20, overdue or upcoming Texas Health Steps medical checkups should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. A Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due beginning on the child’s birthday and is considered timely if it occurs no later than 364 calendar days after the child’s birthday. For purposes of this requirement, the terms “New Member” and “Existing Member” are defined in Chapter 12.4 of the Uniform Managed Care Manual.

The MCO must have mechanisms in place to ensure that all newborn Members have an initial newborn checkup before discharge from the Hospital and in accordance with the Texas Health Steps periodicity schedule.

8.2.2.3.2 Oral Evaluation and Fluoride Varnish

The MCO must educate Providers on the availability of the Oral Evaluation and Fluoride Varnish (OEFV) Medicaid benefit that can be rendered and billed by certified Texas Health Steps providers when performed on the same day as the Texas Health Steps medical checkup. The Provider education must include information about how to assist a Member with referral to a dentist to establish a dental home.

8.2.2.3.3 Lab

The MCO must require Providers to send all Texas Health Steps newborn screens to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code. Providers must include detailed identifying information for all screened newborn Members and the Member's mother to allow DSHS to link the screens performed at the Hospital with screens performed at the newborn follow up Texas Health Steps medical checkup.

All laboratory specimens collected as a required component of a Texas Health Steps checkup (see Texas Medicaid Provider Procedures Manual for age-specific requirements) must be submitted to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code for analysis unless the Texas Medicaid Provider Procedures Manual, Children’s Services Handbook provides otherwise. The MCO must educate Providers about Texas Health Steps Program requirements for submitting laboratory tests to the DSHS Laboratory Services Section.

8.2.2.3.4 Education/Outreach

The MCO must ensure that Members are provided information and educational materials about the services available through the Texas Health Steps Program, and how and when they may obtain the services. The information should tell the Member how they can obtain dental benefits, services through the Medical Transportation Program, and advocacy assistance from the MCO. Standard language describing Texas Health Steps services, including medical, dental and case management services is provided in the UMCM. The MCO should use this language for Member Materials. Any additions to or deviations from the standard language must be reviewed and approved by HHSC prior to publication and distribution to Members.

The MCO will encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO must provide outreach to Members to ensure they receive prompt services and are effectively informed about available Texas Health Steps services. Each month, the MCO must retrieve from the HHSC Administrative Services Contractor Bulletin Board System a list of Members who are due and overdue Texas Health Steps services. Using these lists and its own internally generated list, the MCO will contact such Members to schedule the service as soon as possible. The MCO outreach staff must coordinate with Texas Health Steps outreach unit to ensure that Members have access to the Medical Transportation Program, and that any coordination with other agencies is maintained.
The MCO must cooperate and coordinate with the State, outreach programs and Texas Health Steps regional program staff and agents to ensure prompt delivery of services to Children of Migrant Farm Workers and other migrant populations who may transition into and out of the MCO’s Program more rapidly and/or unpredictably than the general population.

The MCO must make an effort to coordinate and cooperate with existing community and school-based health and education programs that offer services to school-aged children in a location that is both familiar and convenient to the Members. The MCO must make a good faith effort to comply with Head Start’s requirement that Members participating in Head Start receive their Texas Health Steps checkup no later than 45 days after enrolling into either program.

8.2.2.3.5 Training

The MCO must provide appropriate training to all Network Providers and Provider staff in the Providers' area of practice regarding the scope of benefits available and the Texas Health Steps Program. Training must include:

1. Texas Health Steps benefits;
2. the periodicity schedule for Texas Health Steps medical checkups and immunizations;
3. the required elements of Texas Health Steps medical checkups;
4. providing or arranging for all required lab screening tests (including lead screening), and Comprehensive Care Program (CCP) services available under the Texas Health Steps program to Members birth through age 20 years;
5. Medical Transportation services available to Members such as rides to healthcare service by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, meals and lodging when away from home;
6. importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
7. information about MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
8. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit; and
9. administrative issues such as claims filing and services available to Members.
10. 72-hour emergency supply prescription policy and procedures;
11. outpatient prescription drug prior authorization process;
12. how to access the Medicaid formulary and preferred drug list (PDL) on HHSC's website;
13. how to use HHSC's free subscription service for accessing the Medicaid formulary and PDL through the Internet or hand-held devices; and
14. scope of Durable Medical Equipment (DME) and other items commonly found in a pharmacy that are available for Members birth through age 20 years.

MCO must also educate and train Providers regarding the requirements imposed on HHSC and contracting MCOs under the Consent Decree and Corrective Action Orders entered in Frew v. Janek, et. al. Providers should be educated and trained to treat each Texas Health Steps visit as an opportunity for a comprehensive assessment of the Member.

8.2.2.3.6 Data Validation

The MCO must require all Texas Health Steps Providers to submit claims for services paid (either on a capitated or fee-for-service basis) on the CMS 1500 claim form and use the HIPAA compliant code set required by HHSC.

Encounter Data will be validated by chart review of a random sample of Texas Health Steps eligible enrollees against monthly Encounter Data reported by the MCO. HHSC or its designee will conduct chart reviews to validate that all screens are performed when due and as reported, and that reported data is accurate and timely. Substantial deviation between reported and charted Encounter Data could result in the MCO and/or Network Providers being investigated for potential Fraud, Abuse, or Waste without notice to the MCO or the Provider.

8.2.2.4 Perinatal Services

The MCO's perinatal Health Care Services must ensure appropriate care is provided to women and infant Members from the preconception period through the infant's first year of life. The MCO's perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act) and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems;
6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems; and
7. education and care coordination for Members who are at high-risk for preterm labor, including education on the availability of medication regimens to prevent preterm birth, such as hydroxyprogesterone caproate. The MCO should also educate Providers on the prior authorization processes for these benefits and services.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member that meets the eligibility criteria to be designated in the Pregnant Woman Risk Group no later than two (2) weeks after receiving the daily Enrollment File verifying the Member's enrollment into the MCO or has a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

The MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated Caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must Adjudicate provider claims for services provided to a newborn Member in accordance with HHSC's claims processing requirements using the proxy ID number or State-issued Medicaid ID number. The MCO cannot deny claims based on a provider's non-use of State-issued Medicaid ID number for a newborn Member. The MCO must accept provider claims for newborn services based on mother's name and/or Medicaid ID number with accommodations for multiple births, as specified by the MCO.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO's prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

8.2.2.5 Sexually Transmitted Diseases (STDs) and Human Immunodeficiency Virus (HIV)

The MCO must provide STD services that include STD/HIV prevention, screening, counseling, diagnosis, and treatment. The MCO is responsible for implementing procedures to ensure that Members have prompt access to appropriate services for STDs, including HIV. The MCO must allow Members access to STD services and HIV diagnosis services without prior authorization or referral by a PCP.

The MCO must comply with Texas Family Code Section 32.003, relating to consent to treatment by a child. The MCO must provide all Covered Services required to form the basis for a diagnosis by the Provider as well as the STD/HIV treatment plan.

The MCO must require Providers to report all confirmed cases of STDs, including HIV, to the local or regional health authority according to 25 T.A.C. §§97.131 - 97.134, using the required forms and procedures for reporting STDs. The MCO must require the Providers to coordinate with the HHSC regional health authority to ensure that Members with confirmed cases of syphilis, chancroid, gonorrhea, chlamydia and HIV receive risk reduction and partner elicitation/notification counseling.

The MCO must have established procedures to make Member records available to public health agencies with authority to conduct disease investigation, receive confidential Member information, and provide follow up activities.

The MCO must require that Providers have procedures in place to protect the confidentiality of Members provided STD/HIV services. These procedures must include, but are not limited to, the manner in which medical records are to be safeguarded, how employees are to protect medical information, and under what conditions information can be shared. The MCO must inform and require its Providers who provide STD/HIV services to comply with all state laws relating to communicable disease.
reporting requirements. The MCO must implement policies and procedures to monitor Provider compliance with confidentiality requirements.

The MCO must have policies and procedures in place regarding obtaining informed consent and counseling Members provided STD/HIV services.

8.2.2.6 Tuberculosis (TB)

The MCO must provide Members and Providers with education on the prevention, detection and effective treatment of tuberculosis (TB). The MCO must establish mechanisms to ensure all procedures required to screen at-risk Members and to form the basis for a diagnosis and proper prophylaxis and management of TB are available to all Members, except services referenced in Section 8.2.2.8 as Non-Capitated Services. The MCO must develop policies and procedures to ensure that Members who may be or are at risk for exposure to TB are screened for TB. An at-risk Member means a person who is susceptible to TB because of the association with certain risk factors, behaviors, drug resistance, or environmental conditions. The MCO must consult with the local TB control program to ensure that all services and treatments are in compliance with the guidelines recommended by the American Thoracic Society (ATS), the Centers for Disease Control and Prevention (CDC), and DSHS policies and standards.

The MCO must implement policies and procedures requiring Providers to report all confirmed or suspected cases of TB to the local TB control program within one (1) Business Day of identification, using the most recent DSHS forms and procedures for reporting TB. The MCO must provide access to Member medical records to DSHS and the local TB control program for all confirmed and suspected TB cases upon request.

The MCO must coordinate with the local TB control program to ensure that all Members with confirmed or suspected TB have a contact investigation and receive Directly Observed Therapy (DOT). The MCO must require, through contract provisions, that Providers report to DSHS or the local TB control program any Member who is non-compliant, drug resistant, or who is or may be posing a public health threat. The MCO must cooperate with the local TB control program in enforcing the control measures and quarantine procedures contained in Chapter 81 of the Texas Health and Safety Code.

The MCO must have a mechanism for coordinating a post-discharge plan for follow-up DOT with the local TB program. The MCO must coordinate with the DSHS South Texas Hospital and Texas Center for Infectious Disease for voluntary and court-ordered admission, discharge plans, treatment objectives and projected length of stay for Members with multi-drug resistant TB.

8.2.2.7 Objection to Provide Certain Services

In accordance with 42 C.F.R. §438.102, the MCO may file an objection based on moral or religious grounds to providing, reimbursing for, or providing coverage of a Covered Service or a counseling or referral service related to the Covered Service. The MCO must work with HHSC to develop a work plan to complete the necessary tasks and determine an appropriate date for implementation of the requested changes to the requirements related to Covered Services. The work plan will include timeframes for completing the necessary Contract and waiver amendments, adjustments to Capitation Rates, identification of the MCO and enrollment materials needing revision, and notifications to Members.

In order to meet the requirements of this section, no less than 120 days prior to the proposed effective date of a policy change, the MCO must notify HHSC of grounds for and provide detail concerning its moral or religious objections and the specific services covered under the objection.

8.2.2.8 Medicaid Non-capitated Services

The following Texas Medicaid programs, services, or benefits have been excluded from MCO Covered Services. Medicaid Members are eligible to receive these Non-capitated Services on a Fee-for-Service basis, or through a Dental MCO (for most dental services). MCOs should refer to relevant chapters in the Texas Medicaid Provider Procedures Manual for more information.

1. Texas Health Steps dental (including orthodontia);
2. Texas Health Steps environmental lead investigation (ELI);
3. Early Childhood Intervention (ECI) case management/service coordination;
4. Early Childhood Intervention Specialized Skills Training;
5. DSHS Targeted Case Management - coordinated by LMHAs (until August 31, 2014);
6. DSHS mental health rehabilitation (until August 31, 2014);
7. Case Management for Children and Pregnant Women;
8. Texas School Health and Related Services (SHARS);
9. Department of Assistive and Rehabilitative Services Blind Children's Vocational Discovery and Development Program;
10. tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation);
11. Health and Human Services Commission's Medical Transportation;
12. DADS hospice services;
13. Court-Ordered Commitments to inpatient mental health facilities as a condition of probation;
14. for STAR, Texas Health Steps Personal Care Services for Members birth through age 20;
15. for STAR+PLUS, Nursing Facility services (until August 31, 2014);
16. PASRR screenings, evaluations, and specialized services for STAR+PLUS Members; and
17. for Members who are enrolled in STAR or STAR+PLUS during an Inpatient Stay under one of the exceptions identified in Attachment A, Section 5.06(a)(2), Hospital facility charges associated with the Inpatient Stay are Non-Capitated Services under the circumstances described in Attachment A, Section 5.06(a)(2).

### 8.2.2.9 Referrals for Non-capitated Services

Although Medicaid MCOs are not responsible for paying or reimbursing for Non-capitated Services, MCOs are responsible for educating Members about the availability of Non-capitated Services, and for providing appropriate referrals for Members to obtain or access these services. The MCO is responsible for informing Providers that bills for all Non-capitated Services must be submitted to HHSC’s Claims Administrator for reimbursement.

### 8.2.2.10 Cooperation with Immunization Registry

The MCO must work with HHSC and health care providers to improve the immunization rate of Medicaid clients and the reporting of immunization information for inclusion in the Texas Immunization Registry, called “ImmTrac.”

### 8.2.2.11 Case Management for Children and Pregnant Women

The MCO must coordinate services with Case Management for Children and Pregnant Women. This coordination includes, but is not limited to, client education, outreach, case collaboration and referrals to Case Management for Children and Pregnant Women. The MCO is required to follow referral procedures as outlined by the State. Referrals to Case Management for Children and Pregnant Women are to be based upon guidelines provided by the State, assessment, plan of care, change in client's physical, mental or psychosocial condition, or at client's request.

Annually, all MCO Care Coordination/Case Management Staff must complete the Texas Health Steps Online module titled: Case Management Services in Texas and maintain proof of completion.

### 8.2.2.12 Children of Migrant Farm Workers (FWC)

The MCO must cooperate and coordinate with the State, outreach programs, and Texas Health Steps regional program staff and agents to ensure prompt delivery of services, in accordance with the Contract’s timeframes, to FWC Members and other migrant populations who may transition into and out of the MCO more rapidly and/or unpredictably than the general population.

The MCO must provide accelerated services to FWC Members. For purposes of this section, “accelerated services” are services that are provided to FWC Members prior to their leaving Texas for work in other states. Accelerated services include the provision of preventive Health Care Services that will be due during the time the FWC Member is out of Texas. The need for accelerated services must be determined on a case-by-case and according to the FWC Member’s age, periodicity schedule and health care needs.

The MCO must develop an annual plan identifying the process and methods it will use to identify/validate FWC and provide accelerated services to such Members in accordance with Chapter 12 of the Uniform Managed Care Manual.

### 8.2.3 Medicaid Significant Traditional Providers
In the first three operational years of a Medicaid MCO Program, the MCO must offer Network Provider agreements to all Medicaid Significant Traditional Providers (STPs) identified by HHSC. Medicaid STPs are defined as pharmacy providers and providers of Acute and Long Term Services and Supports and, for STAR+PLUS, Community-based Long Term Care providers in a county that provided a significant level of care to Medicaid clients. Effective September 1, 2014, Medicaid STPs also include Nursing Facilities and LMHAs.

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs). For STAR MCOs, the STP requirements for other provider types apply only in the Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, the STP requirements for other types of providers apply to the Jefferson, El Paso, Lubbock, and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. The RFP documents included a list of Medicaid STPs by Service Area.

Beginning September 1, 2014, Medicaid STP requirements apply statewide for Nursing Facilities in STAR+PLUS. The MCO must treat a Nursing Facility as an STP if it holds a valid certification and license and it contracts with DADS as of September 1, 2013. Also beginning September 1, 2014, Medicaid STP requirements apply statewide for LMHAs in both STAR and STAR+PLUS.

The MCO must comply with the STP enrollment requirements through August 31, 2017, for Nursing Facilities and LMHAs, and, with the exception of SUD providers, February 28, 2015 for all other STP Providers. The MCO must comply with the STP enrollment requirements for SUD providers in accordance with Section 8.2.7.2.2. Network Providers and non-network providers who believe they meet the STP requirements may contact HHSC to request HHSC’s consideration for STP status.

The MCO must give STPs the opportunity to participate in its Network for at least three years. However, the STP must:

1. agree to accept the MCO’s Provider reimbursement rate for the provider type; and
2. meet the standard credentialing requirements of the MCO, provided that lack of board certification or accreditation by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) is not the sole grounds for exclusion from the Provider Network.

The MCO may terminate a Network Provider agreement with an STP after demonstrating, to the satisfaction of HHSC, good cause for the termination. Good cause may include evidence of provider fraud, waste, or abuse.

8.2.4 Provider Complaints and Appeals

8.2.4.1 Provider Complaints

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider complaints. Within this process, the MCO must respond fully and completely to each complaint and establish a tracking mechanism to document the status and final disposition of each Provider complaint. The MCO must resolve Provider complaints within 30 days from the date the complaint is received. The HMO is subject to remedies, including liquidated damages, if at least 98 percent of Provider Complaints are not resolved within 30 days of receipt of the Complaint by the HMO. Please see the Attachment A “Uniform Managed Care Contract Terms & Conditions” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

MCOs must also resolve Provider complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will generally provide MCOs ten (10) Business Days to resolve such complaints. If an MCO cannot resolve a complaint by the due date indicated on the notification form, it may submit a request to extend the deadline. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages if Provider complaints are not resolved by the timeframes indicated herein.

8.2.4.2 Appeal of Provider Claims
MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider appeals related to claims payment, as required by Texas Government Code § 533.005(a)(15). Within this process, the MCO must respond fully and completely to each Medicaid Provider's claims payment appeal and establish a tracking mechanism to document the status and final disposition of each appeal. The MCO must allow Community-based Long Term Services and Supports providers to appeal claims that the MCO has not paid or denied by the 31st day following receipt.

In addition, the MCO's process must comply with Texas Government Code § 533.005(a)(19).

MCOs must contract with non-network physicians to resolve claims disputes related to denial on the basis of Medical Necessity that remain unresolved subsequent to a provider appeal. The determination of the physician resolving the dispute must be binding on the MCO and a Network Provider. The physician resolving the dispute must hold the same specialty or a related specialty as the appealing provider. HHSC reserves the right to amend this process to include an independent review process established by HHSC for final determination on these disputes.

8.2.5 Member Rights and Responsibilities

In accordance with 42 C.F.R. §438.100, MCOs must maintain written policies and procedures for informing Members of their rights and responsibilities, and must notify Members of their right to request a copy of these rights and responsibilities. The Member Handbook must include a notice that complies with Uniform Managed Care Manual Chapter 3.4.

8.2.6 Medicaid Member Complaint and Appeal System

The MCO must develop, implement, and maintain a Member Complaint and Appeal system that complies with the requirements in applicable federal and state laws and regulations, including 42 C.F.R. §431.200; 42 C.F.R. Part 438, Subpart F, “Grievance System”; and the provisions of 1 T.A.C. Chapter 357, relating to Medicaid managed care organizations.

The Complaint and Appeal system must include a Complaint process, an Appeal process, and access to HHSC’s Fair Hearing System. The procedures must be the same for all Members and must be reviewed and approved in writing by HHSC or its designee. Modifications and amendments to the Member Complaint and Appeal system must be submitted for HHSC’s approval at least 30 days prior to the implementation.

8.2.6.1 Member Complaint Process

The MCO must have written policies and procedures for receiving, tracking, responding to, reviewing, reporting and resolving Complaints by Members or their authorized representatives. For purposes of Section 8.2.6 an “authorized representative” is any person or entity acting on behalf of the Member and with the Member’s written consent. A Provider may be an authorized representative.

MCOs also must resolve Member Complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will provide MCOs up to ten (10) Business Days to resolve such Complaints, depending on the severity and/or urgency of the Complaint. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless the HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages, if Member Complaints are not resolved by the timeframes indicated herein.

The MCO must resolve Complaints within 30 days from the date the Complaint is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of receipt of the Complaint by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” The Complaint procedure must be the same for all Members. The Member or Member’s authorized representative may file a Complaint either orally or in writing. The MCO must also inform Members how to file a Complaint directly with HHSC, once the Member has exhausted the MCO’s Complaint process.
The MCO must designate an officer of the MCO who has primary responsibility for ensuring that Complaints are resolved in compliance with written policy and within the required timeframe. For purposes of Section 8.2.6.2, an “officer” of the MCO means a president, vice president, secretary, treasurer, or chairperson of the board for a corporation, the sole proprietor, the managing general partner of a partnership; or a person having similar executive authority in the organization.

The MCO must have a routine process to detect patterns of Complaints. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Complaints.

The MCO’s Complaint procedures must be provided to Members in writing and through oral interpretive services. A written description of the MCO’s Complaint procedures must be available in prevalent non-English languages for Major Population Groups identified by HHSC, at no more than a 6th grade reading level.

The MCO must include a written description of the Complaint process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TeleTypewriter/Telecommunications Device for the Deaf (TTY/TDD) and interpreter capabilities for making Complaints. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every Complaint received in person, by telephone, or in writing must be acknowledged and recorded in a written record and logged with the following details:

1. date;
2. identification of the individual filing the Complaint;
3. identification of the individual recording the Complaint;
4. nature of the Complaint;
5. disposition of the Complaint (i.e., how the MCO resolved the Complaint);
6. corrective action required; and
7. date resolved.

For Complaints that are received in person or by telephone, the MCO must provide Members or their representatives with written notice of resolution if the Complaint cannot be resolved within one working day of receipt.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making a Complaint.

If the Member makes a request for disenrollment, the MCO must give the Member information on the disenrollment process and direct the Member to the HHSC Administrative Services Contractor. If the request for disenrollment includes a Complaint by the Member, the Complaint will be processed separately from the disenrollment request, through the Complaint process.

The MCO will cooperate with the HHSC’s Administrative Services Contractor and HHSC or its designee to resolve all Member Complaints. Such cooperation may include, but is not limited to, providing information or assistance to internal Complaint committees.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the MCO’s Complaint system. The MCO’s Member Advocates must assist Members in writing or filing a Complaint and monitoring the Complaint through the MCO’s Complaint process until the issue is resolved.

8.2.6.2 Medicaid Standard Member Appeal Process

The MCO must develop, implement and maintain an Appeal procedure that complies with state and federal laws and regulations, including 42 C.F.R.§ 431.200 and 42 C.F.R. Part 438, Subpart F, “Grievance System.” An Appeal is a disagreement with an MCO Action as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.” The Appeal procedure must be the same for all Members. When a Member or his or her authorized representative expresses orally or in
writing any dissatisfaction or disagreement with an Action, the MCO must regard the expression of dissatisfaction as a request to Appeal an Action.

A Member must file a request for an Appeal with the MCO within 30 days from receipt of the notice of the Action. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Appeals are not resolved within 30 days of receipt of the Appeal by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” To ensure continuation of currently authorized services, however, the Member must file the Appeal on or before the later of: (1) ten (10) days following the MCO’s mailing of the notice of the Action, or (2) the intended effective date of the proposed Action. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved in compliance with written policy and within the 30-day time limit.

The provisions of Chapter 4201, Texas Insurance Code, relating to a Member’s right to Appeal an Adverse Determination made by the MCO or a utilization review agent to an independent review organization, do not apply to a Medicaid recipient. Chapter 4201 is preempted by federal Fair Hearings requirements.

The MCO must have policies and procedures in place outlining the Medical Director’s role in an Appeal of an Action. The Medical Director must have a significant role in monitoring, investigating and hearing Appeals. In accordance with 42 C.F.R.§ 438.406, the MCO’s policies and procedures must require that individuals who make decisions on Appeals are not involved in any previous level of review or decision-making, and are health care professionals who have the appropriate clinical expertise in treating the Member’s condition or disease.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the Appeal process. The MCO’s Member Advocates must assist Members in writing or filing an Appeal and monitoring the Appeal through the MCO’s Appeal process until the issue is resolved.

The MCO must have a routine process to detect patterns of Appeals. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Appeals.

The MCO’s Appeal procedures must be provided to Members in writing and through oral interpretive services. A written description of the Appeal procedures must be available in prevalent non-English languages identified by HHSC, at no more than a 6th grade reading level. The MCO must include a written description of the Appeals process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TTY/TDD and interpreter capabilities for requesting an Appeal of an Action. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every oral Appeal received must be confirmed by a written, signed Appeal by the Member or his or her representative, unless the Member or his or her representative requests an expedited resolution. All Appeals must be recorded in a written record and logged with the following details:

1. date notice is sent;
2. effective date of the Action;
3. date the Member or his or her representative requested the Appeal;
4. date the Appeal was followed up in writing;
5. identification of the individual filing;
6. nature of the Appeal; and
7. disposition of the Appeal, including a copy of the notice of disposition and the date it was sent to Member.

The MCO must send a letter to the Member within five (5) Business Days acknowledging receipt of the Appeal request. Except for the resolution of an Expedited Appeal as provided in Section 8.2.6.3, the MCO must complete the entire standard Appeal process within 30 calendar days after receipt of the initial written or oral request for Appeal. The timeframe for a standard Appeal may be extended up to 14 calendar days if the Member or his or her representative requests an extension, or the MCO shows that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is
extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved within these timeframes and in accordance with the MCO’s written policies.

During the Appeal process, the MCO must provide the Member a reasonable opportunity to present evidence and any allegations of fact or law in person as well as in writing. The MCO must inform the Member of the time available for providing this information and that, in the case of an expedited resolution, limited time will be available.

The MCO must provide the Member and his or her representative opportunity, before and during the Appeal process, to examine the Member’s case file, including medical records and any other documents considered during the Appeal process. The MCO must include, as parties to the Appeal, the Member and his or her representative, including the legal representative of a deceased Member’s estate.

In accordance with 42 C.F.R.§ 438.420, the MCO must continue the Member’s benefits currently being received by the Member, including the benefit that is the subject of the Appeal, if all of the following criteria are met:

1. the Member or his or her representative files the Appeal timely as defined in this Contract;
2. the Appeal involves the termination, suspension, or reduction of a previously authorized course of treatment;
3. the services were ordered by an authorized provider;
4. the original period covered by the original authorization has not expired; and
5. the Member requests an extension of the benefits.

If, at the Member’s request, the MCO continues or reinstates the Member’s benefits while the Appeal is pending, the benefits must be continued until one of the following occurs:

1. the Member withdraws the Appeal;
2. ten (10) days pass after the MCO mails the notice resolving the Appeal against the Member, unless the Member, within the 10-day timeframe, has requested a Fair Hearing with continuation of benefits. In such a case, the benefits will continue until a Fair Hearing decision can be reached; or
3. a State Fair Hearing Officer issues a hearing decision adverse to the Member or the time period or service limits of a previously authorized service has been met.

In accordance with 42 C.F.R. § 438.420(d), if the final resolution of the Appeal is adverse to the Member and upholds the MCO’s Action, then to the extent that the services were furnished to comply with the Contract, the MCO may recover such costs from the Member.

If the MCO or State Fair Hearing Officer reverses a decision to deny, limit, or delay services that were not furnished while the Appeal was pending, the MCO must authorize or provide the disputed services promptly and as expeditiously as the Member’s health condition requires.

If the MCO or State Fair Hearing Officer reverses a decision to deny authorization of services and the Member received the disputed services while the Appeal was pending, the MCO is responsible for the payment of services.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making an Appeal.

8.2.6.3 Expedited Medicaid MCO Appeals

In accordance with 42 C.F.R. §438.410, the MCO must establish and maintain an expedited review process for Appeals. Such expedited process will apply when the MCO determines (for a request from a Member) or the provider indicates (in making the request on the Member’s behalf or supporting the Member’s request) that taking the time for a standard resolution could seriously jeopardize the Member’s life or health. The MCO must follow all Appeal requirements for standard Member Appeals as set forth in Section 8.2.6.2, except where differences are specifically noted. The MCO must accept oral or written requests for Expedited Appeals.
Members must exhaust the MCO’s Expedited Appeal process before making a request for an expedited Fair Hearing. After the MCO receives the request for an Expedited Appeal, it must hear an approved request for a Member to have an Expedited Appeal and notify the Member of the outcome of the Expedited Appeal within three (3) Business Days, except that the MCO must complete investigation and resolution of an Appeal relating to an ongoing emergency or denial of continued Hospitalization: (1) in accordance with the medical or dental immediacy of the case; and (2) not later than one (1) Business Day after receiving the Member’s request for Expedited Appeal.

Except for an Appeal relating to an ongoing emergency or denial of continued hospitalization, the timeframe for notifying the Member of the outcome of the Expedited Appeal may be extended up to 14 calendar days if the Member requests an extension or the MCO shows (to the satisfaction of HHSC, upon HHSC’s request) that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay.

If the decision is adverse to the Member, the MCO must follow the procedures relating to the notice in Section 8.2.6.5. The MCO is responsible for notifying the Member of his or her right to access an expedited Fair Hearing from HHSC. The MCO will be responsible for providing documentation to HHSC and the Member, indicating how the decision was made, prior to HHSC’s expedited Fair Hearing.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for requesting an Expedited Appeal. The MCO must ensure that punitive action is neither taken against a provider who requests an expedited resolution or supports a Member’s request.

If the MCO denies a request for expedited resolution of an Appeal, it must:

1. transfer the Appeal to the timeframe for standard resolution, and
2. make a reasonable effort to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.4 Access to Fair Hearing for Medicaid Members

The MCO must inform Members that they have the right to access the Fair Hearing process at any time during the Appeal system provided by the MCO, with the following exception. In the case of an expedited Fair Hearing process, the MCO must inform the Member that he or she must first exhaust the MCO’s internal Expedited Appeal process prior to filing an Expedited Fair Hearing request. The MCO must notify Members that they may be represented by an authorized representative in the Fair Hearing process.

If a Member requests a Fair Hearing, the MCO will complete the request for Fair Hearing and submit the form via facsimile to the appropriate Fair Hearings office, within five (5) calendar days of the Member's request for a Fair Hearing.

Within five (5) calendar days of notification that the Fair Hearing is set, the MCO will prepare an evidence packet for submission to the HHSC Fair Hearings staff and send a copy of the packet to the Member. The evidence packet must comply with HHSC’s Fair Hearings requirements.

8.2.6.5 Notices of Action and Disposition of Appeals for Medicaid Members

The MCO must notify the Member, in accordance with 1 T.A.C. Chapter 357, whenever the MCO takes an Action. The notice must, at a minimum, include any information required by the Uniform Managed Care Manual Chapters 3.21 and 3.22 regarding notices of actions and incomplete prior authorization requests.

8.2.6.6 Timeframe for Notice of Action

In accordance with 42 C.F.R.§ 438.404(c), the MCO must mail a notice of Action within the following timeframes:

1. for termination, suspension, or reduction of previously authorized Medicaid-covered services, within the timeframes specified in 42 C.F.R.§§ 431.211, 431.213, and 431.214;
2. for denial of payment, at the time of any Action affecting the claim;
3. for standard service authorization decisions that deny or limit services, within the timeframe specified in 42 C.F.R. § 438.210(d)(1);

4. if the MCO extends the timeframe in accordance with 42 C.F.R. §438.210(d)(1), it must:
   a. give the Member written notice of the reason for the decision to extend the timeframe and inform the Member of the right to file an Appeal if he or she disagrees with that decision; and
   b. issue and carry out its determination as expeditiously as the Member’s health condition requires and no later than the date the extension expires;

5. for service authorization decisions not reached within the timeframes specified in 42 C.F.R.§ 438.210(d) (which constitutes a denial and is thus an Adverse Action), on the date that the timeframes expire; and

6. for expedited service authorization decisions, within the timeframes specified in 42 C.F.R. 438.210(d).

8.2.6.7 Notice of Disposition of Appeal

In accordance with 42 C.F.R.§ 438.408(e), the MCO must provide written notice of disposition of all Appeals including Expedited Appeals. The written resolution notice must include the results and date of the Appeal resolution. For decisions not wholly in the Member’s favor, the notice must contain:

1. the right to request a Fair Hearing;

2. how to request a Fair Hearing;

3. The circumstances under which the Member may continue to receive benefits pending a Fair Hearing;

4. how to request the continuation of benefits;

5. if the MCO’s Action is upheld in a Fair Hearing, the Member may be liable for the cost of any services furnished to the Member while the Appeal is pending; and

6. any other information required by 1 T.A.C. Chapter 357 that relates to a managed care organization’s notice of disposition of an Appeal.

8.2.6.8 Timeframe for Notice of Resolution of Appeals

In accordance with 42 C.F.R.§ 438.408, the MCO must provide written notice of resolution of Appeals, including Expedited Appeals, as expeditiously as the Member’s health condition requires, but the notice must not exceed the timeframes provided in this Section for standard Appeals or Expedited Appeals. For expedited resolution of Appeals, the MCO must make reasonable efforts to give the Member prompt oral notice of resolution of the Appeal, and follow up with a written notice within the timeframes set forth in this Section. If the MCO denies a request for expedited resolution of an Appeal, the MCO must transfer the Appeal to the timeframe for standard resolution as provided in this Section, make reasonable efforts to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.9 Medicaid Member Advocates

The MCO must provide Member Advocates to assist Members. Member Advocates must be physically located within the Service Area unless an exception is approved by HHSC. Member Advocates must inform Members of the following:

1. their rights and responsibilities,

2. the Complaint process,

3. the Appeal process,
4. Covered Services available to them, including preventive services, and
5. Non-capitated Services available to them.

Member Advocates must assist Members in writing Complaints and are responsible for monitoring the Complaint through the MCO’s Complaint process. Member Advocates are responsible for making recommendations to the MCO’s management on any changes needed to improve either the care provided or the way care is delivered. Member Advocates are also responsible for helping or referring Members to community resources that are available to meet Members’ needs if services are not available from the MCO as Covered Services.

8.2.7 Additional Medicaid Behavioral Health Provisions

8.2.7.1 Local Mental Health Authority (LMHA)

This section is deleted effective August 31, 2014.

Assessment to determine eligibility for rehabilitative and targeted DSHS case management services is a function of the LMHA. Covered Services must be provided to Members with severe and persistent mental illness (SPMI) and severe emotional disturbance (SED), when Medically Necessary, whether or not they are also receiving Targeted Case Management or rehabilitation services through the LMHA.

The MCO must enter into written agreements with all LMHAs in the Service Area that describe the process(es) that the MCO and LMHAs will use to coordinate services for Medicaid Members with SPMI or SED. The agreements will:

1. describe the Behavioral Health Services indicated in detail in the Provider Procedures Manual and in the Texas Medicaid Bulletin, include the amount, duration, and scope of basic and Value-added Services, and the MCO’s responsibility to provide these services;
2. describe criteria, protocols, procedures and instrumentation for referral of Medicaid Members from and to the MCO and the LMHA;
3. describe processes and procedures for referring Members with SPMI or SED to the LMHA for assessment and determination of eligibility for rehabilitation or Targeted Case Management Services;
4. describe how the LMHA and the MCO will coordinate providing Behavioral Health Services to Members with SPMI or SED;
5. establish clinical consultation procedures between the MCO and LMHA including consultation to effect referrals and ongoing consultation regarding the Member’s progress;
6. establish procedures to authorize release and exchange of clinical treatment records;
7. establish procedures for coordination of assessment, intake/triage, utilization review/utilization management and care for persons with SPMI or SED;
8. establish procedures for coordination of inpatient psychiatric services (including Court-ordered Commitment of Members birth through age 20) in state psychiatric facilities within the LMHA’s catchment area;
9. establish procedures for coordination of emergency and urgent services to Members;
10. establish procedures for coordination of care and transition of care for new Members who are receiving treatment through the LMHA; and
11. establish that, when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by DSHS, published at: http://www.dshs.state.tx.us/mhsa/umguidelines/.

The MCO must offer licensed practitioners of the healing arts (defined in 25 T.A.C., Part 1, Chapter 419, Subchapter L), who are part of the Member's treatment team for rehabilitation services (the Treatment Team) the opportunity to participate in the
MCO's Network. The practitioner must agree to accept the MCO's Provider reimbursement rate, meet the credentialing requirements, and comply with all the terms and conditions of the MCO's standard Provider contract. MCOs must allow Members receiving rehabilitation services to choose the licensed practitioners of the healing arts who are currently a part of the Member's Treatment Team. If the Member chooses to receive these services from Out-of-Network licensed practitioners of the healing arts who are part of the Member's Treatment Team, the MCO must reimburse the provider through Out-of-Network reimbursement arrangements. Nothing in this section diminishes the potential for the Local Mental Health Authority to seek best value for rehabilitative services by providing these services under arrangement, where possible, as specified in 25 T.A.C. §419.455.

8.2.7.2 Substance Abuse Benefit

8.2.7.2.1 Substance Abuse and Dependency Treatment Services

The requirements in this subsection apply to STAR+PLUS MCOs in all Service Areas and to STAR MCOs in all Service Areas except the Dallas Service Area. Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program.

Substance use disorder includes substance abuse and dependence as defined by the current Diagnostic and Statistical Manual of Mental Disorders (DSM).

8.2.7.2.2 Providers

Providers for the substance abuse and dependency treatment benefit include: Hospitals, chemical dependency treatment facilities licensed by the Department of State Health Services, and practitioners of the healing arts.

MCOs must include Significant Traditional Providers (STPs) of these benefits in its Network, and provide such STPs with expedited credentialing. Medicaid MCOs must enter into provider agreements with any willing Significant Traditional Provider (STP) of these benefits that meets the Medicaid enrollment requirements, MCO credentialing requirements and agrees to the MCO’s contract terms and rates. For purposes of this section, STPs are providers who meet the Medicaid enrollment requirements and have a contract with the Department of State Health Services (DSHS) to receive funding for treatment under the Federal Substance Abuse Prevention and Treatment block grant. The STP requirements described herein apply to all Service Areas, and unlike other STP requirements are not limited to the first three (3) years of operations.

MCOs must maintain a provider education process to inform substance abuse treatment Providers in the MCO’s Network on how to refer Members for treatment.

8.2.7.2.3 Care Coordination

MCOs must ensure care coordination is provided to Members with a substance use disorder. MCOs must work with providers, facilities, and Members to coordinate care for Members with a substance use disorder and to ensure Members have access to the full continuum of Covered Services (including without limitation assessment, detoxification, residential treatment, outpatient services, and medication therapy) as Medically Necessary and appropriate. MCOs must also coordinate services with the DSHS, DFPS, and their designees for Members requiring Non-Capitated Services. Non-Capitated Services includes, without limitation, services that are not available for coverage under the Contract, State Plan or Waiver that are available under the Federal Substance Abuse and Prevention and Treatment block grant when provided by a DSHS-funded provider or covered by the DFPS under direct contract with a treatment provider. MCOs must work with DSHS, DFPS, and providers to ensure payment for Covered Services is available to Out-of-Network Providers who also provide related Non-capitated Services when the Covered Services are not available through Network Providers.

8.2.7.2.4 Member Education and Self-Referral for Substance Abuse and Dependency Treatment Services

MCOs must maintain a Member education process (including hotlines, manuals, policies and other Member Materials) to inform Members of the availability of and access to substance abuse treatment services, including information on self-referral.

8.2.7.3 Mental Health Rehabilitative Services and Targeted Case Management Services

This section is effective September 1, 2014.
For Members with severe and persistent mental illness (SPMI) and severe emotional disturbance (SED), Mental Health Rehabilitative Services and Targeted Case Management must be available to eligible STAR and STAR+PLUS Members. The MCO must maintain a qualified Network of entities, such as Local Mental Health Authorities (LMHAs) and multi-specialty groups, that employ providers of these services.

Mental Health Rehabilitative Services include training and services that help the Member maintain independence in the home and community, such as the following.

1. **Medication training and support** - curriculum-based training and guidance that serves as an initial orientation for the Member in understanding the nature of his or her mental illnesses or emotional disturbances and the role of medications in ensuring symptom reduction and the increased tenure in the community.

2. **Psychosocial rehabilitative services** - social, educational, vocational, behavioral, or cognitive interventions to improve the Member’s potential for social relationships, occupational or educational achievement, and living skills development.

3. **Skills training and development** - skills training or supportive interventions that focus on the improvement of communication skills, appropriate interpersonal behaviors, and other skills necessary for independent living or, when age appropriate, functioning effectively with family, peers, and teachers.

4. **Crisis intervention** - intensive community-based one-to-one service provided to Members who require services in order to control acute symptoms that place the Member at immediate risk of hospitalization, incarceration, or placement in a more restrictive treatment setting.

5. **Day program for acute needs** - short-term, intensive, site-based treatment in a group modality to an individual who requires multidisciplinary treatment in order to stabilize acute psychiatric symptoms of prevent admission to a more restrictive setting or reduce the amount of time spent in the more restrictive setting.

The MCO must authorize Mental Health Rehabilitative Services and Targeted Case Management in accordance with UMCM Chapter 15. As described in the UMCM, from September 1, 2014, to August 31, 2015, the MCO must authorize Mental Health Rehabilitative Services and Targeted Case Management using the DSHS Resiliency and Recovery Utilization Management Guidelines (RRUMG). During this year, the MCO must also ensure that a provider review a Member’s plan of care for Mental Health Rehabilitative Services in accordance with the RRUMG to determine whether a change in the Member’s condition or needs warrants a reassessment or change in service. If the Member’s condition warrants a change in service, the provider must submit a new plan of care to the MCO for authorization. Additionally, the MCO must ensure that from September 1, 2014, to August 31, 2015, providers of Mental Health Rehabilitative Services and Targeted Case Management use, and are trained and certified to use, the Adult Needs and Strengths Assessment (ANSA) and Child and Adolescent Needs and Strengths (CANS) tools for assessing a Member’s needs.

The MCO must ensure that STAR Service Management units and STAR+PLUS Service Coordinators coordinate with providers of TCM to ensure integration of behavioral and physical health needs of Members. Additionally, the MCO must ensure that if a Member loses Medicaid eligibility, STAR Service Management units and STAR+PLUS Service Coordinators refer the Member to Local Mental Health Authorities that can provide indigent mental health care.

### 8.2.8 Third Party Liability and Recovery and Coordination of Benefits

Medicaid coverage is secondary when coordinating benefits with all other insurance coverage, unless an exception applies under federal law. Coverage provided under Medicaid will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with HHSC’s administrative rules regarding Out-of-Network payment (1 T.A.C. §353.4).

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must be in accordance with state and federal law and regulations, including Section 1902(a)(25)(E) and (F) of the Social Security Act, which require MCOs to pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action. The projected amount of TPR that the MCO is expected to recover may be factored into the rate setting process.

HHSC will provide the MCO, by Plan code, a monthly Member file (also known as a TPR client file). The file is an extract of those Medicaid Members who are known or believed to have other insurance. The file contains any Third Party Recovery (TPR) data that HHSC’s claims administration agent has on file for individual Medicaid clients, organized by name and client.
number, and adding additional relevant information where available, such as the insured's name/contact information, type of coverage, the insurance carrier, and the effective dates.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, "Financial Reporting Requirements."

After 120 days from the date of adjudication of a claim that is subject to TPR, HHSC has the right to attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated TPR or subrogation action.

8.2.9 Coordination with Public Health Entities

8.2.9.1 Reimbursed Arrangements with Public Health Entities

The MCO must make a good faith effort to enter into a Subcontract for Covered Services with Public Health Entities. Possible Covered Services that could be provided by Public Health Entities include, but are not limited to, the following services:

1. Sexually Transmitted Diseases (STDs) services;
2. confidential HIV testing;
3. immunizations;
4. tuberculosis (TB) care;
5. Family Planning services;
6. Texas Health Steps medical checkups, and
7. prenatal services.

If the MCO is unable to enter into a contract with Public Health Entities, the MCO must document efforts to contract with Public Health Entities, and make such documentation available to HHSC upon request.

MCO Contracts with Public Health Entities must specify the scope of responsibilities of each party, the methodology and agreements regarding billing and reimbursements, reporting responsibilities, Member and Provider educational responsibilities, and the methodology and agreements regarding sharing of confidential medical record information between the Public Health Entity and the MCO or PCP.

The MCO must:

1. identify care managers who will be available to assist public health providers and PCPs in efficiently referring Members to the public health providers, specialists, and health-related service providers either within or outside the MCO’s Network; and
2. inform Members that confidential healthcare information will be provided to the PCP, and educate Members on how to better utilize their PCPs, public health providers, emergency departments, specialists, and health-related service providers.

8.2.9.2 Non-Reimbursed Arrangements with Local Public Health Entities

The MCO must coordinate with Public Health Entities in its Service Area(s) regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. report to Public Health Entities regarding communicable diseases and/or diseases that are preventable by immunization as defined by state law;
2. notify the local Public Health Entity of communicable disease outbreaks involving Members; and
3. educate Members and Providers regarding WIC services available to Members.

To follow-up on suspected or confirmed cases of childhood lead exposure, the MCO must coordinate with local Public Health Entities that have a child lead program, or with the DSHS Childhood Lead Poisoning Prevention Program when the local Public Health Entity does not have a child lead program. In addition, the MCO must make a good faith effort to establish an effective working relationship with all state and local public health entities in its Service Area(s) to identify issues and promote initiatives addressing public health concerns.

**8.2.10 Coordination with Other State Health and Human Services (HHS) Programs**

The MCO must coordinate with other state HHS Programs in each Service Area regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2. or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. require Providers to use the DSHS Bureau of Laboratories for specimens obtained as part of a Texas Health Steps medical checkup, as indicated in Section 8.1.4 under Laboratory Services;

2. notify Providers of the availability of vaccines through the Texas Vaccines for Children Program;

3. work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry;

4. educate Providers and Members about services available through the Department of State Health Services (DSHS) Case Management for Children and Pregnant Women program;

5. coordinate with Case Management for Children and Pregnant Women for health care needs that are identified by Case Management for Children and Pregnant Women and referred to the MCO;

6. participate, to the extent practicable, in the community-based coalitions with the Medicaid-funded case management programs in the Department of Assistive and Rehabilitative Services (DARS), the Department of Aging and Disability Services (DADS), and DSHS;

7. cooperate with activities required of state and local public health authorities necessary to conduct the annual population and community based needs assessment;

8. report all blood lead results, coordinate and follow-up on suspected or confirmed cases of childhood lead exposure with the Childhood Lead Poisoning Prevention Program in DSHS, and follow the Centers for Disease Control and Prevention guidelines for testing children for lead and follow-up actions for children with elevated lead levels located at http://www.dshs.state.tx.us/lead/pdf_files/pb_109_physician_reference.pdf;

9. coordinate with Texas Health Steps Outreach Unit;

10. coordination of care protocols for working with Dental Contractors, as well as protocols for reciprocal referral and communication of data and clinical information regarding the Member's Medically Necessary dental Covered Services; and

11. develop a coordination plan to share with local entities regarding clients identified as requiring special needs or assistance during a disaster.

**8.2.11 Advance Directives**

Federal and state laws require MCOs and providers to maintain written policies and procedures for informing all adult Members 18 years of age and older about their rights to refuse, withhold or withdraw medical treatment and mental health treatment through advance directives (see Social Security Act §1902(a)(57) and §1903(m)(1)(A)). The MCO’s policies and procedures must include written notification to Members and comply with provisions contained in 42 C.F.R. § 489, Subpart I, relating to advance directives for all Hospitals, critical access Hospitals, skilled nursing facilities, home health agencies, providers of home health care, providers of personal care services and hospices. The MCO’s policies and procedures must comply with state laws and rules regarding:

1. a Member’s right to self-determination in making health care decisions;

2. the Advance Directives Act, Chapter 166, Texas Health and Safety Code, which includes:
a. a Member’s right to execute an advance written directive to physicians and family or surrogates, or to make a
non-written directive to administer, withhold or withdraw life-sustaining treatment in the event of a terminal or
irreversible condition;

b. a Member’s right to make written and non-written out-of-Hospital do-not-resuscitate (DNR) orders;

c. a Member’s right to execute a Medical Power of Attorney to appoint an agent to make health care decisions on
the Member’s behalf if the Member becomes incompetent; and

3. Chapter 137, Texas Civil Practice and Remedies Code, which includes a Member’s right to execute a Declaration for
Mental Health Treatment in a document making a declaration of preferences or instructions regarding mental health
treatment.

The MCO must maintain written policies for implementing a Member’s advance directive. Those policies must include a clear and precise statement of
limitation if a Provider cannot or will not implement a Member’s advance directive.

The MCO cannot require a Member to execute or issue an advance directive as a condition of receiving Health Care Services.

The MCO cannot discriminate against a Member based on whether or not the Member has executed or issued an advance directive.

The MCO’s policies and procedures must require the MCO and Subcontractors to comply with the requirements of state and federal law relating to advance
directives. The MCO must provide education and training to employees and Members on issues concerning advance directives.

All materials provided to Members regarding advance directives must be written at a 7th - 8th grade reading comprehension level, except where a provision is
required by state or federal law and the provision cannot be reduced or modified to a 7th - 8th grade reading level because it is a reference to the law or is
required to be included “as written” in the state or federal law.

The MCO must notify Members of any changes in state or federal laws relating to advance directives within 90 days from the effective date of the change,
unless the law or regulation contains a specific time requirement for notification.

8.2.12 SSI Members

A Member’s SSI status is effective the date the State’s eligibility system identifies the Member as Type Program 13 (TP13). The State is responsible for
updating the State's eligibility system within 45 days of official notice of the Member’s Federal SSI eligibility by the Social Security Administration (SSA).

8.2.13 Medicaid Wrap-Around Services

The MCO may be required to supplement Medicare coverage for STAR+PLUS Members by providing services, supplies, and outpatient drugs and
biologicals that are available under the Texas Medicaid program. There are 3 categories of Medicaid wrap-around services:

1. Medicaid Only Services (i.e., services that do not have a corresponding Medicare service);
2. Medicare Services that become a Medicaid expense due to a benefit limitation on the Medicare side being met; and
3. Medicare Services that become a Medicaid expense due to coinsurance (True Cross-over Claims).

Section 8.2.13.1 includes requirements for Medicaid wrap-around services for outpatient drugs and biological products. HHSC will provide advance written
notice to the MCOs identifying other types of Medicaid wrap-around services that will become Covered Services, and the effective date of coverage.

8.2.13.1 Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products

Effective March 1, 2012, STAR+PLUS MCOs will provide Medicaid wrap-around services for outpatient drugs and biological products to STAR+PLUS
Members under a non-risk, cost settlement basis, as described in Attachment A, Section 10.16,
“Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products.” Refer to HHSC’s Uniform Managed Care Manual, Chapter 2.2, "Pharmacy Claims Manual," for additional information regarding the claims processing requirements for these Medicaid wrap-around services.

8.2.14 Medical Transportation

HHSC reserves the right to amend the scope of the Contract to include medical transportation services (MTP) for Medicaid Members. For additional information regarding the MTP Program, the MCO should refer to the Nonemergency Medical Transportation (NEMT) Full Risk Broker Services RFP. MCOs should note that the MTP Program includes numerous Frew v. Janek requirements, including enhanced call center performance standards. If MTP services are added to the scope of the Contract, HHSC will provide advance written notice and conduct appropriate Readiness Review.

8.2.15 This Section Intentionally Left Blank

8.2.16 Supplemental Payments for Qualified Providers

In accordance with PPACA as amended by Section 1202 of the Health Care and Education Reconciliation Act and corresponding federal regulations at 42 C.F.R §§ 438.6 and 438.804, the MCO will make supplemental payments to qualified Medicaid providers for dates of service beginning on January 1, 2013, and ending on December 31, 2014. The Uniform Managed Care Manual will identify the types of providers and services that qualify for the supplemental payments.

HHSC or its Administrative Services Contractor will conduct the provider self-attestation process, and determine which providers and services are eligible for supplemental payments. HHSC will use encounter and other data provided by the MCO to calculate supplemental payments, and will provide the MCO with detailed reports identifying qualified providers, claims, and supplemental payment amounts. The MCO will use this information to respond to provider inquiries and complaints regarding supplemental payments, and will refer all cases for resolution as directed by HHSC.

The MCO will pay claims from qualified Network Providers at the MCO's contracted rates, and out-of-network providers in accordance with 1 Tex. Admin. Code § 353.4. The MCO's encounter data should reflect the actual amount paid to providers, and should not be adjusted to include supplemental payment amounts.

As described in Attachment A, Section 10.17, "Pass-through Payments for Provider Rate Increases," the MCO must pay the full amount of supplemental payments to qualified providers no later than 30 calendar days after receipt of HHSC's supplemental payment report, contingent upon MCO's receipt of payment of the allocation. The MCO must submit a report and certification, in the form and manner identified in the Uniform Managed Care Manual, to validate that payments have been made to qualified providers in accordance with HHSC's calculations. In addition, the MCO must provide reports, in the manner and frequency prescribed in the Uniform Managed Care Manual, documenting all claims adjustments that alter the supplemental payment amounts, including documentation of recoupments of overpaid amounts. The MCO must collect and refund all overpayments of supplemental payments to HHSC in the format and manner prescribed in the Uniform Managed Care Manual. In cases where a third party is responsible for all or part of a Covered Service and the MCO recovers only part of the amount paid by the MCO, then the amount recovered must be applied first to the supplemental payment and returned to HHSC. If the amount recovered is less than the supplemental payment, then the MCO will return the full amount of the recovery to HHSC.

8.3 Additional STAR+PLUS Scope of Work

8.3.1 Covered Community-Based Long-Term Services and Supports

The MCO must ensure that STAR+PLUS Members needing Community Long-term Services and Supports are identified, and that services are referred and authorized in a timely manner. The MCO must ensure that Providers of Community Long-term Services and Supports are licensed or certified to deliver the services they provide. The inclusion of Community Long-term Services and Supports in a managed care model presents challenges, opportunities and responsibilities.
Community Long-term Services and Supports may be necessary as a preventive service to avoid more expensive hospitalizations, emergency room visits, or institutionalization. Community Long-term Services and Supports should also be made available to Members to assure maintenance of the highest level of functioning possible in the least restrictive setting. Community Long-term Services and Supports to assist with the activities of daily living must be considered as important as needs related to a medical condition. MCOs must provide both Medically Necessary and Functionally Necessary Covered Services to Community Long-term Services and Supports Members.

8.3.1.1 Community Based Long-Term Services and Supports Available to All Members

The MCO must contract with Providers of Personal Assistance Services (PAS) and Day Activity and Health Services (DAHS) to ensure access to these services for all STAR+PLUS Members. At a minimum, these Providers must meet all of the following state licensure and certification requirements for providing the services in Attachment B-2.2, STAR+PLUS Covered Services.

| Community-based Long-Term Services and Supports Available to All Members |
|---------------------------------|---------------------------------------------------------------|
| Service                         | Licensure and Certification Requirements                     |
| Primary Home Care               | The Provider must be licensed by DADS as a Home and Community Support Services Agency (HCSSA). The level of licensure required depends on the type of service delivered. NOTE: For primary home care and client managed attendant care, the agency may have only the Personal Assistance Services level of licensure. |
| Day Activity and Health Services (DAHS) | The Provider must be licensed by the DADS Regulatory Division as an adult day care provider. To provide DAHS, the Provider must provide the range of services required for DAHS. |

8.3.1.2 HCBS STAR+PLUS Waiver Services Available to Qualified Members

The HCBS STAR+PLUS Waivers provides Community Long-term Services and Supports to Medicaid Eligibles who are elderly and to adults with disabilities as a cost-effective alternative to living in a nursing facility. These Members must be age 21 or older, be a Medicaid recipient or be otherwise financially eligible for waiver services. To be eligible for HCBS STAR+PLUS Waiver Services, a Member must meet income and resource requirements for Medicaid nursing facility care, and receive a determination from HHSC on the medical necessity/level of care of the nursing facility care. The MCO must make available to STAR+PLUS Members who meet these eligibility requirements the array of services allowable through HHSC's CMS-approved HCBS STAR+PLUS Waiver (see Attachment B-2.2, “STAR+PLUS Covered Services”).

| Community-based Long-Term Services and Supports under the HCBS STAR+PLUS Waiver |
|---------------------------------|---------------------------------------------------------------|
| Service                         | Licensure and Certification Requirements                     |
| Personal Assistance Services    | The Provider must be licensed by DADS as a Home and Community Support Services Agency (HCSSA). The level of licensure required depends on the type of service delivered. For Primary Home Care and Client Managed Attendant Care, the agency may have only the Personal Assistance Services level of licensure. |
Employment Assistance (effective September 1, 2014)

The Provider must meet all of the criteria in one of these three options.

**Option 1:**
a bachelor's degree in rehabilitation, business, marketing, or a related human services field; and one year of documented experience providing employment assistance or supported employment services to people with disabilities in a professional or personal setting.

**Option 2:**
an associate's degree in rehabilitation, business, marketing, or a related human services field; and two years of documented experience providing employment assistance or supported employment services to people with disabilities in a professional or personal setting.

**Option 3:**
a high school diploma or GED; and three years of documented experience providing employment assistance or supported employment services to people with disabilities in a professional or personal setting.

Supported Employment (effective September 1, 2014)

The Provider must meet all of the criteria in one of these three options.

**Option 1:**
a bachelor's degree in rehabilitation, business, marketing, or a related human services field; and one year of documented experience providing employment assistance or supported employment services to people with disabilities in a professional or personal setting.

**Option 2:**
an associate's degree in rehabilitation, business, marketing, or a related human services field; and two years of documented experience providing employment assistance or supported employment services to people with disabilities in a professional or personal setting.

**Option 3:**
a high school diploma or GED; and three years of documented experience providing employment assistance or supported employment services to people with disabilities in a professional or personal setting.

Assisted Living Services

The Provider must be licensed by the Texas Department of Aging and Disability Services, Long Term Care Regulatory Division in accordance with 40 T.A.C., Part 1, Chapter 92. The type of licensure determines what services may be provided.
<table>
<thead>
<tr>
<th>Service</th>
<th>Licensure and Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Response Service Provider</td>
<td>Licensed by the Texas Department of State Health Services as a Personal Emergency Response Services Agency under 25 T.A.C., Part 1, Chapter 140, Subchapter B.</td>
</tr>
<tr>
<td>Nursing Services</td>
<td>Licensed Registered Nurse by the Texas Board of Nursing under 22 T.A.C., Part 11, Chapter 217. The registered nurse must comply with the requirements for delivery of nursing services, which include requirements such as compliance with the Texas Nurse Practice Act and delegation of nursing tasks. The licensed vocational nurse must practice under the supervision of a registered nurse, licensed to practice in the State.</td>
</tr>
<tr>
<td>Cognitive Rehabilitation Therapy (effective March 1, 2014)</td>
<td>Psychologist must be licensed under Texas Occupations Code Chapter 501. Speech and language pathologists must be licensed under Texas Occupations Code Chapter 401. Occupational Therapist must be licensed under Texas Occupations Code Chapter 454.</td>
</tr>
<tr>
<td>Adult Foster Care</td>
<td>Adult foster care homes must meet the minimum standards described in the STAR+PLUS Handbook Section 7100 found at <a href="http://www.dads.state.tx.us/handbooks/sph/">http://www.dads.state.tx.us/handbooks/sph/</a>. Adult foster care homes serving four or more participants must be licensed by DADS under 40 Tex. Admin. Code Chapter 92.</td>
</tr>
<tr>
<td>Dental</td>
<td>Licensed by the Texas State Board of Dental Examiners as a Dentist under 22 T.A.C., Part 5, Chapter 101.</td>
</tr>
<tr>
<td>Respite Care</td>
<td>Licensed by DADS as a Home and Community Support Services Agency (HCSSA) under 40 T.A.C., Part 1, Chapter 97.</td>
</tr>
<tr>
<td>Home Delivered Meals</td>
<td>Providers must comply with requirement of 40 T.A.C., Part 1, Chapter 55 for providing home delivered meal services, which include requirements such as dietary requirements, food temperature, delivery times, and training of volunteers and others who deliver meals.</td>
</tr>
<tr>
<td>Physical Therapy (PT) Services</td>
<td>Licensed Physical Therapist through the Texas Board of Physical Therapy Examiners, Chapter 453 of the Texas Occupations Code.</td>
</tr>
<tr>
<td>Occupational Therapy (OT) Services</td>
<td>Licensed Occupational Therapist through the Texas Board of Occupational Therapy Examiners, Chapter 454 of the Texas Occupations Code.</td>
</tr>
<tr>
<td>Speech, Hearing, and Language Therapy Services</td>
<td>Licensed Speech Therapist through the Department of State Health Services.</td>
</tr>
<tr>
<td>Financial Management Services</td>
<td>The Providers must complete DADS' required training. Current FMSAs contracted by DADS are assumed to have completed the training.</td>
</tr>
<tr>
<td>Support Consultation</td>
<td>Providers must be certified by the Department of Aging and Disability Services.</td>
</tr>
</tbody>
</table>
Transition Assistance Services (TAS)
The Provider must comply with the requirements for delivery of TAS, which include requirements such as allowable purchases, cost limits, and timeframes for delivery. TAS providers must demonstrate knowledge of, and experience in, successfully serving individuals who require home and community-based services.

<table>
<thead>
<tr>
<th>Service</th>
<th>No licensure or certification requirements.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor Home Modification</td>
<td></td>
</tr>
<tr>
<td>Adaptive Aids and Medical Equipment</td>
<td></td>
</tr>
<tr>
<td>Medical Supplies</td>
<td></td>
</tr>
</tbody>
</table>

8.3.2 Service Coordination

8.3.2.1 Service Coordination Plan Requirements

The MCO must implement an HHSC-approved service coordination plan no later than October 1, 2013. At a minimum, the service coordination plan must address:

- how outreach to Members will be conducted;
- how Members are assessed and their service plans developed (the initial identification of Members' needed services and supports);
- how Members will be identified as needing an assessment when changes in their health or life circumstances occur;
- the Member's needs and preferences;
- the minimum number of service coordination contacts a Member will receive per year;
- how service coordination will be provided (face-to-face, telephone contact, etc.); and
- how these service coordination services will be tracked by the MCO.

The service coordination plan must address service planning for Members in the following categories.

- Level 1 Members: Highest level of utilization
  - Includes HCBS SPW, Nursing Facility, and other Members with complex medical needs.
  - MCOs must provide Level 1 Members with a single identified person as their assigned Service Coordinator. Beginning September 1, 2014, all Members within a Nursing Facility must have the same assigned Service Coordinator. HHSC must provide written approval for any exceptions.
  - At a minimum, beginning September 1, 2014, all Level 1 Members in a Nursing Facility must receive quarterly face-to-face visits, including Nursing Facility care planning meetings or other interdisciplinary team meetings.
  - All other Level 1 Members must receive a minimum of two face-to-face service coordination contacts annually.

- Level 2 Members: Lower risk/utilization
  - MCOs must provide Level 2 Members with a single identified person as their assigned Service Coordinator. Members and required assessments are as follows.
  - Members receiving LTSS for Personal Assistance Services or Day Activity and Health Services (PAS and DAHS) must receive a minimum of one face-to-face and one telephone service coordination contact annually.
  - Members with a history of behavioral health issues (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephone service coordination contact annually.
  - Members with a history of substance abuse (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephone service coordination contact annually.
  - Dual Eligibles who do not meet Level 1 requirements must receive a minimum of two telephone service coordination contacts annually.

- Level 3 Members: Members who do not qualify as Level 1 or Level 2
  - MCO must make at least two telephone service coordination outreach contacts yearly.
  - Level 3 Members are not required to have a named Service Coordinator, unless they request service coordination services.
MCOs must provide written notice to all STAR+PLUS Members (including Level 3 Members who do not have a named Service Coordinator) that includes:

- A description of service coordination; and
- The MCO's Service Coordination phone number.

MCOs must notify all STAR+PLUS Members receiving service coordination of:

- The name of their Service Coordinator;
- The phone number of their Service Coordinator;
- The minimum number of contacts they will receive every year; and
- The types of contacts they will receive.

### 8.3.2.2 Service Coordination Structure

Individuals receiving Level 1 or Level 2 Service Coordination must have a single, identified person as their assigned Service Coordinator and the MCO must notify Members within 15 Business Days of the name and phone number of their new Service Coordinator, if their Service Coordinator changes. The MCO must also post the new Service Coordinator's information on the portal within the same time period.

Service coordination teams must be led by at least one Service Coordinator. Team members must have the following expertise or access within the MCO to identified subject matter experts in the following areas.

- Behavioral health, including outpatient services and Mental Health Rehabilitative Services (Mental Health Rehabilitative Services become Covered Services September 1, 2014)
- Substance abuse
- Local resources (such as basic needs like housing, food, utility assistance)
- Pediatrics
- LTSS
- End of life/advanced illness
- Acute care
- Preventive care
- Cultural competency
- Pharmacology
- Nutrition
- Texas Promoting Independence strategies
- Consumer Directed Services options
- Person-directed planning
- Employment Assistance and Supported Employment (become Covered Services September 1, 2014)
- PASRR requirements (effective September 1, 2014)

Service Coordination teams will have an overarching philosophy of independent living, self-determination, and community integration.

All STAR+PLUS MCOs must provide dedicated toll-free service coordination phone numbers. These numbers, if not regional, must have the capabilities of warm transferring to the MCO's regional office.

The MCO must furnish a Service Coordinator to all STAR+PLUS Members who request one. The MCO should also furnish a Service Coordinator to a STAR+PLUS Member when the MCO determines one is required through an assessment of the Member's health and support needs. If the Member refuses Service Coordination, the MCO should document the refusal in the Member's case file.

At a minimum, the MCO will have three tiers of Service Coordination for all Members.
The MCO must ensure that each STAR+PLUS Member has a qualified PCP who is responsible for overall clinical direction and, in conjunction with the Service Coordinator, serves as a central point of integration and coordination of Covered Services, including primary, Acute Care, Long-term Services and Supports, and Behavioral Health Services.

The Service Coordinator must work with the Member's PCP to coordinate all STAR+PLUS Covered Services and any applicable Non-capitated Services. This requirement applies regardless of whether the PCP is in the MCO's Network particularly for Dual Eligible Members. In order to integrate the Member's care while remaining informed of the Member's needs and condition, the Service Coordinator must actively involve the Member's primary and specialty care Providers, including Behavioral Health Service Providers, Providers of Non-capitated Services, and Medicare Advantage health plans for qualified Dual Eligible Members. When considering whether to refer a Member to a nursing facility or other long-term care facility, the MCO must consider the availability of the Program of All-Inclusive Care for the Elderly (PACE) for that Member.

Dual Eligible Members receive most Acute Care services through Medicare, rather than Medicaid.

The MCO must identify and train Members or their families to coordinate their own care, to the extent of the Member's or the family's capability and willingness to coordinate care.

8.3.2.3 Service Coordinators

The MCO must employ as Service Coordinators persons experienced in meeting the needs of vulnerable populations who have Chronic or Complex Conditions. Service Coordinators are Key MCO Personnel as described in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.02, and must meet the requirements set forth in Section 4.04.1 of Attachment A.

Service Coordinators must meet the following minimum requirements:

- A Service Coordinator for a **Level 1** Member must be a registered nurse (RN) or nurse practitioner (NP). Licensed vocational nurses (LVNs) employed as Service Coordinators before March 1, 2013 will be allowed to continue in that role.
- A Service Coordinator for a **Level 2 or 3** Member must have an undergraduate or graduate degree in social work or a related field or be an LVN, RN, NP, or physician's assistant (PA); or have a minimum of a high school diploma or GED and direct experience with the ABD/SSI population in three of the last five years.
- Service Coordinators for **Level 3** Members must have experience in meeting the needs of the member population served (for example, people with disabilities).
- Service Coordinators must possess knowledge of the principles of most integrated settings, including federal and state requirements.
- Service Coordinators must complete 16 hours of service coordination training every two years. MCOs must administer the training, which must include:
  - information related to the population served;
  - how to assess Member's medical, behavioral health, and social needs and concerns;
  - how to assess and provide information to Members related to Employment Assistance and Supported Employment (become Covered Services September 1, 2014);
  - how to provide Targeted Case Management for Members receiving Mental Health Rehabilitative Services (become Covered Services September 1, 2014);
  - PASRR requirements (effective September 1, 2014)
  - person-directed planning;
  - refresher of available local and statewide resources; and
  - respect for cultural, spiritual, racial, and ethnic beliefs of others.

8.3.2.4 Referral to Community Organizations

The MCO must provide information about and referral to community organizations that may not be providing STAR+PLUS Covered Services, but are otherwise important to the health and wellbeing of Members. These organizations include, but are not limited to:

1. state/federal agencies (e.g., those agencies with jurisdiction over aging, public health, substance abuse, mental health/retardation, rehabilitation, developmental disabilities, income support, nutritional assistance, family support agencies, etc.);
2. social service agencies (e.g., area agencies on aging, residential support agencies, independent living centers, supported employment agencies, etc.);
3. city and county agencies (e.g., welfare departments, housing programs, etc.);
4. civic and religious organizations; and
5. consumer groups, advocates, and councils (e.g., legal aid offices, consumer/family support groups, permanency planning, etc.).

8.3.2.5 Discharge Planning

The MCO must provide discharge planning, transition care, and other education programs to Network Providers regarding all available long-term care settings and options. The MCO must have a protocol for quickly assessing the needs of Members discharged from a Hospital, Nursing Facility, or other care or treatment facility.

The MCO’s Service Coordinator must work with the Member’s PCP, the Hospital, or Nursing Facility discharge planner(s), the attending physician, the Member, and the Member’s family to assess and plan for the Member’s discharge. When Long-term Services and Supports are needed, the MCO must ensure that the Member’s discharge plan includes arrangements for receiving community-based care whenever possible. The MCO must ensure that the Member, the Member’s family, and the Member’s PCP are all well informed of all service options available to meet the Member’s needs in the community.

8.3.2.6 Transition Plan for New STAR+PLUS Members

The MCO must provide a transition plan for Members enrolled in the STAR+PLUS Program. HHSC, or the previous STAR+PLUS MCO contractor, will provide the MCO with information such as detailed care plans and names of current providers, for newly enrolled Members already receiving Long-term Services and Supports, including Nursing Facility Services, at the time of enrollment in the MCO. The MCO must ensure that current providers are paid for Medically Necessary and Functionally Necessary Covered Services that are delivered in accordance with the Member’s existing care plan after the Member is enrolled in the MCO and until the transition plan is developed.

The transition planning process must include the following:

1. review of existing care plans prepared by DADS or another STAR+PLUS MCO;
2. preparation of a transition plan that ensures continuous care under the Member’s existing Care Plan during the transfer into the MCO’s Network while the MCO conducts an appropriate assessment and development of a new plan, if needed;
3. if durable medical equipment or supplies had been ordered prior to enrollment but have not been received by the time of enrollment, coordination and follow-through to ensure that the Member receives the necessary supportive equipment and supplies without undue delay; and
4. payment to the existing provider of service under the existing authorization for up to six months, until the MCO has completed the assessment and Service Plans and issued new authorizations.

Except as provided below, the MCO must review any existing care plan and develop a transition plan within 30 days of receiving notice of the Member’s enrollment. For all existing care plans received prior to the Operational Start Date, the MCO will have additional time to complete this process, not-to-exceed 120 days after the Member’s enrollment. The transition plan will remain in place until the MCO contacts the Member or the Member’s representative and coordinates modifications to the Member’s current plan. The MCO must ensure that the existing services continue and that there are no breaks in services. For initial implementation of the STAR+PLUS program in a Service Area, the MCO must honor existing LTSS authorizations for up to six months following the Operational Start Date, or until the MCO has evaluated and assessed the Member and issued new authorizations. For the carve-in of Nursing Facility services effective September 1, 2014, the MCO must honor existing authorizations for the earliest of (1) six months after the carve-in of Nursing Facility services, (2) until the expiration date of the prior authorization, or (3) until the MCO has evaluated and assessed the Member and issued or denied a new authorization.

The transition plan must include:

1. the Member’s history;
2. summary of current medical, behavioral health, and social needs and concerns;
3. short-term and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide these services.
The transition plan may include information for services outside the scope of covered benefits such as how to access affordable, integrated housing.

The MCO must ensure that the Member or the Member’s representative is involved in the assessment process and fully informed about options, is included in the development of the transition plan, and is in agreement with the plan when completed.

8.3.2.7 Centralized Medical Record and Confidentiality

The Service Coordinator must be responsible for maintaining a centralized record related to Member contacts, assessments and service authorizations. The MCO must ensure that the organization of and documentation included in the centralized Member record meets all applicable professional standards ensuring confidentiality of Member records, referrals, and documentation of information.

The MCO must have a systematic process for generating or receiving referrals and sharing confidential medical, treatment, and planning information across providers.

8.3.2.8 Nursing Facilities

This section is deleted effective August 31, 2014.

Nursing facility care, although a part of the care continuum, presents a challenge for managed care. Because of the process for becoming eligible for Medicaid assistance in a nursing facility, there is frequently a significant time gap between entry into the nursing home and determination of Medicaid eligibility. During this gap, it is likely that the resident will have “nested” in the facility and many of the community supports are no longer available. To require participation of all nursing facility residents would result in the MCO maintaining a Member in the nursing facility without many options for managing their health. For this reason, persons who qualify for Medicaid as a result of nursing facility residency are not enrolled in STAR+PLUS.

The STAR+PLUS MCO must participate in the Promoting Independence (PI) initiative for such individuals. PI is a philosophy that aged and disabled individuals remain in the most integrated setting to receive Long-term Services and Supports. PI is Texas' response to the U.S. Supreme Court ruling in Olmstead v. L.C., which requires states to provide community-based services for persons with disabilities who would otherwise be entitled to institutional services, when:

1. the state's treatment professionals determine that such placement is appropriate;
2. the affected persons do not oppose such treatment; and
3. the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services.

In accordance with legislative direction, the MCO must designate a point of contact to receive referrals for nursing facility residents who may potentially be able to return to the community through the use of HCBS STAR+PLUS Waiver services. To be eligible for this option, an individual must reside in a nursing facility until a written plan of care for safely moving the resident back into a community setting has been developed and approved.

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The nursing facility will bill the state directly for covered nursing facility services delivered while the Member is in the nursing facility. See Section 8.3.2.7 for further information.

The MCO is responsible for the Member at the time of nursing facility entry and must utilize the Service Coordinator staff to complete an assessment of the Member within 30 days of entry in the nursing facility, and develop a plan of care to transition the Member back into the community if possible. If at this initial review, return to the community is possible, the Service Coordinator will work with the resident and family to return the Member to the community using HCBS STAR+PLUS Waiver Services.

If the initial review does not support a return to the community, the Service Coordinator will conduct a second assessment 90 days after the initial assessment to determine any changes in the individual's condition or circumstances that would allow a return to the community. The Service Coordinator will develop and implement the transition plan.

The MCO will provide these services as part of the PI initiative. The MCO must maintain the documentation of the assessments completed and make them available for state review at any time.
It is possible that the STAR+PLUS MCO will be unaware of the Member's entry into a nursing facility. It is the responsibility of the nursing facility to review the Member's Medicaid card upon entry into the facility and notify the MCO. The nursing facility is also required to notify HHSC of the entry of a new resident.

8.3.2.9 MCO Four-Month Liability for Nursing Facility Care

This section is deleted effective August 31, 2014.

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four months. The four months do not have to be consecutive. Upon completion of four months of nursing facility care, the individual will be disenrolled from the STAR+PLUS Program and the Medicaid Fee-for-Service program will provide Medicaid benefits. A STAR+PLUS Member may not change MCOs while in a nursing facility. In February 2014, HHSC will turn off the four-month liability counter described above. STAR+PLUS Members who enter a Nursing Facility and who reach the four-month liability between February and August 31, 2014, will remain in managed care.

Tracking the four months of liability is done through a counter system. The four-month counter starts with the earlier of: (1) the date of the Medicaid admission to the nursing facility, or (2) on the 21st day of a Medicare stay, if applicable. A partial month counts as a full month. In other words, the month in which the Medicaid admission occurs or the month on which the 21st day of the Medicare stay occurs is counted as one of the four months.

The MCO will not be responsible for the cost of care provided in a nursing facility. For Medicaid-only Members, the MCO is responsible for cost of Covered Services provided outside of the nursing facility. The MCO will not maintain nursing facilities in its Provider Network, and will not reimburse the nursing facilities for Covered Services provided in such facilities. Nursing facilities will use the traditional Fee-for-Service (FFS) system of billing HHSC rather than billing the MCO.

8.3.2.10 Prioritization Plan

Prior to the 3/1/2012 Operational Start Date of the STAR+PLUS Program in the Expansion Service Areas, HHSC and DADS will provide the MCO a plan that outlines a priority of populations and special handling procedures that the MCO must implement to help ensure timely assessments for potential enrollees and incoming Members as well as continuity of care for incoming Members. The populations that will be part of the priority list will include but are not limited to Money Follows the Person (MFP); Medically Dependent Children Program (MDCP), Comprehensive Care Program -Personal Care Services (CCP-PCS) and Comprehensive Care Program-Private Duty Nursing (CCP-PDN) aging out consumers; 217-Like Group Interest List consumers; and Supplemental Security Income (SSI) consumer. HHSC and/or DADS will also provide the MCO with information concerning Members who will be enrolled through manual processes and will need expedited access to services.

8.3.3 STAR+PLUS Assessment Instruments

The MCO must have and use functional assessment instruments to identify Members with significant health problems, Members requiring immediate attention, and Members who need or are at risk of needing Long-term Services and Supports. The MCO, a Subcontractor, or a Provider may complete assessment instruments, but the MCO remains responsible for the data recorded.

MCOs must use the DADS Form 2060, as amended or modified, to assess a Member's need for Functionally Necessary Personal Attendant Services. The MCO may adapt the form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. The DADS Form 2060 must be completed if a need for or a change in Personal Attendant Services is warranted at the initial contact, at the annual reassessment, and anytime a Member requests the services or requests a change in services. The DADS Form 2060 must also be completed at any time the MCO determines the Member requires the services or requires a change in the Personal Attendant Services that are authorized.

MCOs must use the Texas Medicaid Personal Care Assessment Form (PCAF Form) in lieu of the DADS Form 2060 for children under the age of 21 when assessing the Member's need for Functional Necessary Personal Attendant Services. MCOs may adapt the PCAF Form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. Reassessments using the PCAF Form must be completed.
every 12 months and as requested by the Member's parent or other legal guardian. The PCAF Form must also be completed at any time the MCO determines the Member may require a change in the number of authorized Personal Attendant Service hours.

For Members and applicants seeking or needing the HCBS STAR+PLUS Waiver services, the MCOs must use the Community Medical Necessity and Level of Care Assessment Instrument, as amended or modified, to assess Members and to supply current medical information for Medical Necessity determinations. The MCO must also complete the Individual Service Plan (ISP), Form 3671 for each Member receiving HCBS STAR+PLUS Waiver Services. The ISP is established for a one-year period. After the initial ISP is established, the ISP must be completed on an annual basis and the end date or expiration date does not change. Both of these forms (Community Medical Necessity and Level of Care Assessment Instrument and Form 3671) must be completed annually at reassessment.

The MCO is responsible for tracking the end dates of the ISP to ensure all Member reassessment activities have been completed and posted on the LTC online portal prior to the expiration date of the ISP. Note that the MCO cannot submit its initial Community Medical Necessity and Level of Care Assessment Instrument earlier than 120 days prior to the expiration date of the ISP. An Initial Community Medical Necessity and Level of Care determination will expire 120 days after it is approved by the HHSC Claims Administrator. The MCO cannot submit a renewal of the Community Medical Necessity and Level of Care Assessment Instrument earlier than 90 days prior to the expiration date of the ISP. The renewal will expire 90 days after it is approved by the HHSC Claims Administrator.

For Members needing Nursing Facility Services on or after September 1, 2014, the MCO's Network Provider Agreement must require that the Nursing Facility use the state and federally-required assessment instrument, as amended or modified, to assess Members and to supply current medical information for Medical Necessity determinations. The MCO's Network Provider Agreement must require the Nursing Facility to supply these assessments to the MCO.

8.3.4 HCBS STAR+PLUS Waiver Service Eligibility

Recipients of HCBS STAR+PLUS Waiver services must meet level of care criteria for participation in the waiver and must have a plan of care at initial determination of eligibility in which the plan's annualized cost is equal to or less than 202% of the annualized cost of care if the individual were to enter a nursing facility. If the MCO determines that the recipient's cost of care will exceed the 202% limit, the MCO will submit to HHSC's Health Plan Operations Unit a request to consider the use of State General Revenue Funds to cover costs over the 202% allowance, as per HHSC's policy and procedures related to use of general revenue for HCBS STAR+PLUS Waiver participants. If HHSC approves the use of State General Revenue Funds, the MCO will be allowed to provide waiver services as per the Individual Service Plan, and non-waiver services (services in excess of the 202% allowance) utilizing State General Revenue Funds. Non-waiver services are not Medicaid Allowable Expenses, and may not be reported as such on the FSRs. The MCO will submit reports documenting expenses for non-waiver services in an HHSC-approved format. HHSC will reimburse the MCO for such expenses.

8.3.4.1 For Members

Members can request to be tested for eligibility into the HCBS STAR+PLUS Waiver. The MCO can also initiate HCBS STAR+PLUS Waiver eligibility testing on a STAR+PLUS Member if the MCO determines that the Member would benefit from the HCBS STAR+PLUS Waiver services.

To be eligible for the HCBS STAR+PLUS Waiver, the Member must meet Medical Necessity/Level of Care and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that that Member has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost limit. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the Member and the MCO of the eligibility determination, which will be based on results of the assessments and the information provided by the MCO. If the STAR+PLUS Member is eligible for HCBS STAR+PLUS Waiver services, HHSC will notify the Member of the effective date of eligibility. If the Member is not eligible for HCBS STAR+PLUS Waiver
services, HHSC will provide the Member information on right to Appeal the Adverse Determination. The MCO is responsible for preparing any requested documentation regarding its assessments and ISPs, and if requested by HHSC, attending the Fair Hearing. Regardless of the HCBS STAR+PLUS Waiver eligibility determination, HHSC will send a copy of the Member notice to the MCO.

8.3.4.2 For 217-Like Group Non-Member Applicants

Non-member persons who are not eligible for Medicaid in the community may apply for participation in the HCBS STAR+PLUS Waiver under the financial and functional eligibility requirements for the 217-Like Group (this group is described in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver). HHSC will inform the non-member applicant that services are provided through an MCO and allow the applicant to select the MCO. HHSC will provide the selected MCO an authorization form to initiate pre-enrollment assessment services required under the HCBS STAR+PLUS Waiver for the applicant. The MCO's initial home visit with the applicant must occur within 14 days of the receipt of the referral. To be eligible for HCBS STAR+PLUS Waiver, the applicant must meet financial eligibility and Medical Necessity/Level of Care, and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that the applicant has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost ceiling. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the applicant and the MCO of the results of its eligibility determination. If the applicant is eligible, HHSC will notify the applicant and the MCO will be notified of the effective date of eligibility, which will be the first day of the month following the determination of eligibility. The MCO must initiate the Individual Service Plan (ISP) on the date of enrollment.

If the applicant is not eligible, the HHSC notice will provide information on the applicant's right to Appeal the Adverse Determination. HHSC will also send notice to the MCO if the applicant is not eligible for HCBS STAR+PLUS Waiver services. The MCO is responsible for preparing any requested documentation regarding its assessments and service plans, and if requested by HHSC, attending the Fair Hearing.

8.3.4.3 Annual Reassessment

Prior to the end date of the annual ISP, the MCO must initiate an annual reassessment to determine and validate continued eligibility for HCBS STAR+PLUS Waiver services for each Member receiving these services. As part of the assessment, the MCO must inform the Member about Consumer Directed Services options. The MCO will be expected to complete the same activities for each annual reassessment as required for the initial eligibility determination.

8.3.4.4 STAR+PLUS Utilization Reviews

HHSC will conduct STAR+PLUS utilization reviews, as described in Texas Government Code § 533.00281. The reviews will include the MCO's assessment processes used to determine HCBS waiver eligibility. If HHSC recoups money from the MCO as a result of a utilization review conducted under this section, the MCO cannot hold a Network service provider liable for the good faith provision of services based on the MCO's authorization.

8.3.5 Consumer Directed Services Options

There are three (3) options available to STAR+PLUS Members desiring to self-direct the delivery of:

1. Primary Home Care (PHC) (which is available to all STAR+PLUS Members), and
2. Personal Attendant Services (PAS); in-home or out-of-home respite; nursing; physical therapy (PT); occupational therapy (OT); and/or speech/language therapy (SLT) for (which are available to Members in the HCBS STAR+PLUS Waivers).
These three (3) options are: 1) Consumer-Directed; 2) Service Related; and 3) Agency. The MCO must provide information concerning the three (3) options to all Members: (1) who meet the functional requirements for PHC Services and the requirements for PAS (the functional criteria for these services are described in the Form 2060), (2) who are eligible for in-home or out-of-home respite services in the SPW; and (3) who are eligible for nursing, PT, OT and/or SLT in the SPW. In addition to providing information concerning the three (3) options, the MCO must provide Member orientation in the option selected by the Member. The MCO must provide the information to any STAR+PLUS Member receiving PHC/PAS and/or in-home or out-of-home respite:

1. at initial assessment;
2. at annual reassessment or annual contact with the STAR+PLUS Member;
3. at any time when a STAR+PLUS Member receiving PHC/PAS/Respite/Nursing/PT/TO/SLT requests the information; and
4. in the Member Handbook.

The MCO must contract with providers who are able to offer PHC/PAS in-home or out-of-home respite, nursing, PT, TO, and/or SLT and must also educate/train the MCO Network Providers regarding the three (3) PAS options. Network Providers must meet licensure/certification requirements as indicated in Attachment B-1, Sections 8.3.11 and 8.3.1.2 of the Uniform Managed Care Contract.

In all three (3) options, the Service Coordinator and the Member work together in developing the Individual Service Plan.

A more comprehensive description of Consumer Directed Services is found in the STAR+PLUS Handbook: http://www.dads.state.tx.us/handbooks/sph/8000/8000.htm#sec8120

8.3.5.1 Consumer-Directed Option Model

In the Consumer-Directed Model, the Member or the Member's legal guardian is the employer of record and retains control over the hiring, management, and termination of an individual providing PHC/PAS in-home or out-of-home respite; nursing, PT, TO, and/or SLT. The Member is responsible for assuring that the employee meets the requirements for PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT, including the criminal history check. The Member uses a Consumer Directed Services agency (CDSA) to handle the employer-related administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT.

8.3.5.2 Service Related Option Model

In the Service Related Option Model, the Member or the Member's legal guardian is actively involved in choosing their personal attendant, respite provider, nurse, physical therapist, occupational therapist, and/or speech/language therapist but is not the employer of record. The Home and Community Support Services agency (HCSSA) in the MCO Provider Network is the employer of record for the personal attendant employee and respite provider. In this model, the Member selects the personal attendant and/or respite provider from the HCSSA's personal attendant employees. The personal attendant's/respite provider's schedule is set up based on the Member input, and the Member manages the PHC/PAS, in-home or out-of-home respite. The Member retains the right to supervise and train the personal attendant. The Member may request a different personal attendant and the HCSSA would be expected to honor the request as long as the new attendant is a Network Provider. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite. In this model, the Member selects the nurse, physical therapist, occupational therapist, and/or speech/language therapist from the MCO's Provider Network. The nurse, physical therapist, occupational therapist, and/or speech/language therapist's schedule is set up based on the Member's input, and the Member manages the nursing, PT, OT, and/or SLT services. The Member retains the right to supervise and train the nurse, physical therapist, occupational therapist, and/or speech/language therapist. The Member may request a different nurse, physical therapist, occupational therapist, and/or speech/language therapist and the MCO must honor the request as long as the nurse, physical therapist, occupational therapist, and/or speech/language therapist is a Network Provider. The MCO establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of nursing, PT, OT, and/or SLT services.

8.3.5.3 Agency Model

In the Agency Model, the MCO contracts with a Home and Community Support Services agency (HCSSA) for the delivery of waiver services. The HCSSA is the employer of record for the personal attendant, respite provider, nurse, physical therapist,
occupational therapist, and speech language therapist. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite.

8.3.6 Community Based Long-term Services and Supports Providers

8.3.6.1 Training

The MCO must comply with Section 8.1.4.6 regarding Provider Manual and Provider training specific to the STAR+PLUS Program. The MCO must train all Community Long-term Services and Supports Providers regarding the requirements of the Contract and special needs of STAR+PLUS Members. The MCO must establish ongoing STAR+PLUS Provider training addressing the following issues at a minimum:

1. Covered Services and the Provider’s responsibilities for providing such services to STAR+PLUS Members and billing the MCO. The MCO must place special emphasis on Community Long-term Services and Supports and STAR+PLUS requirements, policies, and procedures that vary from Medicaid Fee-for-Service and commercial coverage rules, including payment policies and procedures;
2. relevant requirements of the STAR+PLUS Contract, including the role of the Service Coordinator;
3. processes for making referrals and coordinating Non-capitated Services;
4. the MCO’s quality assurance and performance improvement program and the Provider’s role in such programs; and
5. the MCO’s STAR+PLUS policies and procedures, including those relating to Network and Out-of-Network referrals.

6. For STAR+PLUS in the El Paso, Hidalgo and Lubbock Service Areas with an Operational Start Date of 3/1/2012, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process.

8.3.6.2 LTSS Provider Billing

Long-term Services and Supports providers serving clients in the traditional Fee-for-Service Medicaid program have not been required to utilize the billing systems that most medical facilities use on a regular basis. For this reason, the MCO must make accommodations to the claims processing system for such providers to allow for a smooth transition from traditional Medicaid to STAR+PLUS.

HHSC has developed a standardized method for Long-term Services and Supports billing. All STAR+PLUS MCOs are required to utilize the standardized method, as found in Uniform Managed Care Manual Chapters 2.1.1 and 2.1.2.

8.3.6.3 Rate Enhancement Payments for Agencies Providing Attendant Care

All MCOs participating in the STAR+PLUS Program must allow their Long-term Services and Supports Providers, including Nursing Facility Providers (effective September 1, 2014), to participate in the STAR+PLUS Attendant Care Enhancement Program.

Uniform Managed Care Manual Chapter 2.1.3, “STAR+PLUS Attendant Care Enhanced Payment Methodology,” includes the methodology that the STAR+PLUS MCO will use to implement and pay the enhanced payments, including a description of the timing of the payments. Such methodology must comply with the requirements in the Uniform Managed Care Manual and the intent of T.A.C. Title 1, Part 15, Chapter 355, Subchapter A, §355.112.

8.3.6.4 STAR+PLUS Handbook

The STAR+PLUS Handbook contains HHSC-approved policies and procedures related to the STAR+PLUS Program, including policies and procedures relating to the Texas Healthcare Transformation and Quality
Improvement Program 1115 waiver. The STAR+PLUS Handbook includes additional requirements regarding the STAR+PLUS Program and guidance for the MCOs, the STAR+PLUS Support Units at DADS, and HHSC staff for administering and managing STAR+PLUS Program operations. The STAR+PLUS Handbook is incorporated by reference into the Contract.

8.3.6.5 Annual Contact with STAR+PLUS Members

The MCO is required to contact each STAR+PLUS Member a minimum of two (2) times per calendar year. This contact can be written, telephonic, or an onsite visit to the Member’s residence, depending upon the Member’s level of need. The MCO must document the mechanisms, number and method of contacts, and outcomes within the MCO’s Service Coordination system.

8.3.6.6 Cost Reporting for LTSS Providers

MCOs must require that LTSS Providers submit periodic cost reports and supplemental reports to HHSC in accordance with 1 Tex. Admin. Code Chapter 355, including Subchapter A (Cost Determination Process) and 1 Tex. Admin. Code § 355.403 (Vendor Hold). If an LTSS Provider fails to comply with these requirements, HHSC will notify the MCO to hold payments to the LTSS provider until HHSC instructs the MCO to release the payments.

8.3.6.7 Electronic Visit Verification

Beginning June 1, 2014, STAR+PLUS MCOs must use an EVV system to verify attendant care services, nursing services, and other services identified by HHSC, including:

1. the provider's name;
2. the recipient's name;
3. the service location; and
4. the date and time the provider begins and ends each service delivery visit.

STAR+PLUS MCOs must contract with EVV Vendors for the provision of EVV services in a manner consistent with the UMCM.

The MCO may not pass EVV transaction costs to providers.

8.3.7 Additional Requirements Regarding Dual Eligibles

8.3.7.1 Coordination of Services for Dual Eligibles

The STAR+PLUS MCOs must coordinate Medicare and Medicaid services for Dual Eligible recipients. To facilitate such coordination, the MCO must be contracted with the CMS and operating as a MA Dual SNP in the most populous counties in the Service Area(s), as identified by HHSC, no later than January 1, 2013. After January 1, 2013, the MCO must maintain its status as an MA DUAL SNP contractor throughout the term of the Contract. Failure to do so may result in HHSC’s assessment of contractual remedies, including Contract termination.

8.3.7.2 MA Dual SNP Agreement

As part of the integrated care initiative for Dual Eligible STAR+PLUS Members, the MCO may maintain a separate capitation agreement with HHSC whereby the MCO’s MA Dual SNP plan reimburses Medicare providers for the cost-sharing obligations that the State would otherwise be required to pay on behalf of qualified STAR+PLUS Dual Eligible Members. The final Texas MA Dual SNP Agreement, as amended or modified, will be incorporated by reference into the STAR+PLUS Contract. The MCO will be required to provide all enrolled STAR+PLUS Dual Eligible Members with the coordinated care and other services described in the Texas MA Dual SNP Agreement, and any violations of the Texas MA Dual SNP Agreement with respect to STAR+PLUS Members will also be a violation of the STAR+PLUS Contract. Note that, for STAR+PLUS Members who are also enrolled in the MA Dual SNP’s Medicare plan, the Parties may develop alternative methods for verifying Member eligibility and submitting encounter data. Any modifications to these processes or other requirements identified in the Texas MA Dual SNP Agreement will be included in the Texas MA Dual SNP Agreement.
8.3.8 Minimum Wage Requirements for STAR+PLUS Attendants in Community Settings

The MCO must ensure that facilities and agencies that provide attendant services in community settings pay attendants at or above the minimum rates described below. This requirement applies to the following types of services, whether or not the Member chooses to self-direct these services (see Section 8.3.5, “Consumer Directed Services Options:”)

- Day Activity Health Care Services (DAHS);
- Primary Home Care (PHC);
- Personal Assistance Services (PAS); and
- Texas Health Steps Personal Care Services (PCS).

This requirement does not apply to attendant services provided by non-institutional facilities, such as assisted living, adult foster care, residential care, and nursing facilities.

8.3.8.1 State Fiscal Year 2014

The MCO must ensure that attendants are paid no less than $7.50 per hour for dates of service in SFY 2014 (September 1, 2013 to August 31, 2014).

8.3.8.2 State Fiscal Year 2015 and After

The MCO must ensure that attendants are paid no less than $7.86 per hour for dates of service on or after September 1, 2014.

8.3.9 Nursing Facility Services Available to All Members

This section is effective September 1, 2014, when STAR+PLUS MCOs will begin providing Nursing Facility Services.

Nursing Facilities provide institutional care to Members whose physician has certified that the Member has a medical condition that requires daily skilled nursing care that meets Medical Necessity requirements. The need for custodial care solely does not constitute Medical Necessity for a Nursing Facility placement.

Institutional care includes coverage for the medical, social, and psychological needs of each resident, including room and board, social services, medications not covered by Medicare Part B or D, medical supplies and equipment, rehabilitative services, and personal needs items.

Beginning September 1, 2014, MCOs must provide access to Nursing Facility services for all qualified STAR+PLUS Members. At a minimum, Nursing Facility Providers must meet all of the following state licensure, certification, and contracting requirements for providing the services in Attachment B-2.2, STAR+PLUS Covered Services.

### Nursing Facility Services Available to All Members

<table>
<thead>
<tr>
<th>Service</th>
<th>Licensure and Certification Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Facility</td>
<td>The MCOs must use state-identified credentialing criteria for Nursing Facilities. At a minimum, the Nursing Facility must hold a valid certification and license and must contract with DADS. Credentialing documentation of the Nursing Facilities in the STAR+PLUS MCO’s Provider Network meets all licensure requirements as established in 40 Tex. Admin. Code Chapter 19. Credentialing documentation must be submitted to HHSC upon request.</td>
</tr>
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8.3.9.1 Preadmission Screening and Resident Review (PASRR)

The MCO must fulfill PASRR requirements when providing services for STAR+PLUS Members as required by 40 Tex. Admin. Code §§ 17.101-17.401. MCO participation includes coordinating with the Local MH or IDD Authority, nursing facility,
Member, and interdisciplinary team to develop the Member's service plan and ensure PASRR specialized services are provided in compliance with the Member’s service plan.

8.3.9.2 Participation in Texas Promoting Independence Initiative

The STAR+PLUS MCO must participate in the Texas Promoting Independence (PI) initiative. The PI initiative is Texas's response to Olmstead v. L.C. ex rel. Zimring, 527 U.S. 581 (1999), which requires states to provide community-based services for persons with disabilities who would otherwise be entitled to institutional services when:

1. the state's treatment professionals determine that such placement is appropriate;
2. the affected persons do not oppose such treatment; and
3. the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services.

In accordance with legislative direction, the MCO must designate a point of contact to receive referrals for Nursing Facility Members who may be able to return to the community through the use of HCBS STAR+PLUS Waiver services. To be eligible for this option, a Member must reside in a Nursing Facility until the Member meets the eligibility criteria for entry into the HCBS STAR+PLUS Waiver. This includes the development and approval of a written plan of care for safely moving into a community setting.

The MCO Service Coordinator must complete an assessment of the Member within 30 days of the MCO’s notification of a Member's Medicaid-covered stay and develop a plan of care to transition the Member back into the community, if possible. If the initial review/assessment supports a return to the community, the Service Coordinator will work with the Member and his/her family to return the Member to the community using HCBS STAR+PLUS Waiver services.

If the initial review does not support a return to the community, the Service Coordinator will conduct a second assessment 90 days after the initial assessment, and quarterly thereafter, to determine if the individual’s condition or circumstances have changed that would allow a return to the community. If a return to the community is possible and appropriate, the Service Coordinator will develop and implement the transition plan with the Member and his/her family.

The MCO must maintain documentation of the assessments completed as part of this initiative and make them available for state review at any time.

8.3.9.3 Nursing Facilities Training

In addition to Section 8.1.4.6, the MCO must train all Nursing Facility Providers regarding the requirements of the Contract and special needs of STAR+PLUS Members. The MCO must establish ongoing Provider training addressing the following issues at a minimum:

- Covered Services and the Provider’s responsibilities for providing services to Members and billing the MCO for the services. The MCO must place special emphasis on Nursing Facility Services and STAR+PLUS requirements, policies, and procedures that vary from Medicaid Fee-for-Service and commercial coverage rules, including payment policies and procedures.
- The transition process of up to six (months for the continuation of Nursing Facility for Members receiving those services at the time of program implementation, including provider billing practices for these services and who to contact at the MCO for assistance with this process.
- Relevant requirements of the STAR+PLUS Contract, including the role of the Service Coordinator;
- Processes for making referrals and coordinating Non-capitated Services;
- The MCO’s quality assurance and performance improvement program and the Provider’s role in these programs; and
- The MCO’s STAR+PLUS policies and procedures, including those relating to Network and Out-of-Network referrals.

8.3.9.4 Nursing Facility Claims Adjudication, Payment, and File Processing
The MCO must process claims in accordance with UMCM Chapter 2.3, Nursing Facility Claims Manual. The MCO must pay clean claims, as defined in Texas Gov't. Code § 533.00251(a)(2), no later than 10 calendar days after submission of the clean claim.

The MCO must ensure that Network Nursing Facility providers are paid at or above the minimum rates established by HHSC. HHSC will post this information on the HHSC website at http://www.hhsc.state.tx.us/rad/rate-packets.shtml.

The MCO must ensure that all enrollment and eligibility files in the Joint Interface Plan are loaded into the claims adjudication system before the first day of the month following receipt.

### 8.3.10 Acute Care Services for Recipients of ICF-IID Program and IDD Waiver Services

Effective September 1, 2014, individuals with intellectual disabilities or related conditions who do not qualify for Medicare and who receive services through the ICF-IID Program or an IDD Waiver are eligible for Acute Care services through STAR+PLUS. These individuals will not be eligible for the HCBS STAR+PLUS Waiver Services while enrolled in the ICF-IID Program or an IDD Waiver.

### 8.3.11 Cognitive Rehabilitation Therapy

The MCO may only authorize Cognitive Rehabilitation Therapy if one of the following Texas Medicaid-covered assessment tests, as listed in the Texas Medicaid Provider Procedures Manual, shows that the therapy can benefit the Member and is Medically Necessary:

- Neurobehavioral Test (CPT Code 96116); or
- Neuropsychological Test (CPT Code 96118).

### 8.4 Additional CHIP Scope of Work

The following provisions only apply to MCOs participating in CHIP.

#### 8.4.1 CHIP Provider Complaint and Appeals

CHIP Provider complaints and claims payment appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. The MCO must resolve Provider complaints and claims payment appeals within 30 days from the date of receipt.

#### 8.4.2 CHIP Member Complaint and Appeal Process

CHIP Member Complaints and Appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. HHSC will require the MCO to resolve Member Complaints and Appeals (that are not elevated to TDI) within 30 days from the date the Member Complaint or Appeal is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints and Member Appeals are not resolved within 30 days of receipt of the Complaint or Appeal by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 12, and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Any person, including those dissatisfied with a MCO’s resolution of a Member Complaint or Appeal, may report an alleged violation to TDI.

#### 8.4.3 Third Party Liability and Recovery, and Coordination of Benefits

CHIP coverage is secondary when coordinating benefits with all other insurance coverage. Coverage provided under CHIP will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement,
MCO must pay the unpaid balance for Covered Services in accordance with TDI's rules regarding usual and customary payment.

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must comply with state and federal law and regulations. Consistent with Medicaid requirements, MCOs must pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action. If a Member visits an FQHC or RHC (or a Municipal Health Department's public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, Financial Reporting Requirements. After 120 days from the date of adjudication (on any claim, encounter, or other Medicaid related payment made by the MCO, wherein the claim, encounter, or payment is subject to Third Party Recovery), HHSC may attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated recovery or subrogation action.

8.4.4 Perinatal Services for Traditional CHIP Members

The MCO’s perinatal Health Care Services must ensure appropriate care is provided to women and infant Members of the MCO from the preconception period through the infant’s first year of life. The MCO’s perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act), and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems; and
6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member with a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

Except as provided in Attachment A, Section 5.06, the MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO’s prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.
# DOCUMENT HISTORY LOG

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1. Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
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9. Turnover Requirements

9.1 Introduction

This section presents the Turnover Requirements. Turnover is defined as those activities that the MCO is required to perform prior to or upon termination of the Contract in situations where the MCO will transition data and documentation acquired under the Contract to HHSC or a subsequent contractor.

9.2 Turnover Plan

 Twelve (12) months after the Effective Date of the Contract, the MCO must provide a Turnover Plan covering the turnover of the records and information maintained to either HHSC or a subsequent contractor. The Turnover Plan will be a comprehensive document detailing the proposed schedule, activities, and resource requirements associated with the turnover tasks. The Turnover Plan must describe the MCO’s policies and procedures that will assure:

1. The least disruption in the delivery of Covered Services to Members during the transition to a subsequent contractor.
2. Cooperation with HHSC and a subsequent contractor in notifying Members of the transition, as requested and in the form required or approved by HHSC.
3. Cooperation with HHSC and a subsequent contractor in transferring information to HHSC or a subsequent contractor, as requested and in the form required or approved by HHSC.

The Turnover Plan must be approved by HHSC, and include at a minimum:

1. The MCO’s approach and schedule for the transfer of data and information, as described above.
2. The quality assurance process that the MCO will use to monitor Turnover activities.
3. The MCO’s approach to training HHSC or a subsequent contractor’s staff in the operation of its business processes.

HHSC is not limited or restricted in the ability to require additional information from the MCO or modify the Turnover Plan as necessary.

9.3 Transfer of Data

The MCO must transfer to HHSC or a subsequent contractor all data and information necessary to transition operations, including: data and reference tables; data entry software; third-party software and modifications; documentation relating to software and interfaces; functional business process flows; and operational information, including correspondence, documentation of ongoing or outstanding issues, operations support documentation, and operational information regarding Subcontractors. For purposes of this provision, "documentation" means all operations, technical and user manuals used in conjunction with the software, Services and Deliverables, in whole or in part, that HHSC determines are necessary to view and extract application data in a proper format. The MCO must provide the documentation in the formats in which such documentation exists at the expiration or termination of the Contract. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 15.03, “Ownership and Licenses” for additional information concerning intellectual property rights.

In addition, the MCO will provide to HHSC the following:
1. Data, information and services necessary and sufficient to enable HHSC to map all Texas data from the MCO's system(s) to the replacement system(s) of HHSC or a successor contractor, including a comprehensive data dictionary as defined by HHSC.

2. All necessary data, information and services will be provided in the format defined by HHSC, and must be HIPAA compliant.

3. All of the data, information and services mentioned in this section must be provided and performed in a manner by the MCO using its best efforts to ensure the efficient administration of the contract. The data and information must be supplied in media and format specified by HHSC and according to the schedule approved by HHSC in the Turnover Plan. The data, information and services provided pursuant to this section must be provided at no additional cost to HHSC.

All relevant data and information must be received and verified by HHSC or a subsequent contractor. If HHSC determines that data or information are not accurate, complete, nor HIPAA compliant, HHSC reserves the right to hire an independent contractor to assist HHSC in obtaining and transferring all the required data and information and to ensure that all the data are HIPAA compliant. The reasonable cost of providing these services will be the responsibility of the MCO.

9.4 Turnover Services

Six (6) months prior to the end of the Contract Period, including any extensions, the MCO must revise its Turnover Plan. If HHSC terminates the Contract prior to the expiration of the Contract Period, then HHSC may require the MCO to submit an updated Turnover Plan sooner than six (6) months prior to the termination date. In such cases, HHSC’s notice of termination will include the date the Turnover Plan is due.

9.5 Post-Turnover Services

Thirty (30) days following Turnover of operations, the MCO must provide HHSC with a Turnover Results Report documenting the completion and results of each step of the Turnover Plan. Turnover will not be considered complete until this document is approved by HHSC. HHSC may withhold up to 20% of the last month’s Capitation Payment until the Turnover activities are complete and the Turnover Plan is approved by HHSC.

If the MCO does not provide the required data or information necessary for HHSC or a subsequent contractor to assume the operational activities successfully, the MCO agrees to reimburse HHSC for all reasonable costs and expenses, including, but not limited to: transportation, lodging, and subsistence to carry out inspection, audit, review, analysis, reproduction and transfer functions at the location(s) of such records; and attorneys’ fees and costs. This section does not limit HHSC’s ability to impose remedies or damages as set forth in the Contract.
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<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2 is modified to reinstate the waiver of the three prescription limit for adults language and to clarify the waiver of the $200,000 individual annual limit on inpatient services. STAR Covered Services is modified to add “Cancer screening, diagnostic, and treatment services” and “Prenatal care services rendered in a birthing center” as clarification items and to clarify the requirements for services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting.</td>
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Inpatient General Acute and Inpatient Rehabilitation Hospital Services (CHIP Perinatal Coverage) is modified to clarify the eligibility thresholds.

Birthing Center Services (CHIP Perinatal Coverage) is modified to clarify the eligibility thresholds.

Exclusions for CHIP Perinatal is modified to clarify the eligibility thresholds.

Revision

2.8

January 1, 2014

STAR Covered Services include Medically Necessary: is modified to add telemedicine and telemonitoring.

Revision

2.9

February 1, 2014

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.

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3 Brief description of the changes to the document made in the revision.

STAR Covered Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR Program.

STAR MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated services are not included in the STAR MCOs’ Capitation Rates; however, STAR MCOs must coordinate care these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitlated and noncapitated.

STAR MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following three (3) exceptions. Adult STAR Members are provided with three (3) enhanced benefits compared to the traditional, fee-for-service Medicaid coverage:

1 waiver of the three (3) prescription per-month limit;
2 waiver of the 30-day spell-of-illness limitation; and
3 waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR MCOs should refer to the current Texas Medicaid Provider Procedures Manual, which can be accessed online at: http://www.tmhp.com.

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

STAR Covered Services include Medically Necessary:

• Ambulance services
• Audiology services, including hearing aids, for adults and children
• Behavioral Health Services*, including:
o Inpatient mental health services for Children (birth through age 20)

o Acute inpatient mental health services for Adults

o Outpatient mental health services

o Psychiatry services

o Counseling services for adults (21 years of age and over)

o Outpatient substance use disorder treatment services including:
  o Assessment
  o Detoxification services
  o Counseling treatment
  o Medication assisted therapy

o Residential substance use disorder treatment services including:
  o Detoxification services
  o Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

  • Birthing services provided by a physician and certified nurse midwife (CNM) in a licensed birthing center
  • Birthing services provided by a licensed birthing center
  • Cancer screening, diagnostic, and treatment services
  • Chiropractic services
  • Dialysis
  • Durable medical equipment and supplies
  • Early Childhood Intervention (ECI) services
  • Emergency Services
  • Family planning services
  • Home health care services

  • Hospital services, including inpatient and outpatient
    o The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.
    o The MCO may provide substance use disorder treatment services in a chemical dependency treatment facility in lieu of an acute care inpatient hospital setting.
• Laboratory

• Mastectomy, breast reconstruction, and related follow-up procedures, including:
  • inpatient services; outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and physician and professional services provided in an office, inpatient, or outpatient setting for:
    o all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
    o surgery and reconstruction on the other breast to produce symmetrical appearance;
    o treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    o prophylactic mastectomy to prevent the development of breast cancer.
  • external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.

• Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program

• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children 6 months through 35 months of age.

• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals
  • Drugs and biologicals provided in an inpatient setting

• Podiatry

• Prenatal care
  • Prenatal care provided by a physician, certified nurse midwife (CNM), nurse practitioner (NP), clinical nurse specialist (CNS), and physician assistant (PA) in a licensed birthing center

• Primary care services

• Preventive services including an annual adult well check for patients 21 years of age and over

• Radiology, imaging, and X-rays

• Specialty physician services

• Therapies – physical, occupational and speech

• Transplantation of organs and tissues

• Vision (Includes optometry and glasses. Contact lenses are only covered if they are medically necessary for vision correction that can not be accomplished by glasses.)
  • Telemedicine
  • Telemonitoring (effective October 1, 2013, through August 31, 2015)
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<td></td>
<td>Attachment B-2.1 is modified to clarify Drug Benefits for CHIP Perinatal Members.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CHIP Exclusions from Covered Services is modified to clarify that over the counter drugs, contraceptives, and medications prescribed for weight loss or gain are not a covered benefit.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CHIP Exclusions from Covered Services for CHIP Perinates is modified to clarify that over the counter drugs contraceptives, and medications prescribed for weight loss or gain are not a covered benefit.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>CHIP Exclusions from Covered Services is modified to add Coverage while traveling outside of the United States and U.S. Territories.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Inpatient General Acute and Inpatient Rehabilitation Hospital Services (CHIP Perinatal Coverage) is modified to clarify the eligibility thresholds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Birthing Center Services (CHIP Perinatal Coverage) is modified to clarify the eligibility thresholds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Exclusions for CHIP Perinatal is modified to clarify the eligibility thresholds.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.9</td>
<td>February 1, 2014</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
</tr>
</tbody>
</table>

¹ Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
² Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
³ Brief description of the changes to the document made in the revision.

**CHIP Covered Services**

Covered CHIP services must meet the CHIP definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays apply until a family reaches its specific cost-sharing maximum.
Covered CHIP Perinatal services must meet the definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays do not apply to CHIP Perinatal Members. CHIP Perinate Newborns are eligible for 12-months continuous coverage, beginning with the month of enrollment as a CHIP Perinate.

<table>
<thead>
<tr>
<th>Covered Benefit</th>
<th>CHIP Members and CHIP Perinate Newborn Members</th>
<th>CHIP Perinate Members (Unborn Child)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inpatient General Acute and Inpatient Rehabilitation Hospital Services</strong></td>
<td>Services include, but are not limited to, the following:</td>
<td>For CHIP Perinates in families with income at or below the Medicaid eligibility threshold (Perinates who qualify for Medicaid once born), the facility charges are not a covered benefit; however, professional services charges associated with labor with delivery are a covered benefit.</td>
</tr>
<tr>
<td></td>
<td>□ Hospital-provided Physician or Provider services</td>
<td>For CHIP Perinates in families with income above the Medicaid eligibility threshold (Perinates who do not qualify for Medicaid once born), benefits are limited to professional service charges and facility charges associated with labor with delivery until birth, and services related to miscarriage or a non-viable pregnancy.</td>
</tr>
<tr>
<td></td>
<td>□ Semi-private room and board (or private if medically necessary as certified by attending)</td>
<td>Services include:</td>
</tr>
<tr>
<td></td>
<td>□ General nursing care</td>
<td>□ Operating, recovery and other treatment rooms</td>
</tr>
<tr>
<td></td>
<td>□ Special duty nursing when medically necessary</td>
<td>□ Anesthesia and administration (facility technical component)</td>
</tr>
<tr>
<td></td>
<td>□ ICU and services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Patient meals and special diets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Operating, recovery and other treatment rooms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Anesthesia and administration (facility technical component)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Surgical dressings, trays, casts, splints</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Drugs, medications and biologicals</td>
<td></td>
</tr>
</tbody>
</table>
Blood or blood products that are not provided free-of-charge to the patient and their administration

X-rays, imaging and other radiological tests (facility technical component)

Laboratory and pathology services (facility technical component)

Machine diagnostic tests (EEGs, EKGs, etc.)

Oxygen services and inhalation therapy

Radiation and chemotherapy

Access to DSHS-designated Level III perinatal centers or Hospitals meeting equivalent levels of care

In-network or out-of-network facility and Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.

Hospital, physician and related medical services, such as anesthesia, associated with dental care

Inpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Inpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:

- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.

Medically necessary surgical services are limited to services that directly relate to the delivery of the unborn child, and services related to miscarriage or non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero).
- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.

- Surgical implants
- Other artificial aids including surgical implants

Inpatient services for a mastectomy and breast reconstruction include:
- all stages of reconstruction on the affected breast;
- external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed
- surgery and reconstruction on the other breast to produce symmetrical appearance; and
- treatment of physical complications from the mastectomy and treatment of lymphedemas.

- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit
- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

<table>
<thead>
<tr>
<th>Skilled Nursing Facilities (Includes Rehabilitation Hospitals)</th>
<th>Services include, but are not limited to, the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>📩 Semi-private room and board</td>
</tr>
<tr>
<td></td>
<td>📩 Regular nursing services</td>
</tr>
<tr>
<td></td>
<td>📩 Rehabilitation services</td>
</tr>
<tr>
<td></td>
<td>📩 Medical supplies and use of appliances and equipment furnished by the facility</td>
</tr>
</tbody>
</table>

Not a covered benefit.
| **Outpatient Hospital, Comprehensive Outpatient Rehabilitation Hospital, Clinic (Including Health Center) and Ambulatory Health Care Center** | Services include, but are not limited to, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:  
- X-ray, imaging, and radiological tests (technical component)  
- Laboratory and pathology services (technical component)  
- Machine diagnostic tests  
- Ambulatory surgical facility services  
- Drugs, medications and biologicals  
- Casts, splints, dressings  
- Preventive health services  
- Physical, occupational and speech therapy  
- Renal dialysis  
- Respiratory services  
- Blood or blood products that are not provided free-of-charge to the patient and the administration of these products  
- Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:  
  - dilation and curettage (D&C) procedures;  
  - appropriate provider-administered medications;  
  - ultrasounds, and  
  - histological examination of tissue samples.  
- Facility and related medical services, such as anesthesia, associated with dental care, when provided in a licensed ambulatory surgical facility.  
- Surgical implants  
- Other artificial aids including surgical implants  
- Outpatient services provided at an outpatient hospital and ambulatory health care center for a mastectomy and breast reconstruction as clinically appropriate, include:  
  - all stages of reconstruction on the affected breast;  
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed  
  - surgery and reconstruction on the other breast to produce symmetrical appearance; and  
  - treatment of physical complications from the mastectomy and treatment of lymphedemas.  
- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit  
- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:  
  - cleft lip and/or palate; or  
  - severe traumatic skeletal and/or congenital craniofacial deviations; or severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment. |
| | Services include, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:  
- X-ray, imaging, and radiological tests (technical component)  
- Laboratory and pathology services (technical component)  
- Machine diagnostic tests  
- Ambulatory surgical facility services  
- Drugs, medications and biologicals  
- Casts, splints, dressings  
- Preventive health services  
- Physical, occupational and speech therapy  
- Renal dialysis  
- Respiratory services  
- Blood or blood products that are not provided free-of-charge to the patient and the administration of these products  
- Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:  
  - dilation and curettage (D&C) procedures;  
  - appropriate provider-administered medications;  
  - ultrasounds, and  
  - histological examination of tissue samples.  
1. Laboratory and radiological services are limited to services that directly relate to ante partum care and/or the delivery of the covered CHIP Perinate until birth.  
2. Ultrasound of the pregnant uterus is a covered benefit when medically indicated. Ultrasound may be indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, gestational age confirmation or miscarriage or non-viable pregnancy.  
3. Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasoundic Guidance for Cordocentesis, FIUT are covered benefits with an appropriate diagnosis.  
4. (4) Laboratory tests are limited to: nonstress testing, contraction, stress testing, hemoglobin or hematocrit repeated once a trimester and at 32-36 weeks of pregnancy; or complete blood count (CBC), urinanalysis for protein and glucose every visit, blood type and RH antibody screen; repeat antibody screen for Rh negative women at 28 weeks followed by RHO immune globulin administration if indicated; rubella antibody titer, serology for syphilis, hepatitis B surface antigen, cervical cytology, pregnancy test, gonorrhea test, urine culture, sickle cell test, tuberculosis (TB) test, human immunodeficiency virus (HIV) antibody screen, Chlamydia test, other laboratory tests not specified but deemed medically necessary, and multiple marker screens for neural tube defects (if the client initiates care between 16 and 20 weeks); screen for gestational diabetes at 24-28 weeks of pregnancy; other lab tests as indicated by medical condition of client.  
5. Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) are a covered benefit. |
<table>
<thead>
<tr>
<th>Physician/Physician Extender Professional Services</th>
<th>Services include, but are not limited to, the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>① American Academy of Pediatrics recommended well-child exams and preventive health services (including, but not limited to, vision and hearing screening and immunizations)</td>
</tr>
<tr>
<td></td>
<td>② Physician office visits, inpatient and outpatient services</td>
</tr>
<tr>
<td></td>
<td>③ Laboratory, x-rays, imaging and pathology services, including technical component and/or professional interpretation</td>
</tr>
<tr>
<td></td>
<td>④ Medications, biologicals and materials administered in Physician’s office</td>
</tr>
<tr>
<td></td>
<td>⑤ Allergy testing, serum and injections</td>
</tr>
<tr>
<td></td>
<td>⑥ Professional component (in/outpatient) of surgical services, including:</td>
</tr>
<tr>
<td></td>
<td>○ Surgeons and assistant surgeons for surgical procedures including appropriate follow-up care</td>
</tr>
<tr>
<td></td>
<td>○ Administration of anesthesia by Physician (other than surgeon) or CRNA</td>
</tr>
<tr>
<td></td>
<td>○ Second surgical opinions</td>
</tr>
<tr>
<td></td>
<td>○ Same-day surgery performed in a Hospital without an over-night stay</td>
</tr>
<tr>
<td></td>
<td>○ Invasive diagnostic procedures such as endoscopic examinations</td>
</tr>
<tr>
<td></td>
<td>○ Hospital-based Physician services (including Physician-performed technical and interpretive components)</td>
</tr>
<tr>
<td></td>
<td>⑦ Physician and professional services for a mastectomy and breast reconstruction include:</td>
</tr>
<tr>
<td></td>
<td>○ all stages of reconstruction on the affected breast;</td>
</tr>
<tr>
<td></td>
<td>○ external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed</td>
</tr>
<tr>
<td></td>
<td>Services include, but are not limited to the following:</td>
</tr>
<tr>
<td></td>
<td>① Medically necessary physician services are limited to prenatal and postpartum care and/or the delivery of the covered unborn child until birth</td>
</tr>
<tr>
<td></td>
<td>② Physician office visits, inpatient and outpatient services</td>
</tr>
<tr>
<td></td>
<td>③ Laboratory, x-rays, imaging and pathology services including technical component and/or professional interpretation</td>
</tr>
<tr>
<td></td>
<td>④ Medically necessary medications, biologicals and materials administered in Physician’s office</td>
</tr>
<tr>
<td></td>
<td>⑤ Professional component (in/outpatient) of surgical services, including:</td>
</tr>
<tr>
<td></td>
<td>○ Surgeons and assistant surgeons for surgical procedures directly related to the labor with delivery of the covered unborn child until birth.</td>
</tr>
<tr>
<td></td>
<td>○ Administration of anesthesia by Physician (other than surgeon) or CRNA</td>
</tr>
<tr>
<td></td>
<td>○ Invasive diagnostic procedures directly related to the labor with delivery of the unborn child.</td>
</tr>
<tr>
<td></td>
<td>○ Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero.)</td>
</tr>
<tr>
<td></td>
<td>○ Hospital-based Physician services (including Physician performed technical and interpretive components)</td>
</tr>
</tbody>
</table>
- surgery and reconstruction on the other breast to produce symmetrical appearance; and
- treatment of physical complications from the mastectomy and treatment of lymphedemas.

- In-network and out-of-network Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.

- Physician services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Physician services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.

- Physician services medically necessary to support a dentist providing dental services to a CHIP member such as general anesthesia or intravenous (IV) sedation.

- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

- Professional component of the ultrasound of the pregnant uterus when medically indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, or gestational age confirmation.

- Professional component of Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasonic Guidance for Amniocentesis, Cordocentesis, and FIUT.

- Professional component associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Professional services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.
<table>
<thead>
<tr>
<th>Prenatal Care and Pre-Pregnancy Family Services and Supplies</th>
<th>Covered, unlimited prenatal care and medically necessary care related to diseases, illness, or abnormalities related to the reproductive system, and limitations and exclusions to these services are described under inpatient, outpatient and physician services. Primary and preventive health benefits do not include pre-pregnancy family reproductive services and supplies, or prescription medications prescribed only for the purpose of primary and preventive reproductive health care. Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include: (1) One (1) visit every four (4) weeks for the first 28 weeks or pregnancy; (2) one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and (3) one (1) visit per week from 36 weeks to delivery. More frequent visits are allowed as Medically Necessary. Benefits are limited to: Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained in the physician’s files and is subject to retrospective review. Visits after the initial visit must include: ⊗ interim history (problems, marital status, fetal status); ⊗ physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and laboratory tests (urinalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birthing Center Services</td>
<td>Covers birthing services provided by a licensed birthing center. Limited to facility services (e.g., labor and delivery). Limitation: Applies only to CHIP members. Covers birthing services provided by a licensed birthing center. Limited to facility services related to labor with delivery. Applies only to CHIP Perinate Members (unborn child) with income above the Medicaid eligibility threshold (who will not qualify for Medicaid once born).</td>
</tr>
</tbody>
</table>
| Services Rendered by a Certified Nurse Midwife or physician in a licensed birthing center | CHIP Members: Covers prenatal services and birthing services rendered in a licensed birthing center. CHIP Perinate Newborn Members: Covers services rendered to a newborn immediately following delivery. | Covers prenatal services and birthing services rendered in a licensed birthing center. Prenatal services subject to the following limitations: Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include:

1. one (1) visit every four (4) weeks for the first 28 weeks or pregnancy;
2. one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and
3. one (1) visit per week from 36 weeks to delivery.

More frequent visits are allowed as Medically Necessary. Benefits are limited to:

Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained and is subject to retrospective review.

Visits after the initial visit must include:
- interim history (problems, marital status, fetal status);
- physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and
- laboratory tests (urinanalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client). |
### Durable Medical Equipment (DME), Prosthetic Devices and Disposable Medical Supplies

$20,000 12-month period limit for DME, prosthetics, devices and disposable medical supplies (diabetic supplies and equipment are not counted against this cap). Services include DME (equipment which can withstand repeated use and is primarily and customarily used to serve a medical purpose, generally is not useful to a person in the absence of Illness, Injury, or Disability, and is appropriate for use in the home), including devices and supplies that are medically necessary and necessary for one or more activities of daily living and appropriate to assist in the treatment of a medical condition, including:

- Orthotic braces and orthotics
- Dental devices
- Prosthetic devices such as artificial eyes, limbs, braces, and external breast prostheses
- Prosthetic eyeglasses and contact lenses for the management of severe ophthalmologic disease
- Hearing aids

Diagnosis-specific disposable medical supplies, including diagnosis-specific prescribed specialty formula and dietary supplements. (See Attachment A)

<table>
<thead>
<tr>
<th>Home and Community Health Services</th>
<th>Services that are provided in the home and community, including, but not limited to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home infusion</td>
</tr>
<tr>
<td></td>
<td>Respiratory therapy</td>
</tr>
<tr>
<td></td>
<td>Visits for private duty nursing (R.N., L.V.N.)</td>
</tr>
<tr>
<td></td>
<td>Skilled nursing visits as defined for home health purposes (may include R.N. or L.V.N.).</td>
</tr>
<tr>
<td></td>
<td>Home health aide when included as part of a plan of care during a period that skilled visits have been approved.</td>
</tr>
<tr>
<td></td>
<td>Speech, physical and occupational therapies.</td>
</tr>
<tr>
<td></td>
<td>Services are not intended to replace the CHILD'S caretaker or to provide relief for the caretaker</td>
</tr>
<tr>
<td></td>
<td>Skilled nursing visits are provided on intermittent level and not intended to provide 24-hour skilled nursing services</td>
</tr>
</tbody>
</table>

Services are not intended to replace 24-hour inpatient or skilled nursing facility services

Not a covered benefit.
| Inpatient Mental Health Services | Mental health services, including for serious mental illness, furnished in a free-standing psychiatric hospital, psychiatric units of general acute care hospitals and state-operated facilities, including, but not limited to:

- Neuropsychological and psychological testing.
- When inpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination.
- Does not require PCP referral |
| Outpatient Mental Health Services | Mental health services, including for serious mental illness, provided on an outpatient basis, including, but not limited to:

- The visits can be furnished in a variety of community-based settings (including school and home-based) or in a state-operated facility.
- Neuropsychological and psychological testing
- Medication management
- Rehabilitative day treatments
- Residential treatment services
- Sub-acute outpatient services (partial hospitalization or rehabilitative day treatment)
- Skills training (psycho-educational skill development)
- When outpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination.
- A Qualified Mental Health Provider – Community Services (QMHP-CS), is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C., Part I, Chapter 412, Subchapter G, Division 1, §412.303(48). QMHP-CSs shall be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs shall be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services.

<p>| Not a covered benefit. | Does not require PCP referral | Not a covered benefit. |</p>
<table>
<thead>
<tr>
<th>Service Type</th>
<th>Services Include, but are not limited to:</th>
<th>Not a covered benefit.</th>
</tr>
</thead>
</table>
| **Inpatient Substance Abuse Treatment Services** | - Inpatient and residential substance abuse treatment services including detoxification and crisis stabilization, and 24-hour residential rehabilitation programs  
- Does not require PCP referral |                                       |
| **Outpatient Substance Abuse Treatment Services** | - Prevention and intervention services that are provided by physician and non-physician providers, such as screening, assessment and referral for chemical dependency disorders.  
- Intensive outpatient services  
- Partial hospitalization  
- Intensive outpatient services is defined as an organized non-residential service providing structured group and individual therapy, educational services, and life skills training which consists of at least 10 hours per week for four to 12 weeks, but less than 24 hours per day  
- Outpatient treatment service is defined as consisting of at least one to two hours per week providing structured group and individual therapy, educational services, and life skills training  
- Does not require PCP referral |                                       |
| **Rehabilitation Services** | - Habilitation (the process of supplying a child with the means to reach age-appropriate developmental milestones through therapy or treatment) and rehabilitation services include, but are not limited to the following:  
- Physical, occupational and speech therapy  
- Developmental assessment |                                       |
| **Hospice Care Services** | - Palliative care, including medical and support services, for those children who have six (6) months or less to live, to keep patients comfortable during the last weeks and months before death  
- Treatment services, including treatment related to the terminal illness  
- Up to a maximum of 120 days with a 6 month life expectancy  
- Patients electing hospice services may cancel this election at anytime  
- Services apply to the hospice diagnosis |                                       |
### Emergency Services, including Emergency Hospitals, Physicians, and Ambulance Services

MCO cannot require authorization as a condition for payment for emergency conditions or labor and delivery. Covered services include, but are not limited to, the following:

- Emergency services based on prudent layperson definition of emergency health condition
- Hospital emergency department room and ancillary services and physician services 24 hours a day, seven (7) days a week, both by in-network and out-of-network providers
- Medical screening examination
- Stabilization services
- Access to DSHS designated Level 1 and Level II trauma centers or hospitals meeting equivalent levels of care for emergency services
- Emergency ground, air and water transportation
- Emergency dental services, limited to fractured or dislocated jaw, traumatic damage to teeth, removal of cysts, and treatment relating to oral abscess of tooth or gum origin.

MCO cannot require authorization as a condition for payment for emergency conditions related to labor with delivery. Covered services are limited to those emergency services that are directly related to the delivery of the unborn child until birth.

- Emergency services based on prudent layperson definition of emergency health condition
- Medical screening examination to determine emergency when directly related to the delivery of the covered unborn child.
- Stabilization services related to the labor with delivery of the covered unborn child.
- Emergency ground, air and water transportation for labor and threatened labor is a covered benefit
- Emergency ground, air and water transportation for an emergency associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) is a covered benefit.

Benefit limits: Post-delivery services or complications resulting in the need for emergency services for the mother of the CHIP Perinate are not a covered benefit.

### Transplants

Services include, but are not limited to, the following:

- Using up-to-date FDA guidelines, all non-experimental human organ and tissue transplants and all forms of non-experimental corneal, bone marrow and peripheral stem cell transplants, including donor medical expenses.

Not a covered benefit.

### Vision Benefit

The health plan may reasonably limit the cost of the frames/lenses. Services include:

- One (1) examination of the eyes to determine the need for and prescription for corrective lenses per 12-month period, without authorization
- One (1) pair of non-prosthetic eyewear per 12-month period

Not a covered benefit.

### Chiropractic Services

Services do not require physician prescription and are limited to spinal subluxation

Not a covered benefit.

### Tobacco Cessation Program

Covered up to $100 for a 12-month period limit for a plan-approved program

- Health Plan defines plan-approved program.
- May be subject to formulary requirements.

Not a covered benefit.
<table>
<thead>
<tr>
<th>Case Management and Care Coordination Services</th>
<th>Covered benefit.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drug Benefits</td>
<td>Not a covered benefit unless identified elsewhere in this table.</td>
</tr>
</tbody>
</table>

**Drug Benefits**

- Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals; and
- Drugs and biologicals provided in an inpatient setting.

**Value-added services**

See RFP Attachment B-2.1

---

**CHIP Exclusions from Covered Services**

- Inpatient and outpatient infertility treatments or reproductive services other than prenatal care, labor and delivery, and care related to disease, illnesses, or abnormalities related to the reproductive system
  - Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e., cannot be prescribed for family planning)

- Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment of sickness or injury

- Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community

- Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court

- Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.

- Mechanical organ replacement devices including, but not limited to artificial heart

- Hospital services and supplies when confinement is solely for diagnostic testing purposes, unless otherwise pre-authorized by Health Plan

- Prostate and mammography screening

- Elective surgery to correct vision

- Gastric procedures for weight loss

- Cosmetic surgery/services solely for cosmetic purposes

- Dental devices solely for cosmetic purposes

- Out-of-network services not authorized by the Health Plan except for emergency care and physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section
Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity, except for the services associated with the treatment for morbid obesity as part of a treatment plan approved by the Health Plan

Medications prescribed for weight loss or gain

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Replacement or repair of prosthetic devices and durable medical equipment due to misuse, abuse or loss when confirmed by the Member or the vendor

Corrective orthopedic shoes

Convenience items

Over-the-counter medications

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists a child with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a parent. This care does not require the continuing attention of trained medical or paramedical personnel.) This exclusion does not apply to hospice services.

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training and vision therapy

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered except when ordered by a Physician/PCP

Donor non-medical expenses

Charges incurred as a donor of an organ when the recipient is not covered under this health plan

Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa)

EXCLUSIONS FROM COVERED SERVICES FOR CHIP PERINATES
For CHIP Perinates in families with income at or below the Medicaid eligibility threshold (Perinates who qualify for Medicaid once born), inpatient facility charges are not a covered benefit if associated with the initial Perinatal Newborn admission. "Initial Perinatal Newborn admission" means the hospitalization associated with the birth.

   Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e. cannot be prescribed for family planning)

Inpatient and outpatient treatments other than prenatal care, labor with delivery, services related to (a) miscarriage and (b) a non-viable pregnancy, and postpartum care related to the covered unborn child until birth.

   Inpatient mental health services.
   Outpatient mental health services.
   Durable medical equipment or other medically related remedial devices.
   Disposable medical supplies.
   Home and community-based health care services.
   Nursing care services.
   Dental services.
   Inpatient substance abuse treatment services and residential substance abuse treatment services.
   Outpatient substance abuse treatment services.
   Physical therapy, occupational therapy, and services for individuals with speech, hearing, and language disorders.
   Hospice care.
   Skilled nursing facility and rehabilitation hospital services.
   Emergency services other than those directly related to the labor with delivery of the covered unborn child.
   Transplant services.
   Tobacco Cessation Programs.
   Chiropractic Services.
   Medical transportation not directly related to labor or threatened labor, miscarriage or non-viable pregnancy, and/or delivery of the covered unborn child.
   Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment related to labor with delivery or post partum care.
   Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community
   Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court
   Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.
Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa).

Mechanical organ replacement devices including, but not limited to artificial heart

Hospital services and supplies when confinement is solely for diagnostic testing purposes and not a part of labor with delivery

Prostate and mammography screening

Elective surgery to correct vision

Gastric procedures for weight loss

Cosmetic surgery/services solely for cosmetic purposes

Out-of-network services not authorized by the Health Plan except for emergency care related to the labor with delivery of the covered unborn child.

Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Corrective orthopedic shoes

Convenience items

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a caregiver. This care does not require the continuing attention of trained medical or paramedical personnel.)

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training, vision therapy, or vision services

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered

Donor non-medical expenses

Charges incurred as a donor of an organ
CHIP DME/SUPPLIES

Note: DME/SUPPLIES are not a covered benefit for CHIP Perinate Members (Unborn Child).

<table>
<thead>
<tr>
<th>SUPPLIES</th>
<th>COVERED</th>
<th>EXCLUDED</th>
<th>COMMENTS / MEMBER CONTRACT PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ace Bandages</td>
<td></td>
<td>X</td>
<td>Exception: If provided by and billed through the clinic or home care agency it is covered as an incidental supply.</td>
</tr>
<tr>
<td>Alcohol, rubbing</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Alcohol, swabs (diabetic)</td>
<td>X</td>
<td></td>
<td>Over-the-counter supply not covered, unless RX provided at time of dispensing.</td>
</tr>
<tr>
<td>Alcohol, swabs</td>
<td>X</td>
<td></td>
<td>Covered only when received with IV therapy or central line kits/supplies.</td>
</tr>
<tr>
<td>Ana Kit Epinephrine</td>
<td></td>
<td>X</td>
<td>A self-injection kit used by patients highly allergic to bee stings.</td>
</tr>
<tr>
<td>Arm Sling</td>
<td></td>
<td>X</td>
<td>Dispensed as part of office visit.</td>
</tr>
<tr>
<td>Attends (Diapers)</td>
<td></td>
<td>X</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan</td>
</tr>
<tr>
<td>Bandages</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Basal Thermometer</td>
<td></td>
<td>X</td>
<td>For covered DME items</td>
</tr>
<tr>
<td>Batteries – initial</td>
<td></td>
<td>X</td>
<td>For covered DME when replacement is necessary due to normal use.</td>
</tr>
<tr>
<td>Batteries – replacement</td>
<td>X</td>
<td></td>
<td>See IV therapy supplies.</td>
</tr>
<tr>
<td>Betadine</td>
<td></td>
<td>X</td>
<td>For monitoring of diabetes.</td>
</tr>
<tr>
<td>Books</td>
<td></td>
<td>X</td>
<td>See Ostomy Supplies.</td>
</tr>
<tr>
<td>Clinitest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colostomy Bags</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Devices</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Contraceptive Jelly</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply. Contraceptives are not covered under the plan.</td>
</tr>
<tr>
<td>Cranial Head Mold</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Dental Devices</td>
<td></td>
<td>X</td>
<td>Coverage limited to dental devices used for treatment of craniofacial anomalies requiring surgical intervention.</td>
</tr>
<tr>
<td>Diabetic Supplies</td>
<td></td>
<td>X</td>
<td>Monitor calibrating solution, insulin syringes, needles, lancets, lancet device, and glucose strips.</td>
</tr>
<tr>
<td>Diapers/Incontinent Briefs/Chux</td>
<td>X</td>
<td></td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan</td>
</tr>
<tr>
<td>Diaphragm</td>
<td></td>
<td>X</td>
<td>Contraceptives are not covered under the plan.</td>
</tr>
<tr>
<td>Diastix</td>
<td></td>
<td>X</td>
<td>For monitoring diabetes.</td>
</tr>
<tr>
<td>Diet, Special</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distilled Water</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>X</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>---</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Central Line</td>
<td>X</td>
<td>Syringes, needles, Tegaderm, alcohol swabs, Betadine swabs or ointment, tape. Many times these items are dispensed in a kit when includes all necessary items for one dressing site change.</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Decubitus</td>
<td></td>
<td>Eligible for coverage only if receiving covered home care for wound care.</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Peripheral IV Therapy</td>
<td>X</td>
<td>Eligible for coverage only if receiving home IV therapy.</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Other</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dust Mask</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ear Molds</td>
<td>X</td>
<td>Custom made, post inner or middle ear surgery.</td>
<td></td>
</tr>
<tr>
<td>Electrodes</td>
<td>X</td>
<td>Eligible for coverage when used with a covered DME.</td>
<td></td>
</tr>
<tr>
<td>Enema Supplies</td>
<td>X</td>
<td>Over-the-counter supply.</td>
<td></td>
</tr>
<tr>
<td>Enteral Nutrition Supplies</td>
<td>X</td>
<td>Necessary supplies (e.g., bags, tubing, connectors, catheters, etc.) are eligible for coverage. Enteral nutrition products are not covered except for those prescribed for hereditary metabolic disorders, a non-function or disease of the structures that normally permit food to reach the small bowel, or malabsorption due to disease.</td>
<td></td>
</tr>
<tr>
<td>Eye Patches</td>
<td>X</td>
<td>Covered for patients with amblyopia.</td>
<td></td>
</tr>
</tbody>
</table>
**Formula**  

**Exception:** Eligible for coverage only for chronic hereditary metabolic disorders a non-function or disease of the structures that normally permit food to reach the small bowel; or malabsorption due to disease (expected to last longer than 60 days when prescribed by the physician and authorized by plan.) Physician documentation to justify prescription of formula must include:

- Identification of a metabolic disorder, dysphagia that results in a medical need for a liquid diet, presence of a gastrostomy, or disease resulting in malabsorption that requires a medically necessary nutritional product

Does not include formula:

- For members who could be sustained on an age-appropriate diet.
- Traditionally used for infant feeding
- In pudding form (except for clients with documented oropharyngeal motor dysfunction who receive greater than 50 percent of their daily caloric intake from this product)
- For the primary diagnosis of failure to thrive, failure to gain weight, or lack of growth or for infants less than twelve months of age unless medical necessity is documented and other criteria, listed above, are met.

Food thickeners, baby food, or other regular grocery products that can be blenderized and used with an enteral system that are not medically necessary, are not covered, regardless of whether these regular food products are taken orally or parenterally.

<table>
<thead>
<tr>
<th>Item</th>
<th>Code</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gloves</td>
<td>X</td>
<td>Exception: Central line dressings or wound care provided by home care agency.</td>
</tr>
<tr>
<td>Hydrogen Peroxide</td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Hygiene Items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incontinent Pads</td>
<td>X</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan</td>
</tr>
<tr>
<td>Insulin Pump (External) Supplies</td>
<td>X</td>
<td>Supplies (e.g., infusion sets, syringe reservoir and dressing, etc.) are eligible for coverage if the pump is a covered item.</td>
</tr>
<tr>
<td>Irrigation Sets, Wound Care</td>
<td></td>
<td>Eligible for coverage when used during covered home care for wound care.</td>
</tr>
<tr>
<td>Irrigation Sets, Urinary</td>
<td>X</td>
<td>Eligible for coverage for individual with an indwelling urinary catheter.</td>
</tr>
<tr>
<td>Item</td>
<td>Covered Status</td>
<td>Notes</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>----------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>IV Therapy Supplies</td>
<td>X</td>
<td>Tubing, filter, cassettes, IV pole, alcohol swabs, needles, syringes and any other related supplies necessary for home IV therapy.</td>
</tr>
<tr>
<td>K-Y Jelly</td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Lancet Device</td>
<td>X</td>
<td>Limited to one device only.</td>
</tr>
<tr>
<td>Lancets</td>
<td>X</td>
<td>Eligible for individuals with diabetes.</td>
</tr>
<tr>
<td>Med Ejector</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Needles and Syringes/Diabetic</td>
<td></td>
<td>See Diabetic Supplies</td>
</tr>
<tr>
<td>Needles and Syringes/IV and Central Line</td>
<td>X</td>
<td>See IV Therapy and Dressing Supplies/Central Line.</td>
</tr>
<tr>
<td>Needles and Syringes/Other</td>
<td>X</td>
<td>Eligible for coverage if a covered IM or SubQ medication is being administered at home.</td>
</tr>
<tr>
<td>Normal Saline</td>
<td></td>
<td>See Saline, Normal</td>
</tr>
<tr>
<td>Needles and Syringes/Other</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Normal Saline</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parenteral Nutrition/Supplies</td>
<td>X</td>
<td>Necessary supplies (e.g., tubing, filters, connectors, etc.) are eligible for coverage when the Health Plan has authorized the parenteral nutrition.</td>
</tr>
<tr>
<td>Novopen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ostomy Supplies</td>
<td>X</td>
<td>Items eligible for coverage include: belt, pouch, bags, wafer, face plate, insert, barrier, filter, gasket, plug, irrigation kit/sleeve, tape, skin prep, adhesives, drain sets, adhesive remover, and pouch deodorant. Items not eligible for coverage include: scissors, room deodorants, cleaners, rubber gloves, gauze, pouch covers, soaps, and lotions.</td>
</tr>
<tr>
<td>Saline, Normal</td>
<td>X</td>
<td>Eligible for coverage: a) when used to dilute medications for nebulizer treatments; b) as part of covered home care for wound care; c) for indwelling urinary catheter irrigation.</td>
</tr>
<tr>
<td>Stump Sleeve</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Stump Socks</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Suction Catheters</td>
<td>X</td>
<td>See Needles/Syringes.</td>
</tr>
<tr>
<td>Syringes</td>
<td></td>
<td>See Dressing Supplies, Ostomy Supplies, IV Therapy Supplies.</td>
</tr>
<tr>
<td>Tape</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tracheostomy Supplies</td>
<td>X</td>
<td>Cannulas, Tubes, Ties, Holders, Cleaning Kits, etc. are eligible for coverage.</td>
</tr>
<tr>
<td>Under Pads</td>
<td></td>
<td>See Diapers/Incontinent Briefs/Chux.</td>
</tr>
<tr>
<td>Unna Boot</td>
<td>X</td>
<td>Eligible for coverage when part of wound care in the home setting. Incidental charge when applied during office visit.</td>
</tr>
<tr>
<td>Urinary, External Catheter &amp; Supplies</td>
<td>X</td>
<td>Exception: Covered when used by incontinent male where injury to the urethra prohibits use of an indwelling catheter ordered by the PCP and approved by the plan.</td>
</tr>
<tr>
<td>Urinary, Indwelling Catheter &amp; Supplies</td>
<td>X</td>
<td>Cover catheter, drainage bag with tubing, insertion tray, irrigation set and normal saline if needed.</td>
</tr>
<tr>
<td>Item</td>
<td>X</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Urinary, Intermittent</td>
<td></td>
<td>Cover supplies needed for intermittent or straight catheterization.</td>
</tr>
<tr>
<td>Urine Test Kit</td>
<td>X</td>
<td>When determined to be medically necessary.</td>
</tr>
<tr>
<td>Urostomy supplies</td>
<td></td>
<td>See Ostomy Supplies.</td>
</tr>
</tbody>
</table>
### DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2.2 is modified to reinstate the waiver of the three prescription limit for adults language and to add the waiver of the $200,000 individual annual limit on inpatient services. STAR+PLUS Covered Services is modified to clarify the requirements regarding services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting. Services included under the HMO capitation payment is modified to clarify the requirements for &quot;Prenatal care services rendered in a birthing center.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Community Based Long Term Care Services is modified to replace references to “1915(c) STAR+PLUS Waiver” and “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Acute Care Services is modified to remove the waiver of the 30-day spell of illness as required by Article II, Rider 51 of the General Appropriations Act (83R), and to remove the reference to the Texas Medicaid Bulletin.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.9</td>
<td>February 1, 2014</td>
<td>Services included under the MCO capitation payment is modified for consistency with the STAR Covered Services Attachment. The vision benefits have not changed. In addition, telemedicine and telemonitoring are added. Nursing Facility Services is added. HCBS STAR+PLUS Waiver Services is modified to add Dental Services, Financial Management Services, Support Consultation, Employment Assistance, Supported Employment, and Cognitive Rehabilitation Therapy.</td>
</tr>
</tbody>
</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
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3 Brief description of the changes to the document made in the revision.

### STAR+PLUS Covered Services

**Acute Care Services**
The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR+PLUS Program.

STAR+PLUS MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated Services are not included in the STAR+PLUS MCOs' Capitation Rates; however, STAR+PLUS MCOs must coordinate care for Members for these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and non-capitated.

STAR+PLUS MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR+PLUS Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following two exceptions. Adult STAR+PLUS Members are provided with two enhanced benefits compared to the traditional, fee-for-service Medicaid coverage:

1. waiver of the three prescription per month limit, for members not covered by Medicare; and
2. waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR+PLUS MCOs should refer to the current Texas Medicaid Provider Procedures Manual, which can be accessed online at: http://www.tmhp.com.

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

**Services included under the MCO capitation payment**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Adults and Children
  - Outpatient mental health services for Adults and Children
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Substance use disorder treatment services, including
    - Outpatient services, including:
      - Assessment
      - Detoxification services
      - Counseling treatment
      - Medication assisted therapy
    - Residential services, including
      - Detoxification services
Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

- Birthing services provided by a physician or Advanced Practice Nurse in a licensed birthing center
- Birthing services provided by a licensed birthing center
- Cancer screening, diagnostic, and treatment services
- Chiropractic services
- Dialysis
- Durable medical equipment and supplies
- Early Childhood Intervention (ECI) services
- Emergency Services
- Family planning services
- Home health care services
- Hospital services, inpatient and outpatient
- Laboratory
- Mastectomy, breast reconstruction, and related follow-up procedures, including:
  - outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and physician and professional services provided in an office, inpatient, or outpatient setting for:
    - all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
    - surgery and reconstruction on the other breast to produce symmetrical appearance;
    - treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    - prophylactic mastectomy to prevent the development of breast cancer.
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.
- Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program
- Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children six (6) months through 35 months of age.
- Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals
- Drugs and biologicals provided in an inpatient setting
• Podiatry
• Prenatal care
• Primary care services
• Preventive services including an annual adult well check for patients 21 years of age and over
• Radiology, imaging, and X-rays
• Specialty physician services
• Therapies – physical, occupational and speech
• Transplantation of organs and tissues
• Vision (Includes optometry and glasses. Contact lenses are only covered if they are medically necessary for vision correction that cannot be accomplished by glasses.)
  • Telemedicine
  • Telemonitoring (effective October 1, 2013, through August 31, 2015)

Nursing Facility Services (effective September 1, 2014)

Nursing Facility Services are included under the STAR+PLUS Medicaid managed care program.

Community Based Long Term Care Services

The following is a non-exhaustive, high-level listing of Community Based Long Term Care Covered Services included under the STAR+PLUS Medicaid managed care program.

• Community Based Long Term Care Services for all Members
  o Personal Attendant Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Personal Attendant Services (PAS).
  o Day Activity and Health Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Day Activity and Health Care Services (DAHS).
• HCBS STAR+PLUS Waiver Services for those Members who qualify for these services The state provides an enriched array of services to clients who would otherwise qualify for nursing facility care through a Home and Community Based Medicaid Waiver. In traditional Medicaid, this is known as the Community Based Alternatives (CBA) waiver. The STAR+PLUS MCO must also provide medically necessary services that are available to clients through the CBA waiver in traditional Medicaid to those clients that meet the functional and financial eligibility for the HCBS STAR+PLUS Waiver.
  o Personal Attendant Services (including the three service delivery options: Self-Directed; Agency Model, Self-Directed; and Agency Model)
  o In-Home or Out-of-Home Respite Services
  o Nursing Services (in home)
  o Emergency Response Services (Emergency call button)
  o Home Delivered Meals
  o Minor Home Modifications
  o Adaptive Aids and Medical Equipment
  o Medical Supplies not available under the Texas Medicaid State Plan/ Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver
  o Physical Therapy, Occupational Therapy, Speech Therapy
  o Day Activity Health Services (DAHS) (for members in 217-Like STAR+PLUS eligibility group, as identified in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver, whose income exceeds 150% FPL)
  o Adult Foster Care
  o Assisted Living
- Transition Assistance Services (These services are limited to a maximum of $2,500.00. If the MCO determines that no other resources are available to pay for the basic services/items needed to assist a Member, who is leaving a nursing facility, with setting up a household, the MCO may authorize up to $2,500.00 for Transition Assistance Services (TAS). The $2,500.00 TAS benefit is part of the expense ceiling when determining the Total Annual Individual Service Plan (ISP) Cost.)

- Dental Services (The annual cost cap of this service is $5,000 per waiver plan year. The $5,000 cap may be waived by the managed care organization upon request of the member only when the services of an oral surgeon are required. Exceptions to the $5,000 cap may be made up to an additional $5,000 per waiver plan year when the services of an oral surgeon are required.)

- Cognitive Rehabilitation Therapy (effective March 1, 2014)
- Financial Management Services
- Support Consultation
- Employment Assistance (effective September 1, 2014)
- Supported Employment (effective September 1, 2014)
# SUBJECT

**Attachment B-3 - Deliverables/Liquidated Damages Matrix**

## DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Item 27 is modified to remove the quarterly reports for item (a), add pharmacy to items (d) and (e), and to add item (f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports. Item 28 is modified to replace references to “1915 (c) Waiver” with “HCBS STAR +PLUS Waiver”.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Item 19 is modified to clarify liquidated damage assessment and variance.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Items 4, 6, 7, 16, 23, 24, 26, 27, 28, 29, 30, and 31 are modified to add “not submitted” to the LD. Items 10 and 21 are modified and items 28-31 are added to include pharmacy requirements. All subsequent items are renumbered. Items 21 and 22 are modified to include pharmacy claims. Item 24 is modified to change the name of the report. Item 27 is modified to remove quarterly from the measurement period.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.8</td>
<td>January 1, 2014</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.9</td>
<td>February 1, 2014</td>
<td>Item 9 Geo-Mapping is added. All subsequent items are renumbered.</td>
</tr>
</tbody>
</table>

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2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
### Deliverables/Liquidated Damages Matrix

<table>
<thead>
<tr>
<th>#</th>
<th>Service/ Component¹</th>
<th>Performance Standard²</th>
<th>Measurement Period¹</th>
<th>Measurement Assessment¹</th>
<th>Liquidated Damages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>General Requirement:</strong> Failure to Perform an Administrative Service Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions”, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely perform an MCO Administrative Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure either: (1) results in actual harm to a Member or places a Member at risk of imminent harm, or (2) materially affects HHSC’s ability to administer the Program(s).</td>
<td>Ongoing</td>
<td>Each incident of non-compliance per MCO Program and SA.</td>
<td>HHSC may assess up to $5,000.00 per calendar day for each incident of non-compliance per MCO Program and SA.</td>
</tr>
<tr>
<td>2.</td>
<td><strong>General Requirement:</strong> Failure to Provide a Covered Service Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions”, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely provide a MCO Covered Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure results in actual harm to a Member or places a Member at risk of imminent harm.</td>
<td>Ongoing</td>
<td>Each calendar day of non-compliance</td>
<td>HHSC may assess up to $7,500.00 per day for each incident of non-compliance.</td>
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<td>3.</td>
<td>Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Section 4.08 Subcontractors</td>
<td>(i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract; (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting; (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and (iv) 30 calendar days prior to the termination date of any other Material Subcontract.</td>
<td>Transition, Measured Quarterly during the Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $5,000 per calendar day of non-compliance.</td>
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<tr>
<td>4.</td>
<td>Contract Attachment B-1, RFP §§ 6, 7, 8 and 9 Uniform Managed Care Manual</td>
<td>All reports and deliverables as specified in Sections 6, 7, 8 and 9 of Attachment B-1, must be submitted according to the timeframes and requirements stated in the Contract (including all attachments) and the Uniform Managed Care Manual. (Specific Reports or deliverables listed separately in this matrix are subject to the specified liquidated damages.)</td>
<td>Transition Period, Quarterly during Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $250 per calendar day if the report/deliverable is not submitted, late, inaccurate, or incomplete.</td>
</tr>
<tr>
<td>5.</td>
<td>Contract Attachment B-1, RFP §7.2 Transition Phase Schedule Contract Attachment B-1, RFP §7.2.1 Contract Start-Up and Planning Contract Attachment B-1, RFP §8.1 General Scope</td>
<td>The MCO must be operational no later than the agreed upon Operations Start Date. HHSC, or its agent, will determine when the MCO is considered to be operational based on the requirements in Section 7 and 8 of Attachment B-1.</td>
<td>Operations Start Date</td>
<td>Each calendar day of non-compliance, per MCO Program, per Service Area (SA).</td>
<td>HHSC may assess up to $10,000 per calendar day for each day beyond the Operations Start date that the MCO is not operational until the day that the MCO is operational, including all systems.</td>
</tr>
<tr>
<td></td>
<td>Contract Attachment B-1, RFP §7.2.5 System Readiness Review</td>
<td>The MCO must submit to HHSC or to the designated Readiness Review Contractor the following plans for review, no later than 120 days prior to Operational Start Date: • Joint Interface Plan; • Disaster Recovery Plan; • Business Continuity Plan; • Risk Management Plan; and • Systems Quality Assurance Plan.</td>
<td>Transition Period</td>
<td>Each calendar day of non-compliance, per report, per MCO Program, and per SA.</td>
<td>HHSC may assess up to $1,000 per calendar day for each day a deliverable is not submitted, late, inaccurate or incomplete.</td>
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<td>6.</td>
<td>Contract Attachment B-1, RFP §7.2.7 Operations Readiness</td>
<td>Final versions of the Provider Directory must be submitted to the Administrative Services Contractor no later than 95 days prior to the Operational Start Date.</td>
<td>Transition Period</td>
<td>Each calendar day of non-compliance, per directory, per MCO Program and per SA.</td>
<td>HHSC may assess up to $1,000 per calendar day for each day the directory is not submitted, late, inaccurate or incomplete.</td>
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<tr>
<td>7.</td>
<td>Attachment B-1, RFP Sections 7.2.8.1 and 8.1.19</td>
<td>The MCO must submit or comply with the requirements of the HHSC-approved Fraud and Abuse Compliance Plan.</td>
<td>Transition, Operations, and Turnover</td>
<td>Each incident of noncompliance, per MCO Program</td>
<td>HHSC may assess up to $250 per calendar day for each incident of noncompliance, per MCO Program.</td>
</tr>
<tr>
<td>8.</td>
<td>Attachment B-1, Section 8.1.3 Access to Care UMCM Chapter 5.14 Geo-Mapping</td>
<td>The MCO must comply with the contract’s mileage standards and benchmarks for member access.</td>
<td>Quarterly</td>
<td>Per incident of non-compliance, per Program, Service Area, and Provider type</td>
<td>HHSC may assess up to $1,000 per quarter, per Program, per Service Area, and per Provider type.</td>
</tr>
<tr>
<td>9.</td>
<td>Contract Attachment B-1, RFP §8.1.4 Provider Network UMCM Chapter 5.38 Out of Network Utilization Report</td>
<td>(1) No more than 15 percent of an MCO’s total hospital admissions, by service delivery area, may occur in out-of-network facilities. (2) No more than 20 percent of an MCO’s total emergency room visits, by service delivery area, may occur in out-of-network facilities (3) No more than 20 percent of total dollars billed to an MCO for &quot;other outpatient services” may be billed by out-of-network providers.</td>
<td>Measured Quarterly beginning March 1, 2010.</td>
<td>Per incident of non-compliance, per Medicaid MCO, per Service Area.</td>
<td>HHSC may assess up to $25,000 per quarter, per standard, per Medicaid MCO, per Service Area.</td>
</tr>
<tr>
<td>11.</td>
<td>Contract Attachment B-1, RFP §8.1.4.7 Provider Hotline; §8.1.21.1 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies</td>
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<tr>
<td><strong>A.</strong> The MCO must operate a toll-free Provider telephone hotline for Provider inquiries from 8 AM – 5 PM, local time for the Service Area, Monday through Friday, excluding State-approved holidays.</td>
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<td><strong>B.</strong> Performance Standards:</td>
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<tr>
<td>1. <strong>Call pickup rate</strong> — At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used.</td>
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<td>2. <strong>Call abandonment rate</strong> — Call abandonment rate is seven percent (7%) or less.</td>
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<td><strong>C.</strong> Average hold time is two (2) minutes or less.</td>
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<tr>
<td><strong>Operations and Turnover</strong></td>
<td><strong>A.</strong> Each incident of non-compliance per MCO Program and SA.</td>
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<tr>
<td><strong>B.</strong> Each percentage point below the standard for 1 and each percentage point above the standard for 2 per MCO Program and SA.</td>
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<tr>
<td><strong>C.</strong> Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
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<tr>
<td><strong>HHSC may assess:</strong></td>
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<tr>
<td><strong>A.</strong> Per MCO Program and SA, up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.</td>
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<tr>
<td><strong>B.</strong> Per MCO Program and SA, up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.</td>
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<tr>
<td><strong>C.</strong> Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time.</td>
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</table>

<table>
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<tr>
<th>12.</th>
<th>Contract Attachment B-1, RFP §8.1.5.6 Member Services Hotline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong> The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week.</td>
<td></td>
</tr>
<tr>
<td><strong>B.</strong> Performance Standards.</td>
<td></td>
</tr>
<tr>
<td>1. <strong>Call pickup rate</strong> — At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used.</td>
<td></td>
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<tr>
<td>2. <strong>Call hold rate</strong> — At least 80% of calls must be answered by toll-free line staff within 30 seconds</td>
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<tr>
<td>3. <strong>Call abandonment rate</strong> — Call abandonment rate is seven percent (7%) or less.</td>
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<tr>
<td><strong>C.</strong> Average hold time is two (2) minutes or less.</td>
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</tr>
<tr>
<td><strong>Operations and Turnover</strong></td>
<td><strong>A.</strong> Each incident of non-compliance per MCO Program and SA.</td>
</tr>
<tr>
<td><strong>B.</strong> Each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3 per MCO Program and SA.</td>
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</tr>
<tr>
<td><strong>C.</strong> Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
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</tr>
<tr>
<td><strong>HHSC may assess:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>A.</strong> Per MCO Program and SA, up to $100.00 for each hour or portion thereof that toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.</td>
<td></td>
</tr>
<tr>
<td><strong>B.</strong> Per MCO Program and SA, up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.</td>
<td></td>
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<tr>
<td><strong>C.</strong> Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time.</td>
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<td>Contract Attachment B-1, RFP §8.1.5.9 Member Complaint and Appeal Process</td>
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<td>13.</td>
<td>Contract Attachment B-1, RFP §8.2.7.1 Member Complaint Process</td>
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<td>14.</td>
<td>Contract Attachment B-1, RFP §8.2.7.2 Medicaid Standard Member Appeal Process</td>
</tr>
<tr>
<td>15.</td>
<td>Contract Attachment B-1, RFP §8.2.4.1 Provider Complaints</td>
</tr>
<tr>
<td></td>
<td>Contract Attachment B-1, RFP §8.1.15.3 Behavioral Health Services Hotline</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 16. | A. The MCO must have an emergency and crisis Behavioral Health services Hotline available 24 hours a day, seven (7) days a week, toll-free throughout the Service Area(s).  
B. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess behavioral health emergencies.  
C. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for the MCO Program:  
1. Call pickup rate: 99% of calls are answered by the fourth ring or an automated call pick-up system:  
2. Call hold rate: At least 80% of calls must be answered by toll-free line staff within 30 seconds.  
3. Call abandonment rate: The call abandonment rate is seven percent (7%) or less.  
D. Average hold time is two (2) minutes or less. | A. Each incident of non-compliance per MCO Program and SA.  
B. Each incident of non-compliance per MCO Program and SA.  
C. Per MCO Program, and SA, per month, each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3.  
D. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time. | A. Up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational if the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.  
B. Up to $100.00 per incident for each occurrence that HHSC identifies through its recurring monitoring processes that toll-free line staff were not qualified or did not have access to qualified professionals to assess behavioral health emergencies.  
C. Up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.  
D. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time. |

|   | Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements Uniform Managed Care Manual Chapter 5.0 | Financial Statistical Reports (FSR):  
For each MCO Program and SA, the MCO must file quarterly and annual FSRs. Quarterly reports are due no later than 30 days after the conclusion of each State Fiscal Quarter (SFQ). The first annual report is due no later than 120 days after the end of each Contract Year and the second annual report is due no later than 365 days after the end of each Contract Year. | Per calendar day of non-compliance, per MCO Program, per SA. |
| 17. | Financial Statistical Reports (FSR):  
For each MCO Program and SA, the MCO must file quarterly and annual FSRs. Quarterly reports are due no later than 30 days after the conclusion of each State Fiscal Quarter (SFQ). The first annual report is due no later than 120 days after the end of each Contract Year and the second annual report is due no later than 365 days after the end of each Contract Year. | Per calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $1,000 per calendar day a quarterly or annual report is not submitted, late, inaccurate or incomplete. |
| 18. | Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements: Uniform Managed Care Manual Chapter 5.0 | Medicaid Disproportionate Share Hospital (DSH) Reports: The Medicaid MCO must submit, on an annual basis, preliminary and final DSH Reports. The Preliminary report is due no later than June 1st after each reporting year, and the final report is due no later than July 1st after each reporting year. This standard does not apply to CHIP or CHIP Perinatal Programs. Any claims added after July 1st shall include supporting claim documentation for HHSC validation. | Measured during 4th Quarter of the Operations Period (6/1–8/31) | Per calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $1,000 per calendar day, per program, per service area, for each day the report is late, incorrect, inaccurate or incomplete. |
| 19. | Contract Attachment B-1, RFP §8.1.18 Management Information System (MIS) Requirements | The MCO’s MIS must be able to resume operations within 72 hours of employing its Disaster Recovery Plan. | Measured Quarterly during the Operations Period | Per calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $5,000 per calendar day of non-compliance |
| 20. | Contract Attachment B-1, RFP §8.1.18.1 Encounter Data | The MCO must submit Encounter Data transmissions and include all Encounter Data and Encounter Data adjustments processed by the MCO on a monthly basis, not later than the 30th calendar day after the last day of the month in which the claim(s) are adjudicated. Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments. Additionally, the MCO will be subject to liquidated damages if the Quarterly Encounter Reconciliation Report (which reconciles the yearto-date paid claims reported in the Financial Statistical Report (FSR) to the appropriate paid dollars reported in the Texas Encounter Data (TED) Warehouse) includes more than a 2% variance. | Measured Quarterly during Operations Period | Per incident of non-compliance, per MCO Program, per Service Area (SA) | Liquidated Damages: 

a) Failure to submit Encounter Data: 

1. HHSC may assess up to $2,500 per Financial Arrangement Code, per month (or every 25 days for Pharmacy Encounter Data), per Program, per SA if the MCO fails to submit encounter data in a quarter. 

2. HHSC may assess up to $5,000 per Financial Arrangement Code, per month (or every 25 days for Pharmacy Encounter Data), per Program, per SA for each month in any subsequent quarter that the MCO fails to submit Encounter Data.

b) Encounter Data Reconciliation: Additionally, HHSC may assess up to $2,500 per Quarter, per Program, per SA if the MCO is not within the 2% variance. 

HHSC may assess up to $5,000 per Quarter, per Program, per SA for each additional Quarter that the MCO is not within the 2% variance. |

<p>| 21. | Contract Attachment B-1, RFP §8.1.18.3 System-Wide Functions | The MCO’s MIS system must meet all requirements in Section 8.1.18.3 of Attachment B-1. | Measured Quarterly during the Operations Period | Per calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $5,000 per calendar day of non-compliance. |</p>
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<tr>
<th>Section</th>
<th>Text</th>
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<tr>
<td>22.</td>
<td>The MCO must adjudicate all provider Clean Claims within 30 days of receipt by the MCO. The MCO must pay providers interest at 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 30-day claims processing deadline. Interest owed to the provider must be paid on the same date as the claim. The MCO must adjudicate all Clean Claims for outpatient pharmacy benefits within (1) 18 days after receipt by the MCO if submitted electronically, or (2) 21 days after receipt by the MCO if submitted non-electronically. The MCO must pay providers interest at 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 18-day or 21-day claims-processing deadline. Interest owed to the provider must be paid on the same date as the claim.</td>
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</table>

| Measured Quarterly during the Operations Period |

| Per incident of non-compliance. |

| HHSC may assess up to $1,000 per claim if the MCO fails to pay interest timely. |

| 23. | The MCO must comply with the claims processing requirements and standards as described in Section 8.1.18.5 of Attachment B-1 and in Chapters 2.0 and 2.2 of the Uniform Managed Care Manual. |

| Measured Quarterly during the Operations Period |

| Per quarterly reporting period, per MCO Program, per Service Area, per claim type. |

<p>| HHSC may assess liquidated damages of up to $5,000 for the first quarter that an MCO’s Claims Performance percentages by claim type, by Program, and by service area, fall below the performance standards. HHSC may assess up to $25,000 per quarter for each additional quarter that the Claims Performance percentages by claim type, by Program, and by service area, fall below the performance standards. |</p>
<table>
<thead>
<tr>
<th></th>
<th>Attachment B-1, RFP Section 8.1.19</th>
<th>The MCO must respond to Office of Inspector General request for information in the manner and format requested.</th>
<th>Transition, Operations, and Turnover</th>
<th>Each calendar day of noncompliance, per MCO Program.</th>
<th>HHSC may assess up to $250 per calendar day, per MCO Program, that the report is not submitted, late, inaccurate, or incomplete.</th>
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<tbody>
<tr>
<td>25.</td>
<td>Attachment B-1, RFP Section 8.1.20.2, UMCM Chapter 5.5</td>
<td>The MCO must submit a Fraudulent Practices Report to the HHSC-OIG within 30 Business Days of receiving a report of possible Waste, Abuse, or Fraud from the MCO’s Special Investigative Unit (SIU). The MCO must submit quarterly MCO Open Case List Reports.</td>
<td>Transition, Operations, and Turnover</td>
<td>Each calendar day of noncompliance, per MCO Program.</td>
<td>HHSC may assess up to $250 per calendar day, per MCO Program, that the report is not submitted, late, inaccurate, or incomplete.</td>
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<tr>
<td>26.</td>
<td>Attachment B-1, RFP §8.1.20.2 Reports Attachment B-1, RFP §8.2.5.1 Provider Complaints Attachment B-1, RFP §8.2.7.1 Member Complaint Process</td>
<td>The MCO fails to submit a timely response to an HHSC Member or Provider Complaint received by HHSC and referred to the MCO by the specified due date. The MCO response must be submitted according to the timeframes and requirements stated within the MCO Notification Correspondence (letter, email, etc).</td>
<td>Measured on a Quarterly Basis</td>
<td>Each incident of non-compliance per MCO Program and SA</td>
<td>HHSC may assess up to $250 per calendar day for each day beyond the due date specified within the MCO Notification Correspondence.</td>
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<td>27.</td>
<td>Contract Attachment B-1, RFP §8.1.20.2 Reports Uniform Managed Care Manual Chapters 2.0 and 5.0</td>
<td>Claims Summary Report: The MCO must submit quarterly, Claims Summary Reports to HHSC by MCO Program, by Service Area, and by claim type, by the 30th day following the reporting period unless otherwise specified.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per calendar day of non-compliance, per MCO Program, per Service Area, per claim type.</td>
<td>HHSC may assess up to $1,000 per calendar day the report is not submitted, late, inaccurate, or incomplete.</td>
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<tr>
<td>28.</td>
<td>Contract Attachment B-1, RFP §8.1.20.2 Reports; Uniform Managed Care Manual Chapter 12 Frew</td>
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<tr>
<td>(a) Medicaid Managed Care Texas Health Steps Medical Checkups Reports - The MCO must submit an annual report of the number of New Members and Existing Members that receive timely Texas Health Steps (THSteps) medical checkups or refuse to obtain medical checkups.</td>
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<td>(b) Children of Migrant Farm Workers Annual Plan and Children of Migrant Farm Workers Annual Report - The MCO must submit an annual plan that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers and an annual report that summarizes the MCO's migrant efforts as stated in its annual plan.</td>
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<td>(c) Frew Quarterly Monitoring Report - The MCO must submit each quarter responses to questions on this report's template addressing the status of Frew Consent Decree paragraphs.</td>
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<td>(f) Quarterly</td>
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<td>(a) Per calendar day of non-compliance per Program.</td>
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<td>(b) Plan: Per calendar day of non-compliance.</td>
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<td>Report: Per calendar day of non-compliance per Program and Service Area.</td>
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<td>(c) Per calendar day of non-compliance per MCO.</td>
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<td>(d) Per calendar day of non-compliance per MCO.</td>
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<td>(e) Per calendar day of non-compliance per MCO.</td>
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<td>(f) Per calendar day of non-compliance per Program.</td>
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<td>HHSC may assess up to $1,000 per calendar day for the first measurement period the reports are not submitted, late, inaccurate, or incomplete.</td>
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<td>HHSC may assess up to $5,000 per calendar day for each consecutive measurement period that a subsequent report is not submitted, late, inaccurate, or incomplete.</td>
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<td>In addition, HHSC may assess up to $2,500 per calendar day for any report resubmissions that are not submitted, late, inaccurate, or incomplete within each measurement period.</td>
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</table>
(d) Frew Annual Provider Training Report - The MCO must submit an annual report of health care and pharmacy provider training conducted throughout the year on Texas Health Steps, Frew, and/or pharmacy benefit education topics that includes the number of Medicaid providers that received training and feedback received on the subject matter and methodology of the training.

(e) Frew Provider Recognition Report - The MCO must submit a quarterly report of Medicaid enrolled healthcare and pharmacy providers who attended the MCO’s training on Frew, Texas Health Steps, and/or pharmacy benefit education topics and consented to being recognized as having attended training on the HHSC website.

(f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports - Each State Fiscal Quarter, the MCO must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups.
| 29. | Contract Attachment B-1, §8.1.21.1 Formulary and Preferred Drug List | The MCO fails to allow Network Providers free access to a point-of-care web-based application accessible to smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs; Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly. | Ongoing | Each calendar day of non-compliance | HHSC may assess up to $5,000 per calendar day for each incident of non-compliance per MCO Program. |
|   | Contract Attachment B-1, §8.1.21.2 Prior Authorization (PA) for Prescription Drugs and 72-Hour Emergency Supplies | The MCO fails to reimburse a pharmacy for providing a 72-hour emergency supply as outlined in this section or fails to make a prior authorization determination within 24 hours of the request. | Ongoing | Each incident of noncompliance | HHSC may assess up to $5,000 per incident of non-compliance per MCO Program. |
|   | Contract Attachment B-1, §8.1.21.5 Pharmacy Rebate Program Uniform Managed Care Manual, Chapters 2.0 and 2.2 | The MCO fails to include valid national drug codes (NDCs) on encounters for outpatient prescription drugs, including physician-administered drugs. | Ongoing | Each incident of noncompliance | HHSC may assess up to $500 for each incident of non-compliance per MCO Program. |
|   | Contract Attachment B-1, §8.1.21.16 E-Prescribing | The MCO fails to provide timely data updates to the national e-prescribing network | Ongoing | Each calendar day of Non compliance | HHSC may assess up to $5,000 per calendar day of non-compliance per MCO Program. |
| 33. | Contract Attachment B-1, RFP §8.3.3 STAR+PLUS Assessment Instruments Attachment B-1, RFP §8.3.4.1 For Members Attachment B-1, RFP §8.3.4.2 217-Like Group Non-Member Applicants | The Community Medical Necessity and Level of Care (MN LOC) Assessment Instrument must be completed and electronically submitted via the TMHP portal in the specified format within 45 days: 1) from the date of referral for HCBS STAR+PLUS Waivers services for 217-Like Group applicants; 2) from the date of the Member's request for HCBS STAR+PLUS Waiver services for current Members requesting an upgrade; or 3) prior to the annual ISP expiration date for all Members receiving HCBS STAR+PLUS Waiver services as specified in Section 8.3.3. | Operations, Turnover | Per calendar day of non-compliance, per Service Area. | HHSC may assess up to $500 per calendar day per Service Area, for each day a report is not submitted, late, inaccurate or incomplete. |

| 34. | Contract Attachment B-1, RFP §9.3 Transfer of Data | The MCO must transfer all data regarding the provision of Covered Services to Members to HHSC or a new MCO, at the sole discretion of HHSC and as directed by HHSC. All transferred data must comply with the Contract requirements, including HIPAA. | Measured at Time of Transfer of Data and ongoing after the Transfer of Data until satisfactorily completed | Per incident of non-compliance (failure to provide data and/or failure to provide data in required format), per MCO Program, per SA. | HHSC may assess up to $10,000 per calendar day the data is not submitted, late, inaccurate or incomplete. |

<p>| 35. | Contract Attachment B-1, RFP §9.4 Turnover Services | Six (6) months prior to the end of the contract period or any extension thereof, the MCO must propose a Turnover Plan covering the possible turnover of the records and information maintained to either the State (HHSC) or a successor MCO. | Measured at Six (6) Months prior to the end of the contract period or any extension thereof and ongoing until satisfactorily completed | Each calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $1,000 per calendar day the Plan is not submitted, late, inaccurate, or incomplete. |
| 36. | Contract Attachment B-1, RFP §9.5 Post-Turnover Services | The MCO must provide the State (HHSC) with a Turnover Results report documenting the completion and results of each step of the Turnover Plan 30 days after the Turnover of Operations. | Measured 30 days after the Turnover of Operations | Each calendar day of non-compliance, per MCO program, per SA. | HHSC may assess up to $250 per calendar day the report is not submitted, late, inaccurate or incomplete. |</p>
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<tr>
<th>Service Area</th>
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<td>El Paso, Hudspeth</td>
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<td>Harris</td>
<td>Austin, Brazoria, Fort Bend, Galveston, Harris, Matagorda, Montgomery, Waller, Wharton</td>
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<td>Jefferson</td>
<td>Chambers, Hardin, Jasper, Jefferson, Liberty, Newton, Orange, Polk, San Jacinto, Tyler, Walker</td>
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<td>Carson, Crosby, Deaf Smith, Floyd, Garza, Hale, Hall, Hockley, Hutchinson, Lamb, Lubbock, Lynn, Potter, Randall, Swisher, Terry</td>
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<td>Marion, Montague, Morris, Nacogdoches, Panola, Rains, Red River, Rusk, Sabine,</td>
</tr>
<tr>
<td></td>
<td>San Augustine, Shelby, Smith, Titus, Trinity, Upshur, Van Zandt, Wood</td>
</tr>
<tr>
<td>Medicaid RSA –</td>
<td>Northeast Texas</td>
</tr>
<tr>
<td>MRSA – West Texas</td>
<td>MRSA – Central Texas</td>
</tr>
<tr>
<td>MRSA – Northeast Texas</td>
<td>MRSA – Northeast Texas</td>
</tr>
<tr>
<td>Attachment B-4.3</td>
<td>Medicaid Rural Service Area (MRSA) Regions</td>
</tr>
</tbody>
</table>
Attachment D

CORPORATE GUARANTEE

In consideration of the execution by the Texas Health & Human Services Commission ("Beneficiary") of the (HHSC Contract No. 529-12-0002-000__, as amended, hereinafter the "Contract") with ________________________ ("Subsidiary"), _______________________________________________________________ ("Parent") unconditionally and irrevocably guarantees to Beneficiary, on the terms and conditions herein, the full and faithful performance by Subsidiary of all of the obligations undertaken by Subsidiary pursuant to the Contract and as it may hereafter be amended, modified, or extended from time to time, by work authorizations or otherwise.

If Subsidiary fails or refuses to complete any of its obligations, Parent shall complete, or cause to be completed, the obligation that Subsidiary failed or refused to complete, or be considered to be in breach of the Contract to the same extent as Subsidiary, pursuant to the terms and conditions of the Contract. The obligations of Parent under this Guarantee (i) are joint and several obligations made for the benefit of Beneficiary, and (ii) are direct and unconditional obligations to Beneficiary, independent of obligations of Subsidiary or any other guarantor, and may be the basis of a separate action by Beneficiary against any or all guarantors that may be asserted without first bringing an action against Subsidiary.

Parent authorizes Beneficiary, without notice or demand and without affecting its liability hereunder, from time to time to: (a) waive or delay the exercise of any rights or remedies of Beneficiary against Subsidiary and/or any guarantor; (b) release or substitute any guarantor; (c) renew, amend, extend, compromise or waive any obligation of any guarantor; and (d) renew, compromise, extend, waive, or amend any term of the Contract pursuant to its terms.

Parent agrees that, until its obligations hereunder have been performed and/or paid in full, Parent shall not be released by or because of the taking, or failure to take, any action by Subsidiary or Beneficiary that might in any manner or to any extent vary the risks of Parent under this Guarantee or that, but for this paragraph, might discharge or otherwise reduce, limit, or modify Parent's obligations under this Guarantee. Parent waives and surrenders any defense to any liability under this Guarantee based upon any such action, including but not limited to any action of Beneficiary described in the immediately preceding paragraph of this Guarantee, provided, however, Parent does not waive any defenses, remedies, or offsets to which Subsidiary is entitled under or with respect to the Contract. It is the express intent of Parent that Parent’s obligations under this Guarantee are and shall be absolute, irrevocable and unconditional guarantees of performance and payment of Subsidiary and are not merely guarantees of collection.

Parent waives:

(a) the right to require Beneficiary to proceed against Subsidiary;

(b) all requirements of presentment, protest or default and notices of presentment, protest or default;

(c) any right to require Beneficiary to proceed against Subsidiary or to pursue any other remedy in Beneficiary's power whatsoever;

(d) notice of acceptance of this Guarantee;

(e) notice of any amendments, work authorizations, extensions of time for performance, changes in the work, or other acts by Beneficiary affecting Subsidiary's rights or obligations under the Contract;

(f) notice of any breach or claim of breach by Subsidiary, provided Beneficiary has complied with any required notice provisions to Subsidiary under the Contract;

(g) any defense arising out of the exercise by Beneficiary of any right or remedy it may have with respect to the Contract, including the right to amend or modify the Contract and the right to waive or delay the exercise of any rights it may otherwise have against Subsidiary;

(h) notice of the settlement or compromise of any claim of Beneficiary against Subsidiary relating to any of Subsidiary’s obligations under the Contract; and
No provision or waiver in this Guarantee shall be construed as limiting the generality of any other waiver contained in this Guarantee.

Parent hereby irrevocably waives all claims it has or may acquire against Subsidiary in respect of Parent’s obligations under this Guarantee, including rights of exoneration, reimbursement and subrogation but excluding any rights it may have under any surety bonds. Parent agrees to indemnify Beneficiary, and hold it harmless from and against all loss and expense, including legal fees, suffered or incurred by Beneficiary as the prevailing party in the enforcement of the Contract and/or this Guarantee.

Parent represents and warrants that the execution and delivery of, and performance of the obligations contained in this Guarantee have been authorized by all appropriate action and will not constitute a breach of or contravene any agreement or instrument to which Parent is a party, and that this Guarantee is a valid and binding obligation of Parent enforceable against Parent in accordance with its terms.

Parent consents to all of the terms and conditions of the Contract, as they may be amended or modified from time-to-time by the Beneficiary and Subsidiary. Such Contract terms and conditions are incorporated herein by reference, except that all references to the parties shall mean Beneficiary and Parent, all references to Subsidiary shall mean Parent, all references to the Contract shall be to this Guarantee, and notices to Parent shall be sent to the address set forth below instead of to the address set forth in the Contract.

Parent may not directly or indirectly assign or otherwise transfer (except as a result of a merger or acquisition of or involving Parent) or delegate any rights or obligations hereunder, including any claim arising by subrogation, and any attempt by Parent to assign or delegate any of its rights or obligations hereunder shall be void. This Guarantee shall be binding on the successors and assigns of Parent, and shall inure to the benefit of the successors and assigns of Beneficiary.

If any provision of this Guarantee should be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the fullest extent permitted by law:

(a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of Beneficiary in order to carry out the intentions of the parties hereto as nearly as may be possible; and

(b) such invalidity, illegality or unenforceability shall not affect the validity or enforceability of such provision in any other jurisdiction.

This Guarantee shall be governed by and interpreted in accordance with the laws of the State of Texas. Parent hereby irrevocably submits to the jurisdiction of any State district court sitting in Travis County, State of Texas, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Guarantee and irrevocably waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. Service of process by Beneficiary in connection with such action or proceeding shall be binding on Parent if sent to Parent by registered or certified mail at its address specified below. Parent agrees to pay all expenses of Beneficiary in connection with the lawful enforcement of this Guarantee, including, without limitation, costs of collection incurred as the prevailing party in any such action.

PARENT

Name of Parent: _____________________________
By: _____________________________
Printed Name: _____________________________
Title: _____________________________
Address: _____________________________
Date: _____________________________
### Centene Corporation

Computation of ratio of earnings to fixed charges

($ in thousands)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Earnings:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-tax earnings</td>
<td>268,917</td>
<td>122,792</td>
<td>188,349</td>
<td>154,282</td>
<td>137,508</td>
</tr>
<tr>
<td><strong>Addback:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed charges</td>
<td>37,042</td>
<td>29,556</td>
<td>27,757</td>
<td>26,141</td>
<td>23,104</td>
</tr>
<tr>
<td><strong>Subtract:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling</td>
<td>(619)</td>
<td>13,154</td>
<td>2,855</td>
<td>(3,435)</td>
<td>(2,574)</td>
</tr>
<tr>
<td>interest capitalized</td>
<td></td>
<td></td>
<td></td>
<td>(1,089)</td>
<td>(116)</td>
</tr>
<tr>
<td><strong>Total earnings</strong></td>
<td>305,340</td>
<td>165,502</td>
<td>218,961</td>
<td>175,899</td>
<td>157,922</td>
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</table>

**Fixed Charges:**

<table>
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<tr>
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<th></th>
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<th></th>
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<tbody>
<tr>
<td>Interest expensed</td>
<td>26,957</td>
<td>20,460</td>
<td>20,320</td>
<td>19,081</td>
<td>16,434</td>
</tr>
<tr>
<td>component of rental</td>
<td>10,085</td>
<td>9,096</td>
<td>7,437</td>
<td>7,060</td>
<td>6,670</td>
</tr>
<tr>
<td>payments (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total fixed charges</strong></td>
<td>37,042</td>
<td>29,556</td>
<td>27,757</td>
<td>26,141</td>
<td>23,104</td>
</tr>
</tbody>
</table>

Ratio of earnings to fixed charges

|                      | 8.24     | 5.60     | 7.89     | 6.73     | 6.84     |

(1) Estimated at 33% of rental expense as a reasonable approximation of the interest factor.
### List of Subsidiaries

<table>
<thead>
<tr>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute Total Care, Inc., a South Carolina corporation</td>
</tr>
<tr>
<td>AcariaHealth Pharmacy #11, Inc., a Texas corporation</td>
</tr>
<tr>
<td>AcariaHealth Pharmacy #12, Inc., a New York corporation</td>
</tr>
<tr>
<td>AcariaHealth Pharmacy #13, Inc., a California corporation</td>
</tr>
<tr>
<td>AcariaHealth Pharmacy #14, Inc., a California corporation</td>
</tr>
<tr>
<td>AcariaHealth Pharmacy, Inc., a California corporation</td>
</tr>
<tr>
<td>AcariaHealth Solutions, Inc., a Delaware corporation</td>
</tr>
<tr>
<td>AcariaHealth, Inc., a Delaware Corporation</td>
</tr>
<tr>
<td>AECC Total Vision Health Plan of Texas, Inc., a Texas corporation</td>
</tr>
<tr>
<td>Bankers Reserve Life Insurance Company of Wisconsin, a Wisconsin corporation</td>
</tr>
<tr>
<td>Bridgeway Health Solutions of Arizona LLC, an Arizona LLC</td>
</tr>
<tr>
<td>Buckeye Community Health Plan, Inc., an Ohio corporation</td>
</tr>
<tr>
<td>California Health and Wellness Plan, a California corporation</td>
</tr>
<tr>
<td>Casenet, LLC, a Delaware LLC</td>
</tr>
<tr>
<td>CBHSP Arizona, Inc., an Arizona corporation</td>
</tr>
<tr>
<td>Celtic Group, Inc., a Delaware corporation</td>
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<tr>
<td>Celtic Insurance Company, an Illinois corporation</td>
</tr>
<tr>
<td>CeltiCare Health Plan Holdings LLC, a Delaware LLC</td>
</tr>
<tr>
<td>CeltiCare Health Plan of Massachusetts, Inc., a Massachusetts corporation</td>
</tr>
<tr>
<td>CentCorp Health Solutions, Inc., a Delaware corporation</td>
</tr>
<tr>
<td>Cenpatico Behavioral Health of Arizona, LLC, an Arizona LLC</td>
</tr>
<tr>
<td>Cenpatico Behavioral Health, LLC, a California LLC</td>
</tr>
<tr>
<td>Cenpatico Behavioral Health of Texas Inc., a Texas corporation</td>
</tr>
<tr>
<td>Cenpatico of Louisiana, Inc., a Louisiana corporation</td>
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<tr>
<td>Centene Center LLC, a Delaware LLC</td>
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<tr>
<td>Centene Company of Texas, LP, a Texas limited partnership</td>
</tr>
<tr>
<td>Centene Corporation, a Delaware corporation</td>
</tr>
<tr>
<td>Centene Management Company, LLC, a Wisconsin LLC</td>
</tr>
<tr>
<td>Centurion Group, Inc., a Delaware Corporation</td>
</tr>
<tr>
<td>Centurion LLC, a Delaware LLC</td>
</tr>
<tr>
<td>Centurion of Minnesota, LLC, a Minnesota LLC</td>
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<tr>
<td>Centurion of Tennessee, LLC, a Tennessee LLC</td>
</tr>
<tr>
<td>CMC Real Estate Company, LLC, a Delaware LLC</td>
</tr>
<tr>
<td>Coordinated Care Corporation, Inc., an Indiana corporation</td>
</tr>
<tr>
<td>Coordinated Care of Washington, Inc., a Washington corporation</td>
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<tr>
<td>Family Care &amp; Workforce Diversity Consultants LLC, d/b/a Worklife Innovations, a Connecticut LLC</td>
</tr>
<tr>
<td>Granite State Health Plan, Inc., a New Hampshire corporation</td>
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<tr>
<td>Hallmark Life Insurance Company, an Arizona corporation</td>
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<tr>
<td>Health Plan Real Estate Holdings LLC, a Delaware LLC</td>
</tr>
<tr>
<td>Healthy Louisiana Holdings LLC, a Delaware LLC</td>
</tr>
<tr>
<td>Healthy Missouri Holdings, Inc., a Missouri corporation</td>
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<tr>
<td>Home State Health Plan, Inc., a Missouri corporation</td>
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<tr>
<td>IlliniCare Health Plan, Inc., an Illinois corporation</td>
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<tr>
<td>Integrated Mental Health Services, a Texas corporation</td>
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<tr>
<td>Kentucky Spirit Health Plan, Inc., a Kentucky corporation</td>
</tr>
<tr>
<td>LBB Industries, Inc., a Texas corporation</td>
</tr>
<tr>
<td>Company Name</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>LifeShare Management Group, LLC</td>
</tr>
<tr>
<td>LSM Holdco, Inc.</td>
</tr>
<tr>
<td>Louisiana Health Care Connections, Inc.</td>
</tr>
<tr>
<td>Magnolia Health Plan, Inc.</td>
</tr>
<tr>
<td>Managed Health Services Insurance Corporation</td>
</tr>
<tr>
<td>Massachusetts Partnership of Correctional Healthcare, LLC</td>
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<tr>
<td>Novasys Health, Inc.</td>
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<tr>
<td>Nurse Response, Inc.</td>
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<tr>
<td>NurseWise, LP</td>
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<tr>
<td>Nurtur Health, Inc.</td>
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<tr>
<td>Ocucare Systems, Inc.</td>
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<tr>
<td>OptiCare Managed Vision, Inc.</td>
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<tr>
<td>OptiCare Vision Company, Inc.</td>
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<tr>
<td>OptiCare Vision Insurance Company, Inc.</td>
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<tr>
<td>Peach State Health Plan, Inc.</td>
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<tr>
<td>RX Direct, Inc.</td>
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<tr>
<td>Specialty Therapeutic Care Holdings, LLC</td>
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<tr>
<td>Specialty Therapeutic Care, GP, LLC</td>
</tr>
<tr>
<td>Specialty Therapeutic Care, LP</td>
</tr>
<tr>
<td>Sunflower State Health Plan, Inc.</td>
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<tr>
<td>Sunshine Health Holding Company, a Florida corporation</td>
</tr>
<tr>
<td>Sunshine State Health Plan, Inc.</td>
</tr>
<tr>
<td>Superior HealthPlan, Inc.</td>
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<tr>
<td>Total Vision, Inc.</td>
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<tr>
<td>U.S. Script, Inc.</td>
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<tr>
<td>U.S. Script IPA, LLC</td>
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<tr>
<td>Wellness By Choice, LLC</td>
</tr>
</tbody>
</table>
Consent of Independent Registered Public Accounting Firm

The Board of Directors
Centene Corporation:

We consent to the incorporation by reference in the registration statement on Form S-8 (Nos. 333-108467, 333-90976, 333-83190, and 333-180976) and in the registration statement on Form S-3 (Nos. 333-174164, 333-187652, 333-187741, and 333-193205) of Centene Corporation of our reports dated February 21, 2014, with respect to the consolidated balance sheets of Centene Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive earnings, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 10-K of Centene Corporation.

/s/ KPMG LLP

St. Louis, Missouri
February 21, 2014
CERTIFICATION

I, Michael F. Neidorff, certify that:

1. I have reviewed this Annual Report on Form 10-K of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 21, 2014

/s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)
CERTIFICATION

I, William N. Scheffel, certify that:

1. I have reviewed this Annual Report on Form 10-K of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 21, 2014

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Centene Corporation (the Company) for the period ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Michael F. Neidorff, Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 21, 2014

/s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Centene Corporation (the Company) for the period ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, William N. Scheffel, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 21, 2014

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-31826

CENTENE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

42-1406317
(I.R.S. Employer Identification Number)

7700 Forsyth Boulevard
St. Louis, Missouri
(Address of principal executive offices)

63105
(Zip Code)

Registrant’s telephone number, including area code:

(314) 725-4477

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act. Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No ☐

As of October 11, 2013, the registrant had 54,768,884 shares of common stock outstanding.
## TABLE OF CONTENTS

### Part I

#### Financial Information

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<tr>
<th>Item</th>
<th>Description</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Financial Statements</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012 (unaudited)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2013 and 2012 (unaudited)</td>
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</tr>
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<td></td>
<td>Consolidated Statements of Comprehensive Earnings for the Three and Nine Months Ended September 30, 2013 and 2012 (unaudited)</td>
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<td></td>
<td>Consolidated Statement of Stockholders’ Equity for the Nine Months Ended September 30, 2013 (unaudited)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012 (unaudited)</td>
<td>4</td>
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<tr>
<td></td>
<td>Notes to the Consolidated Financial Statements (unaudited)</td>
<td>5</td>
</tr>
</tbody>
</table>

### Part II

#### Other Information

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<th>Page</th>
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CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. We have attempted to identify these statements by terminology including “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “seek,” “target,” “goal,” “may,” “will,” “should,” “can,” “continue” and other similar words or expressions in connection with, among other things, any discussion of future operating or financial performance. In particular, these statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, including those entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 1A. “Risk Factors,” and Part I, Item 3 “Legal Proceedings.” Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

All forward-looking statements included in this filing are based on information available to us on the date of this filing and we undertake no obligation to update or revise the forward-looking statements included in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Actual results may differ from projections or estimates due to a variety of important factors, including:

• our ability to accurately predict and effectively manage health benefits and other operating expenses;
• competition;
• membership and revenue projections;
• timing of regulatory contract approval;
• changes in healthcare practices;
• changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder;
• changes in expected contract start dates;
• changes in expected closing dates for acquisitions;
• inflation;
• provider and state contract changes;
• new technologies;
• reduction in provider payments by governmental payors;
• major epidemics;
• disasters and numerous other factors affecting the delivery and cost of healthcare;
• the expiration, cancellation or suspension of our Medicare or Medicaid managed care contracts by federal or state governments;
• the outcome of pending legal proceedings;
• availability of debt and equity financing, on terms that are favorable to us; and
• general economic and market conditions.

Other Information

The discussion in Part 1, Item 2. "Management’s Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Results of Operations" contains financial information for new and existing businesses. Existing businesses are primarily state markets, significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets, significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this report as the Company believes that these figures are helpful in allowing individuals to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently. The Company uses the presented non-GAAP financial measures such as internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.
ITEM 1. Financial Statements.

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$741,281</td>
<td>$843,952</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>355,947</td>
<td>263,452</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>122,631</td>
<td>139,118</td>
</tr>
<tr>
<td>Other current assets</td>
<td>148,576</td>
<td>127,080</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,368,435</td>
<td>1,373,602</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>816,910</td>
<td>614,723</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>40,911</td>
<td>34,793</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>390,200</td>
<td>377,726</td>
</tr>
<tr>
<td>Goodwill</td>
<td>347,548</td>
<td>256,288</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>50,541</td>
<td>20,268</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>124,492</td>
<td>64,282</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,139,037</td>
<td>$2,741,682</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | |
| Current liabilities:                     | | |
| Medical claims liability                 | $1,071,672         | $926,302          |
| Premium deficiency reserve                | —                  | 41,475            |
| Accounts payable and accrued expenses     | 270,381            | 191,343           |
| Unearned revenue                         | 41,873             | 34,597            |
| Current portion of long-term debt         | 3,046              | 3,373             |
| Total current liabilities                 | 1,386,972          | 1,197,090         |
| Long-term debt                           | 517,931            | 535,481           |
| Other long-term liabilities               | 49,043             | 55,344            |
| Total liabilities                        | 1,953,946          | 1,787,915         |

Commitments and contingencies
Stockholders’ equity:
Common stock, $.001 par value; authorized 100,000,000 shares; 57,872,798 issued and 54,767,551 outstanding at September 30, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012 | 58 | 55 |
Additional paid-in capital                  | 578,188            | 450,856           |
Accumulated other comprehensive income:     |                    |                   |
Unrealized (loss) gain on investments, net of tax | (1,845) | 5,189 |
Retained earnings                          | 678,679            | 566,820           |
Treasury stock, at cost (3,105,247 and 3,009,912 shares, respectively) | (75,541) | (69,864) |
Total Centene stockholders’ equity          | 1,179,539          | 953,056           |
Noncontrolling interest                     | 5,552              | 711               |
Total stockholders’ equity                  | 1,185,091          | 953,767           |
Total liabilities and stockholders’ equity  | $3,139,037         | $2,741,682        |

The accompanying notes to the consolidated financial statements are an integral part of these statements.
# CENTENE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td>2012</td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Premium</td>
<td>$2,621,651</td>
<td>$2,184,061</td>
<td>$7,659,418</td>
<td>$5,853,469</td>
</tr>
<tr>
<td>Service</td>
<td>112,497</td>
<td>28,403</td>
<td>251,290</td>
<td>84,062</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$2,803,652</td>
<td>$2,448,121</td>
<td>$8,175,489</td>
<td>$6,271,015</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,298,881</td>
<td>2,036,999</td>
<td>6,810,892</td>
<td>5,370,080</td>
</tr>
<tr>
<td>Cost of services</td>
<td>100,479</td>
<td>21,744</td>
<td>218,844</td>
<td>66,897</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>253,608</td>
<td>181,073</td>
<td>694,204</td>
<td>512,322</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>68,453</td>
<td>235,946</td>
<td>262,188</td>
<td>333,872</td>
</tr>
<tr>
<td>Impairment loss</td>
<td></td>
<td></td>
<td>28,033</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,721,421</td>
<td>2,475,762</td>
<td>7,986,128</td>
<td>6,311,204</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>82,231</td>
<td>(27,641)</td>
<td>189,361</td>
<td>(40,189)</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,946</td>
<td>23,244</td>
<td>13,703</td>
<td>32,580</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,603)</td>
<td>(4,855)</td>
<td>(20,261)</td>
<td>(14,393)</td>
</tr>
<tr>
<td>Earnings (loss) before income tax expense (benefit)</td>
<td>80,574</td>
<td>(9,252)</td>
<td>182,803</td>
<td>(22,002)</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>31,660</td>
<td>(9,547)</td>
<td>71,967</td>
<td>(6,068)</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>48,914</td>
<td>295</td>
<td>110,836</td>
<td>(15,934)</td>
</tr>
<tr>
<td><strong>Noncontrolling interest</strong></td>
<td>(459)</td>
<td>(3,524)</td>
<td>(1,023)</td>
<td>(8,732)</td>
</tr>
<tr>
<td>Net earnings (loss) attributable to Centene Corporation</td>
<td>$49,373</td>
<td>$3,819</td>
<td>$111,859</td>
<td>$(7,202)</td>
</tr>
</tbody>
</table>

## Net earnings (loss) per common share attributable to Centene Corporation:

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30, 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings (loss) per common share</td>
<td>$0.90</td>
<td>$0.07</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share</td>
<td>$0.87</td>
<td>$0.07</td>
</tr>
</tbody>
</table>

## Weighted average number of common shares outstanding:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>54,679,660</td>
<td>51,584,860</td>
<td>53,863,779</td>
<td>51,393,345</td>
</tr>
<tr>
<td>Diluted</td>
<td>56,933,056</td>
<td>53,806,197</td>
<td>55,956,421</td>
<td>51,393,345</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of these statements.
### CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS
(In thousands)  
(UNAUDITED)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th></th>
<th>Nine Months Ended September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$48,914</td>
<td>$295</td>
<td>$110,836</td>
<td>$(15,934)</td>
</tr>
<tr>
<td>Reclassification adjustment, net of tax</td>
<td>(94)</td>
<td>(1,023)</td>
<td>(621)</td>
<td>(1,495)</td>
</tr>
<tr>
<td>Change in unrealized (loss) gain on investments, net of tax</td>
<td>2,310</td>
<td>1,883</td>
<td>(6,413)</td>
<td>2,436</td>
</tr>
<tr>
<td>Other comprehensive earnings (loss)</td>
<td>2,216</td>
<td>860</td>
<td>(7,034)</td>
<td>941</td>
</tr>
<tr>
<td>Comprehensive earnings (loss)</td>
<td>51,130</td>
<td>1,155</td>
<td>103,802</td>
<td>(14,993)</td>
</tr>
<tr>
<td>Comprehensive earnings (loss) attributable to the noncontrolling interest</td>
<td>(459)</td>
<td>(3,524)</td>
<td>(1,023)</td>
<td>(8,732)</td>
</tr>
<tr>
<td>Comprehensive earnings (loss) attributable to Centene Corporation</td>
<td>$51,589</td>
<td>$4,679</td>
<td>$104,825</td>
<td>$(6,261)</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
## CONSOLIDATED STATEMENT OF STOCKHOLDERS’ EQUITY

(In thousands, except share data)

### Nine Months Ended September 30, 2013

<table>
<thead>
<tr>
<th>Centene Stockholders’ Equity</th>
<th>Treasury Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common Stock</strong></td>
<td><strong>Treasury Stock</strong></td>
</tr>
<tr>
<td><strong>$0.001 Par Value Shares</strong></td>
<td><strong>$0.001 Par Value Shares</strong></td>
</tr>
<tr>
<td><strong>$0.001 Par Value Shares</strong></td>
<td><strong>Additional Paid-in Capital</strong></td>
</tr>
<tr>
<td>Balance, December 31, 2012</td>
<td>55,339,160</td>
</tr>
<tr>
<td><strong>Net earnings (loss)</strong></td>
<td>—</td>
</tr>
<tr>
<td>Change in unrealized investment (loss) gain, net of $(3,999) tax</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total comprehensive earnings</strong></td>
<td>—</td>
</tr>
<tr>
<td>Common stock issued for acquisition</td>
<td>1,716,690</td>
</tr>
<tr>
<td>Common stock issued for stock offering</td>
<td>342,640</td>
</tr>
<tr>
<td>Common stock issued for employee benefit plans</td>
<td>474,308</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>—</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>—</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>—</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>—</td>
</tr>
<tr>
<td>Balance, September 30, 2013</td>
<td>57,872,798</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
# CENTENE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
### (In thousands)
#### (Unaudited)

<table>
<thead>
<tr>
<th>Nine Months Ended September 30,</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$110,836</td>
<td>$(15,934)</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings (loss) to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>50,220</td>
<td>49,892</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>27,252</td>
<td>18,417</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>28,033</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>—</td>
<td>(17,880)</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>1,626</td>
<td>(19,318)</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(58,587)</td>
<td>(139,414)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(19,133)</td>
<td>(23,487)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(65,397)</td>
<td>1,918</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>103,895</td>
<td>374,046</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>7,976</td>
<td>122,077</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>48,840</td>
<td>(59,872)</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>4,142</td>
<td>(11,196)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$211,670</td>
<td>$307,282</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(46,383)</td>
<td>(70,601)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(666,016)</td>
<td>(501,958)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>451,034</td>
<td>434,009</td>
</tr>
<tr>
<td>Investments in acquisitions, net of cash acquired</td>
<td>(62,773)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(324,138)</td>
<td>(138,550)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>7,674</td>
<td>11,686</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>30,000</td>
<td>215,000</td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>(40,842)</td>
<td>(177,422)</td>
</tr>
<tr>
<td>Proceeds from stock offering</td>
<td>15,225</td>
<td>—</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>1,140</td>
<td>6,049</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>(5,677)</td>
<td>(2,154)</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>5,864</td>
<td>1,032</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>(3,587)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>9,797</td>
<td>54,191</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>(102,671)</td>
<td>222,923</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of period</strong></td>
<td>843,952</td>
<td>573,698</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of period</strong></td>
<td>$741,281</td>
<td>$796,621</td>
</tr>
</tbody>
</table>

Supplemental disclosures of cash flow information:

- **Interest paid** | $16,738 | $12,127 |
- **Income taxes paid** | 40,921 | 34,001 |
- **Equity issued in connection with acquisition** | 75,425 | —

The accompanying notes to the consolidated financial statements are an integral part of these statements.
1. Basis of Presentation

The accompanying interim financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited financial statements included in the Form 10-K for the fiscal year ended December 31, 2012. The unaudited interim financial statements herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the December 31, 2012 audited financial statements have been omitted from these interim financial statements where appropriate. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of the interim periods presented.

Certain 2012 amounts in the notes to the consolidated financial statements have been reclassified to conform to the 2013 presentation. These reclassifications have no effect on net earnings or stockholders’ equity as previously reported.

2. Acquisition: AcariaHealth, Inc.

In April 2013, the Company acquired 100% of AcariaHealth, Inc., a specialty pharmacy company, for $142,495 in total consideration. The transaction consideration was financed through a combination of $75,425 of Centene common stock and $67,070 of cash on hand. The Company subsequently sold 342,640 shares of common stock for $15,225 related to funding the escrow account for the acquisition.

The Company's allocation of fair value resulted in goodwill of $91,260 and other identifiable intangible assets of $35,000. The goodwill is not deductible for income tax purposes. The acquisition is recorded in the Specialty Services segment.
3. Short-term and Long-term Investments and Restricted Deposits

Short-term and long-term investments and restricted deposits by investment type consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013</th>
<th></th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized</td>
<td>Fair Value</td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>$ 247,051</td>
<td>$ 308</td>
<td>$ 241,163</td>
</tr>
<tr>
<td>securities and</td>
<td></td>
<td>(6,196)</td>
<td></td>
</tr>
<tr>
<td>obligations of U.S.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>government</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>corporations and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate securities</td>
<td>327,083</td>
<td>3,115</td>
<td>329,548</td>
</tr>
<tr>
<td>Restricted certificates of deposit</td>
<td>5,891</td>
<td>—</td>
<td>5,891</td>
</tr>
<tr>
<td>Restricted cash equivalents</td>
<td>22,608</td>
<td>—</td>
<td>22,608</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>61,101</td>
<td>544</td>
<td>61,476</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>14,329</td>
<td>164</td>
<td>14,492</td>
</tr>
<tr>
<td>Revenue</td>
<td>76,753</td>
<td>534</td>
<td>76,749</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>65,955</td>
<td>—</td>
<td>65,955</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>128,343</td>
<td>656</td>
<td>(256)</td>
</tr>
<tr>
<td>Cost and equity method investments</td>
<td>18,538</td>
<td>—</td>
<td>18,538</td>
</tr>
<tr>
<td>Life insurance contracts</td>
<td>15,289</td>
<td>—</td>
<td>15,289</td>
</tr>
<tr>
<td>Total</td>
<td>$ 982,941</td>
<td>$ 5,321</td>
<td>$ 788,634</td>
</tr>
<tr>
<td></td>
<td>(7,810)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Company’s investments are classified as available-for-sale with the exception of life insurance contracts and certain cost and equity method investments. The Company’s investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets with the focus on high credit quality securities. The Company limits the size of investment in any single issuer other than U.S. treasury securities and obligations of U.S. government corporations and agencies. As of September 30, 2013, 47% of the Company’s investments in securities recorded at fair value that carry a rating by S&P or Moody’s were rated AAA/Aaa, 66% were rated AA-/Aa3 or higher, and 94% were rated A-/A3 or higher. At September 30, 2013, the Company held certificates of deposit, life insurance contracts and cost and equity method investments which did not carry a credit rating.
The fair value of available-for-sale investments with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrealized Losses</td>
<td>Fair Value</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$ (6,196)</td>
<td>$ 196,888</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>(641)</td>
<td>79,753</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>(119)</td>
<td>9,264</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>(1)</td>
<td>489</td>
</tr>
<tr>
<td>Revenue</td>
<td>(531)</td>
<td>28,866</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>(256)</td>
<td>35,140</td>
</tr>
<tr>
<td>Total</td>
<td>$ (7,744)</td>
<td>$ 350,400</td>
</tr>
</tbody>
</table>

As of September 30, 2013, the gross unrealized losses were generated from 89 positions out of a total of 356 positions. The decline in fair value of fixed income securities is a result of movement in interest rates subsequent to the purchase of the security.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If the security meets this criterion, the decline in fair value is other-than-temporary and is recorded in earnings. The Company does not intend to sell these securities prior to maturity and it is not likely that the Company will be required to sell these securities prior to maturity; therefore, there is no indication of other than temporary impairment for these securities.

The contractual maturities of short-term and long-term investments and restricted deposits are as follows:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Investments</td>
<td>$ 121,753</td>
<td>$ 122,631</td>
</tr>
<tr>
<td>Restricted Deposits</td>
<td>$ 36,600</td>
<td>$ 36,606</td>
</tr>
<tr>
<td>One year or less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One year through five years</td>
<td>588,145</td>
<td>589,585</td>
</tr>
<tr>
<td>Five years through ten years</td>
<td>169,250</td>
<td>164,201</td>
</tr>
<tr>
<td>Greater than ten years</td>
<td>62,891</td>
<td>63,124</td>
</tr>
<tr>
<td>Total</td>
<td>$ 942,039</td>
<td>$ 939,541</td>
</tr>
</tbody>
</table>

Actual maturities may differ from contractual maturities due to call or prepayment options. Asset backed securities are included in the one year through five years category, while cost and equity method investments and life insurance contracts are included in the five years through ten years category. The Company has an option to redeem at amortized cost substantially all of the securities included in the greater than ten years category listed above.

The Company continuously monitors investments for other-than-temporary impairment. Certain investments have experienced a decline in fair value due to changes in credit quality, market interest rates and/or general economic conditions. The Company recognizes an impairment loss for cost and equity method investments when evidence demonstrates that it is other-than-temporarily impaired. Evidence of a loss in value that is other-than-temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.
Investment amortization of $7,612 and $8,676 was recorded in the nine months ended September 30, 2013 and 2012, respectively.

4. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the extent to which the fair value estimates are based upon observable or unobservable inputs. Level inputs are as follows:

<table>
<thead>
<tr>
<th>Level Input:</th>
<th>Input Definition:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.</td>
</tr>
<tr>
<td>Level II</td>
<td>Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.</td>
</tr>
<tr>
<td>Level III</td>
<td>Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.</td>
</tr>
</tbody>
</table>

The following table summarizes fair value measurements by level at September 30, 2013, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$741,281</td>
<td>—</td>
<td>—</td>
<td>$741,281</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$213,772</td>
<td>$14,979</td>
<td>—</td>
<td>$228,751</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>—</td>
<td>329,548</td>
<td>—</td>
<td>329,548</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>61,476</td>
<td>—</td>
<td>61,476</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>—</td>
<td>14,492</td>
<td>—</td>
<td>14,492</td>
</tr>
<tr>
<td>Revenue</td>
<td>—</td>
<td>76,749</td>
<td>—</td>
<td>76,749</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>—</td>
<td>65,955</td>
<td>—</td>
<td>65,955</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>128,743</td>
<td>—</td>
<td>128,743</td>
</tr>
<tr>
<td>Total investments</td>
<td>$213,772</td>
<td>$691,942</td>
<td>—</td>
<td>$905,714</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$22,608</td>
<td>—</td>
<td>—</td>
<td>$22,608</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,891</td>
<td>—</td>
<td>—</td>
<td>5,891</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>12,412</td>
<td>—</td>
<td>—</td>
<td>12,412</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$40,911</td>
<td>—</td>
<td>—</td>
<td>$40,911</td>
</tr>
<tr>
<td>Other long-term assets: Interest rate swap contract</td>
<td>$10,596</td>
<td>—</td>
<td>—</td>
<td>$10,596</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$995,964</td>
<td>$702,538</td>
<td>—</td>
<td>$1,698,502</td>
</tr>
</tbody>
</table>
The following table summarizes fair value measurements by level at December 31, 2012, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th></th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$843,952</td>
<td>$0</td>
<td>$0</td>
<td>$843,952</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$57,114</td>
<td>$46,250</td>
<td>$0</td>
<td>$103,364</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>—</td>
<td>320,710</td>
<td>—</td>
<td>320,710</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>89,837</td>
<td>—</td>
<td>89,837</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>—</td>
<td>5,422</td>
<td>—</td>
<td>5,422</td>
</tr>
<tr>
<td>Revenue</td>
<td>—</td>
<td>86,027</td>
<td>—</td>
<td>86,027</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>—</td>
<td>37,685</td>
<td>—</td>
<td>37,685</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>84,475</td>
<td>—</td>
<td>84,475</td>
</tr>
<tr>
<td>Total investments</td>
<td>$57,114</td>
<td>$607,406</td>
<td>$0</td>
<td>$727,520</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$14,460</td>
<td>$0</td>
<td>$0</td>
<td>$14,460</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,890</td>
<td>—</td>
<td>—</td>
<td>5,890</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>14,443</td>
<td>—</td>
<td>—</td>
<td>14,443</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$34,793</td>
<td>$0</td>
<td>$0</td>
<td>$34,793</td>
</tr>
<tr>
<td>Other long-term assets: Interest rate swap contract</td>
<td>$—</td>
<td>$16,304</td>
<td>$0</td>
<td>$16,304</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$935,859</td>
<td>$686,710</td>
<td>$0</td>
<td>$1,622,569</td>
</tr>
</tbody>
</table>

The Company periodically transfers U.S. Treasury securities and obligations of U.S. government corporations and agencies between Level I and Level II fair value measurements dependent upon the level of trading activity for the specific securities at the measurement date. The Company’s policy regarding the timing of transfers between Level I and Level II is to measure and record the transfers at the end of the reporting period. At September 30, 2013, there were $101 transfers from Level I to Level II and $26,571 of transfers from Level II to Level I. The Company utilizes matrix pricing services to estimate fair value for securities which are not actively traded on the measurement date. The Company designates these securities as Level II fair value measurements. The aggregate carrying amount of the Company’s life insurance contracts and other non-majority owned investments, which approximates fair value, was $33,827 and $26,321 as of September 30, 2013 and December 31, 2012, respectively.

**5. Debt**

Debt consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes, at par</td>
<td>$425,000</td>
<td>$425,000</td>
</tr>
<tr>
<td>Unamortized premium on senior notes</td>
<td>6,495</td>
<td>7,823</td>
</tr>
<tr>
<td>Interest rate swap fair value</td>
<td>10,596</td>
<td>16,304</td>
</tr>
<tr>
<td>Total senior notes</td>
<td>442,091</td>
<td>449,127</td>
</tr>
<tr>
<td>Revolving credit agreement</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage notes payable</td>
<td>73,447</td>
<td>84,081</td>
</tr>
<tr>
<td>Capital leases and other</td>
<td>5,439</td>
<td>5,646</td>
</tr>
<tr>
<td>Total debt</td>
<td>520,977</td>
<td>538,854</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(3,046)</td>
<td>(3,373)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$517,931</td>
<td>$535,481</td>
</tr>
</tbody>
</table>
Senior Notes

In May 2011, the Company issued $250,000 non-callable 5.75% Senior Notes due June 1, 2017 (the $250,000 Notes) at a discount to yield 6%. In connection with the May 2011 issuance, the Company entered into an interest rate swap for a notional amount of $250,000. Gains and losses due to changes in the fair value of the interest rate swap completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $250,000 Notes. At September 30, 2013, the fair value of the interest rate swap increased the fair value of the notes by $10,596 and the variable interest rate of the swap was 3.76%.

In November 2012, the Company issued an additional $175,000 non-callable 5.75% Senior Notes due June 1, 2017 ($175,000 Add-on Notes) at a premium to yield 4.29%. The indenture governing the $250,000 Notes and the $175,000 Add-on Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio. Interest is paid semi-annually in June and December. At September 30, 2013, the total net unamortized debt premium on the $250,000 Notes and $175,000 Add-on Notes was $6,495.

Revolving Credit Agreement

In May 2013, the Company entered into a new unsecured $500,000 revolving credit facility and terminated its previous $350,000 revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the Company's 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended) or certain financial conditions are not met, including carrying $100,000 of unrestricted cash on deposit. As of September 30, 2013, the Company had no borrowings outstanding under the agreement.

The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt-to-EBITDA ratios and minimum tangible net worth. The Company is required not to exceed a maximum debt-to-EBITDA ratio of 3.25 as of September 30, 2013 and 3.0 as of December 31, 2013 and thereafter. As of September 30, 2013, the Company's availability under the new revolving credit agreement would have been limited to approximately $400,000 as a result of the debt-to-EBITDA ratio.

Mortgage Notes Payable

The Company had a mortgage note of $8,700 at December 31, 2012 collateralized by an office building and parking garage. In June 2013, the Company paid the balance of this mortgage note.

Letters of Credit

The Company had outstanding letters of credit of $28,682 as of September 30, 2013, which were not part of the revolving credit facility. The letters of credit bore interest at 0.52% as of September 30, 2013.

6. Stockholders' Equity

In April 2013, the Company completed the acquisition of AcariaHealth, Inc. and as a result, issued 1,716,690 shares of Centene common stock to the selling stockholders. Additionally, the Company filed an equity shelf registration statement related to funding the escrow account for the acquisition and sold 342,640 shares of Centene common stock for $15,225.
7. Earnings (Loss) Per Share

The following table sets forth the calculation of basic and diluted net earnings per common share:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Net earnings (loss) attributable to Centene Corporation</td>
<td>$49,373</td>
<td>$3,819</td>
</tr>
<tr>
<td>Shares used in computing per share amounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding</td>
<td>54,679,660</td>
<td>51,584,860</td>
</tr>
<tr>
<td>Common stock equivalents (as determined by applying the treasury stock method)</td>
<td>2,253,396</td>
<td>2,221,337</td>
</tr>
<tr>
<td>Weighted average number of common shares and potential dilutive common shares outstanding</td>
<td>56,933,056</td>
<td>53,806,197</td>
</tr>
<tr>
<td>Net earnings (loss) per share attributable to Centene Corporation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings (loss) per common share</td>
<td>$0.90</td>
<td>$0.07</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share</td>
<td>$0.87</td>
<td>$0.07</td>
</tr>
</tbody>
</table>

The calculation of diluted earnings per common share for the three and nine months ended September 30, 2013 excludes the impact of 14,532 shares and 76,957 shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units. The calculation of diluted earnings (loss) per common share for the three months ended September 30, 2012 excludes the impact of 44,642 shares related to anti-dilutive stock options, restricted stock and restricted stock units. The calculation for the nine months ended September 30, 2012 excludes the impact of 4,638,757 shares (before application of the treasury stock method) related to stock options, restricted stock and restricted stock units as the Company incurred losses during the period and the shares would be anti-dilutive.

8. Segment Information

Centene operates in two segments: Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment consists of Centene’s health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene’s specialty companies offering auxiliary healthcare services and products. The health plan in Massachusetts, operated by our individual health insurance business, is included in the Specialty Services segment.

In January 2013, the Company reclassified the health plan in Arizona, which is primarily a long-term care operation, to the Medicaid Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Medicaid Managed Care segment for all periods presented.

Segment information for the three months ended September 30, 2013, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$2,510,221</td>
<td>$223,927</td>
<td>—</td>
<td>$2,734,148</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>9,885</td>
<td>542,238</td>
<td>(552,123)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$2,520,106</td>
<td>$766,165</td>
<td>(552,123)</td>
<td>$2,734,148</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$68,083</td>
<td>$14,148</td>
<td>—</td>
<td>$82,231</td>
</tr>
</tbody>
</table>
Segment information for the three months ended September 30, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$2,072,079</td>
<td>$140,385</td>
<td>—</td>
<td>$2,212,464</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>25,138</td>
<td>442,388</td>
<td>(467,526)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$2,097,217</td>
<td>$582,773</td>
<td>(467,526)</td>
<td>$2,212,464</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>$(55,239)</td>
<td>$27,598</td>
<td>—</td>
<td>$(27,641)</td>
</tr>
</tbody>
</table>

Segment information for the nine months ended September 30, 2013, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$7,367,236</td>
<td>$543,472</td>
<td>—</td>
<td>$7,910,708</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>31,050</td>
<td>1,660,639</td>
<td>(1,691,689)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$7,398,286</td>
<td>$2,204,111</td>
<td>(1,691,689)</td>
<td>$7,910,708</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$116,609</td>
<td>$72,752</td>
<td>—</td>
<td>$189,361</td>
</tr>
</tbody>
</table>

Segment information for the nine months ended September 30, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$5,507,972</td>
<td>$429,559</td>
<td>—</td>
<td>$5,937,531</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>62,751</td>
<td>1,206,293</td>
<td>(1,269,044)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$5,570,723</td>
<td>$1,635,852</td>
<td>(1,269,044)</td>
<td>$5,937,531</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>$(72,740)</td>
<td>$32,551</td>
<td>—</td>
<td>$(40,189)</td>
</tr>
</tbody>
</table>

9. Contingencies

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid Managed Care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking a declaration of the Company's right to terminate the contract on July 5, 2013. In April 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. In May 2013, the Franklin Circuit Court ruled that Kentucky Spirit does not have a contractual right to terminate the contract early. Kentucky Spirit has appealed that ruling to the Kentucky Court of Appeals.

The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet. In response, the Company filed a lawsuit in April 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches. This lawsuit was subsequently consolidated with the original lawsuit for declaratory relief and continues to proceed.

Kentucky Spirit's efforts to resolve issues with the Commonwealth were unsuccessful and on July 5, 2013, Kentucky Spirit proceeded with its previously announced exit. The Commonwealth has alleged that Kentucky Spirit's exit constitutes a material breach of contract. The Commonwealth seeks to recover substantial damages and to enforce its rights under Kentucky Spirit's $25,000 performance bond. Any claim for damages by the Commonwealth may include the costs of transition and the additional costs to the Commonwealth to cover Kentucky Spirit's former members through July 5, 2014. Kentucky Spirit is pursuing its litigation claims for damages against the Commonwealth and will vigorously defend against any allegations that it has breached the contract.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If the Company prevails on its claims, Kentucky Spirit would be entitled to damages under its lawsuit. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of September 30, 2013. While uncertain, the ultimate resolution of the pending litigation could have a material effect on the results of operations of the Company in the period it is resolved or becomes known.
Excluding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position or results of operations.
ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing. The discussion contains forward-looking statements that involve both known and unknown risks and uncertainties, including those set forth under Part II, Item 1A. “Risk Factors” of this Form 10-Q.

OVERVIEW

Key financial metrics for the third quarter of 2013 are summarized as follows:

- Quarter-end at-risk managed care membership of 2,612,500, an increase of 109,500 members, or 4% year over year.
- Premium and service revenues of $2.7 billion, representing 24% growth year over year.
- Health Benefits Ratio of 87.7%, compared to 93.3% in 2012.
- General and Administrative expense ratio of 9.3%, compared to 8.2% in 2012.
- Operating cash flow of $130.7 million for the third quarter of 2013.
- Diluted earnings per share of $0.87, compared to $0.07 in 2012.

We have provided additional detail below on our quarterly results to further understand the changes in quarterly earnings per diluted share as compared to the third quarter 2012. During the third quarter 2013, we recorded net earnings of $0.87 per diluted share compared to $0.07 in the corresponding period in 2012 reflecting the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings per diluted share</td>
<td>$0.87</td>
<td>$0.07</td>
</tr>
<tr>
<td>Loss from Kentucky operations &amp; premium deficiency reserve</td>
<td>0.01</td>
<td>1.03</td>
</tr>
<tr>
<td>Gains on sales of investments</td>
<td>—</td>
<td>(0.21)</td>
</tr>
<tr>
<td>State tax benefit</td>
<td>—</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Total, excluding above items</td>
<td>$0.88</td>
<td>$0.81</td>
</tr>
</tbody>
</table>

The following items contributed to our revenue and membership growth over the last year:

- **AcariaHealth, Inc.** In April 2013, we completed the acquisition of AcariaHealth Inc. (AcariaHealth), a specialty pharmacy company, for $142.5 million. The transaction consideration was financed through a combination of Centene common stock and cash on hand.

- **Florida.** In August 2013, our Florida subsidiary, Sunshine State Health Plan, began operating under a contract with the Florida Agency for Health Care Administration to serve members of the Medicaid Managed Care Long Term Care program. Enrollment began in August 2013 and will be implemented by region and continue through March 2014.

- **Kansas.** In January 2013, our subsidiary, Sunflower State Health Plan, began operating under a statewide contract to serve members in the state's KanCare program, which includes TANF, ABD (dual and non-dual), foster care, LTC and CHIP beneficiaries.

- **Louisiana.** In February 2012, our subsidiary, Louisiana Healthcare Connections (LHC), began operating under a new contract in Louisiana to provide healthcare services to Medicaid enrollees participating in the Bayou Health program. LHC completed its three-phase membership roll-out for the three geographical service areas during the second quarter of 2012. In November 2012, the covered services provided by LHC expanded to include pharmacy benefits.

- **Massachusetts.** In July 2013, our joint venture subsidiary, Centurion, began operating under a new contract with the Department of Corrections in Massachusetts to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. Centurion is a joint venture between Centene and MHM Services Inc.
• **Mississippi.** In December 2012, our subsidiary, Magnolia Health Plan, began operating under an expanded contract to provide managed care services statewide to certain Medicaid members as well as providing behavioral health services.

• **Missouri.** In July 2012, our subsidiary, Home State Health Plan, began operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.

• **Ohio.** In July 2013, our Ohio subsidiary, Buckeye Community Health Plan (Buckeye), began operating under a new and expanded contract with the Ohio Department of Job and Family Services (ODJFS) to serve Medicaid members in Ohio. Under the new state contract, Buckeye operates statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). Buckeye also began serving members under the ABD Children program in July 2013.

• **Tennessee.** In September 2013, our joint venture subsidiary, Centurion, began operating under a new contract to provide comprehensive healthcare services to individuals incarcerated in Tennessee state correctional facilities.

• **Texas.** In March 2012, we began operating under contracts in Texas that expanded our operations through new service areas including the 10 county Hidalgo Service Area and the Medicaid Rural Service Areas of West Texas, Central Texas and North-East Texas, as well as the addition of STAR+PLUS in the Lubbock Service Area. The expansion also added the management of outpatient pharmacy benefits in all service areas and products, as well as inpatient facility services for the STAR+PLUS program.

• **Washington.** In July 2012, we began operating under a new contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state, operating as Coordinated Care.

We expect the following items to contribute to our future growth potential:

• We expect to realize the full year benefit in 2013 of business commenced during 2012 in Louisiana, Mississippi, Missouri, Texas and Washington as discussed above.

• In October 2013, Centurion executed an agreement with the Minnesota Department of Corrections to provide managed healthcare services to offenders in the state's correctional facilities. Operations are expected to begin in the first quarter of 2014.

• In September 2013, the Florida Agency for Health Care Administration provided notice of intent to award a contract to our subsidiary, Sunshine State Health Plan, in 9 of 11 regions of the Managed Medical Assistance (MMA) program. The MMA program includes TANF recipients as well as ABD and dual eligible members. The award is subject to challenge and contract readiness periods, with enrollment expected to begin in the second quarter of 2014 and continue through October 2014. In addition, we were recommended as the sole provider under a contract award for the Child Welfare Specialty Plan (Foster Care), which is expected to commence in the second quarter of 2014.

• In September 2013, we were tentatively awarded a contract with the Massachusetts Executive Office of Health and Human Services to participate in the MassHealth CarePlus program in all five regions, with operations expected to begin in January 2014. Under the contract, our subsidiary, CeltiCare, will provide comprehensive healthcare services for eligible non-pregnant Medicaid adults. Services will include medical, behavioral health, dental, vision, pharmacy, therapies and transportation.

• In September 2013, we were tentatively awarded a contract in Texas from the Texas Health and Human Services Commission to expand our operations and serve STAR+PLUS members in two Medicaid Rural Service Areas. Upon successful negotiations, execution of a contract and regulatory approval, enrollment is expected to begin in the second half of 2014.
• In September 2013, we received approval from the Centers for Medicare & Medicaid Services (CMS) to operate health insurance exchanges in Arkansas, Florida, Georgia, Indiana, Mississippi, Ohio and Texas. We also received approval from Massachusetts and Washington to participate in their state-based exchanges. Enrollment began in October 2013 and coverage is expected to commence in January 2014.

• In May 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California Department of Health Care Services (DHCS) and the Imperial County Board of Supervisors of their intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medi-Cal beneficiaries in Imperial County. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the fourth quarter of 2013.

• In March 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California DHCS of its intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medicaid beneficiaries in 18 rural counties. Under the contract, California Health and Wellness Plan will serve members under the state's Medi-Cal Managed Care Rural Expansion program. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the fourth quarter of 2013.

• In November 2012, our Illinois subsidiary, IlliniCare Health Plan, was selected, contingent upon successful completion of contract negotiations, to serve dual-eligible members in Cook, DuPage, Lake, Kane, Kankakee and Will counties (Greater Chicago region) as part of the Illinois Medicare-Medicaid Alignment Initiative. Upon execution of a contract and regulatory approval, enrollment is expected to begin in 2014.

• In August 2012, we were notified by the ODJFS that Buckeye, our Ohio subsidiary, was selected to serve Medicaid members in a dual-eligible demonstration program in three of Ohio's pre-determined seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton). This three-year program, which is part of the state of Ohio's Integrated Care Delivery System (ICDS) expansion, will serve those who have both Medicare and Medicaid eligibility. Enrollment is expected to begin in 2014.

• In May 2012, we announced that the Governor and Executive Council of New Hampshire had given approval for the Department of Health and Human Services to contract with our subsidiary, Granite State Health Plan, to serve Medicaid beneficiaries in New Hampshire. Operations are currently expected to commence in the fourth quarter of 2013.

As of July 6, 2013, our subsidiary, Kentucky Spirit Health Plan, discontinued serving Medicaid members in Kentucky. We expect to begin presenting Kentucky as a discontinued operation upon completion of all significant operating cash flows.

In March 2013, we were notified by the Arizona Health Care Cost Containment System that our Arizona subsidiary, Bridgeway Health Solutions of Arizona, LLC (Bridgeway), was not awarded a contract to serve acute care members in Arizona for the five years beginning October 1, 2013. As a result, our contract terminated on September 30, 2013. Bridgeway served 16,700 Medicaid acute care members in Yavapai County at September 30, 2013.
MEMBERSHIP

From September 30, 2012 to September 30, 2013, we increased our at-risk managed care membership by 109,500, or 4.4%. The following table sets forth our membership by state for our managed care organizations:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,700</td>
<td>23,500</td>
<td>23,800</td>
</tr>
<tr>
<td>Florida</td>
<td>217,800</td>
<td>214,000</td>
<td>209,600</td>
</tr>
<tr>
<td>Georgia</td>
<td>314,100</td>
<td>313,700</td>
<td>312,400</td>
</tr>
<tr>
<td>Illinois</td>
<td>22,800</td>
<td>18,000</td>
<td>17,900</td>
</tr>
<tr>
<td>Indiana</td>
<td>198,400</td>
<td>204,000</td>
<td>205,400</td>
</tr>
<tr>
<td>Kansas</td>
<td>137,700</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>—</td>
<td>135,800</td>
<td>145,400</td>
</tr>
<tr>
<td>Louisiana</td>
<td>152,600</td>
<td>165,600</td>
<td>167,200</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>23,200</td>
<td>21,500</td>
<td>28,000</td>
</tr>
<tr>
<td>Mississippi</td>
<td>76,900</td>
<td>77,200</td>
<td>30,600</td>
</tr>
<tr>
<td>Missouri</td>
<td>58,200</td>
<td>59,600</td>
<td>53,900</td>
</tr>
<tr>
<td>Ohio</td>
<td>170,900</td>
<td>157,800</td>
<td>173,800</td>
</tr>
<tr>
<td>South Carolina</td>
<td>89,400</td>
<td>90,100</td>
<td>89,400</td>
</tr>
<tr>
<td>Tennessee</td>
<td>20,400</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Texas</td>
<td>957,300</td>
<td>949,900</td>
<td>930,700</td>
</tr>
<tr>
<td>Washington</td>
<td>77,100</td>
<td>57,200</td>
<td>42,000</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,000</td>
<td>72,400</td>
<td>72,900</td>
</tr>
<tr>
<td>Total</td>
<td>2,612,500</td>
<td>2,560,300</td>
<td>2,503,000</td>
</tr>
</tbody>
</table>

The following table sets forth our membership by line of business:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>1,953,300</td>
<td>1,977,200</td>
<td>1,939,400</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>274,900</td>
<td>237,700</td>
<td>229,600</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>302,000</td>
<td>307,800</td>
<td>289,800</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>19,600</td>
<td>29,100</td>
<td>35,700</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>31,600</td>
<td>8,500</td>
<td>8,500</td>
</tr>
<tr>
<td>Correctional services</td>
<td>31,100</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>2,612,500</td>
<td>2,560,300</td>
<td>2,503,000</td>
</tr>
</tbody>
</table>

The following table identifies our dual eligible membership by line of business. The membership tables above include these members.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>72,000</td>
<td>72,800</td>
<td>69,800</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>19,600</td>
<td>7,700</td>
<td>7,800</td>
</tr>
<tr>
<td>Medicare</td>
<td>6,100</td>
<td>5,100</td>
<td>4,000</td>
</tr>
<tr>
<td>Total</td>
<td>97,700</td>
<td>85,600</td>
<td>81,600</td>
</tr>
</tbody>
</table>
RESULTS OF OPERATIONS

The following discussion and analysis is based on our consolidated statements of operations, which reflect our results of operations for the three and nine months ended September 30, 2013 and 2012, prepared in accordance with generally accepted accounting principles in the United States.

Summarized comparative financial data for the three and nine months ended September 30, 2013 and 2012 is as follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>$2,621.7</td>
<td>$2,184.1</td>
<td>20.0 %</td>
<td>$7,659.4</td>
<td>$5,853.5</td>
<td>30.9 %</td>
</tr>
<tr>
<td>Service</td>
<td>112.5</td>
<td>28.4</td>
<td>296.1 %</td>
<td>251.3</td>
<td>84.0</td>
<td>198.9 %</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,734.2</td>
<td>2,212.5</td>
<td>23.6 %</td>
<td>7,910.7</td>
<td>5,937.5</td>
<td>33.2 %</td>
</tr>
<tr>
<td>Premium tax</td>
<td>69.5</td>
<td>235.6</td>
<td>(70.5) %</td>
<td>264.8</td>
<td>333.5</td>
<td>(20.6) %</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,803.7</td>
<td>2,448.1</td>
<td>14.5 %</td>
<td>8,175.5</td>
<td>6,271.0</td>
<td>30.4 %</td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,298.9</td>
<td>2,037.0</td>
<td>12.9 %</td>
<td>6,810.9</td>
<td>5,370.1</td>
<td>26.8 %</td>
</tr>
<tr>
<td>Cost of services</td>
<td>100.5</td>
<td>21.7</td>
<td>362.1 %</td>
<td>218.8</td>
<td>66.9</td>
<td>227.1 %</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>253.6</td>
<td>181.1</td>
<td>40.1 %</td>
<td>694.2</td>
<td>512.3</td>
<td>35.5 %</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>68.5</td>
<td>235.9</td>
<td>(71.0) %</td>
<td>262.2</td>
<td>333.9</td>
<td>(21.5) %</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>—</td>
<td>— %</td>
<td>—</td>
<td>28.0</td>
<td>(100.0) %</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>82.2</td>
<td>(27.6)</td>
<td>n.m.</td>
<td>189.4</td>
<td>(40.2)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Investment and other income, net</td>
<td>(1.6)</td>
<td>18.4</td>
<td>(109.0) %</td>
<td>(6.6)</td>
<td>18.2</td>
<td>(136.1) %</td>
</tr>
<tr>
<td>Earnings (loss) before income tax expense (benefit)</td>
<td>80.6</td>
<td>(9.2)</td>
<td>n.m.</td>
<td>182.8</td>
<td>(22.0)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>31.7</td>
<td>(9.5)</td>
<td>n.m.</td>
<td>72.0</td>
<td>(6.1)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>48.9</td>
<td>0.3</td>
<td>n.m.</td>
<td>110.8</td>
<td>(15.9)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(0.5)</td>
<td>(3.5)</td>
<td>(87.0) %</td>
<td>(1.0)</td>
<td>(8.7)</td>
<td>(88.3) %</td>
</tr>
<tr>
<td>Net earnings (loss) attributable to Centene Corporation</td>
<td>$49.4</td>
<td>$3.8</td>
<td>n.m.</td>
<td>$111.8</td>
<td>$(7.2)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share attributable to Centene Corporation</td>
<td>$0.87</td>
<td>$0.07</td>
<td>n.m.</td>
<td>$2.00</td>
<td>$(0.14)</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

n.m.: not meaningful.


Premium and Service Revenues

Premium and service revenues increased 23.6% in the three months ended September 30, 2013 over the corresponding period in 2012 primarily as a result of the addition of the Kansas contract on January 1, 2013, increased membership and premium rates in Texas, expansions in Mississippi and Florida and the acquisition of AcariaHealth, partially offset by decreased revenue in Kentucky as a result of our exit.

Operating Expenses

Medical Costs

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided. The table below depicts the HBR for our membership by member category for the three months ended September 30;
The consolidated HBR for the three months ended September 30, 2013, was 87.7%, compared to 93.3% in the same period in 2012. Excluding our Kentucky health plan operations, the third quarter 2012 HBR was 88.7%. The HBR improvement compared to three months ended September 30, 2012, reflects the rate increase in Texas as well as a continued level of moderate utilization.

Revenue and HBR results for new business and existing business are listed below to assist in understanding our results of operations. Existing businesses are primarily state markets or significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets or significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters. The following table compares the results for new business and existing business for the three months ended September 30,

<table>
<thead>
<tr>
<th>Premium and Service Revenue</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business</td>
<td>14%</td>
<td>32%</td>
</tr>
<tr>
<td>Existing business</td>
<td>86%</td>
<td>68%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HBR</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business</td>
<td>96.5%</td>
<td>106.5%</td>
</tr>
<tr>
<td>Existing business</td>
<td>86.3%</td>
<td>87.0%</td>
</tr>
</tbody>
</table>

Cost of Services

Cost of services increased by $78.7 million in the three months ended September 30, 2013, compared to the corresponding period in 2012. This was primarily due to the acquisition of AcariaHealth.

General & Administrative Expenses

General and administrative expenses, or G&A, increased by $72.5 million in the three months ended September 30, 2013, compared to the corresponding period in 2012. This was primarily due to expenses for additional staff and facilities to support our membership growth as well as performance based compensation.

The consolidated G&A expense ratio for the three months ended September 30, 2013 and 2012 was 9.3% and 8.2%, respectively. The year over year increase reflects an increase in performance based compensation expense in 2013 and higher start-up costs, partially offset by the leveraging of expenses over higher revenue in 2013.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the three months ended September 30, ($ in millions):

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$4.9</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$(6.6)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$(1.7)</td>
</tr>
</tbody>
</table>

Investment income. The increase in investment income in 2013 reflects an increase in investment balances over 2012.

Gain on sale of investments. During the third quarter of 2012, we recognized $1.5 million in net gains primarily as a result of the liquidation of $75.5 million of investments held by the Georgia health plan in order to meet short-term liquidity needs due to the delays in premium receipts.
Gain on sale of investment in convertible note. During the third quarter of 2012, we executed an agreement with a third party borrower whereby the borrower agreed to pay us total consideration of $50.0 million for retirement of $30.0 million of outstanding notes and equity ownership conversion features in certain Medicaid and Medicare related businesses. As a result, we recorded a pre-tax gain of $17.9 million in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the balance sheet.

Interest expense. Interest expense increased in 2013 compared to 2012, reflecting the addition of $175 million of Senior Notes in the fourth quarter of 2012.

Income Tax Expense

Excluding the effects of noncontrolling interest, our effective tax rate for the three months ended September 30, 2013, was a tax expense of 39.1%. For the three months ended September 30, 2012, we recognized an overall tax benefit of $9.5 million, comprised of the benefit from a pre-tax loss for that quarter and a benefit of $4.6 million from the clarification of certain state tax items.

Segment Results

In January 2013, we reclassified the health plan in Arizona, which is primarily a long-term care operation, to the Medicaid Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Medicaid Managed Care segment for all periods presented. The following table summarizes our consolidated operating results by segment for the three months ended September 30, ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>% Change 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium and Service Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$2,520.1</td>
<td>$2,097.2</td>
<td>20.2%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>766.2</td>
<td>582.8</td>
<td>31.5%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(552.1)</td>
<td>(467.5)</td>
<td>18.1%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$2,734.2</td>
<td>$2,212.5</td>
<td>23.6%</td>
</tr>
<tr>
<td><strong>Earnings (Loss) from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$68.1</td>
<td>$(55.2)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>14.1</td>
<td>27.6</td>
<td>n.m.</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$82.2</td>
<td>$(27.6)</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

Medicaid Managed Care

Premium and service revenues increased 20.2% in the three months ended September 30, 2013, primarily as a result of the addition of the Kansas contract on January 1, 2013, increased membership and premium rates in Texas, expansions in Mississippi and Florida, partially offset by decreased revenue in Kentucky as a result of our exit. Earnings from operations increased $123.3 million between years primarily as a result of the performance improvement in Texas from 2012 and the effect of the premium deficiency reserve recorded for Kentucky in 2012.

Specialty Services

Premium and service revenues increased 31.5% in the three months ended September 30, 2013, due to the acquisition of AcariaHealth, services associated with membership growth in the Medicaid segment, the addition of Centurion contracts in Massachusetts and Tennessee and the carve-in of pharmacy services in Louisiana. Earnings from operations decreased $13.5 million in the three months ended September 30, 2013, reflecting higher performance based compensation expense in 2013 as well as a lower margins in our pharmacy business.
Premium and Service Revenues

Premium and service revenues increased 33.2% in the nine months ended September 30, 2013, over the corresponding period in 2012 primarily as a result of the Texas, Mississippi, Louisiana and Florida expansions, pharmacy carve-ins in Texas and Louisiana, the additions of the Kansas, Missouri and Washington contracts, rate increases in several of our markets and the acquisition of AcariaHealth, partially offset by decreased revenue in Kentucky as a result of our exit. During the nine months ended September 30, 2013, we received premium rate adjustments which yielded a net 1.8% composite change across all of our markets.

Operating Expenses

Medical Costs

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided. The table below depicts the HBR for our membership by member category for the nine months ended September 30,:

<table>
<thead>
<tr>
<th>Membership Category</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid and CHIP</td>
<td>88.0%</td>
<td>90.6%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>90.8</td>
<td>93.9</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>84.1</td>
<td>91.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>88.9</td>
<td>91.7</td>
</tr>
</tbody>
</table>

The consolidated HBR for the nine months ended September 30, 2013 of 88.9% was a decrease of 280 basis points over the comparable period in 2012. The 2012 consolidated HBR includes a higher level of medical costs for the Texas expansion area and Kentucky, the recognition of a $63.0 million Kentucky premium deficiency reserve and a high level of medical costs in the individual health insurance business, partially offset by a higher level of flu costs during the first quarter of 2013.

Cost of Services

Cost of services increased by $151.9 million in the nine months ended September 30, 2013, compared to the corresponding period in 2012. This was primarily due to the acquisition of AcariaHealth.

General & Administrative Expenses

General and administrative expenses, or G&A, increased by $181.9 million in the nine months ended September 30, 2013, compared to the corresponding period in 2012. This was primarily due to expenses for additional staff and facilities to support our membership growth, AcariaHealth transaction costs, as well as performance based compensation.

The consolidated G&A expense ratio for the nine months ended September 30, 2013 and 2012 was 8.8% and 8.6%, respectively. The year over year increase in the G&A expense ratio reflects an increase in performance based compensation expense in 2013 as well as AcariaHealth transaction costs, partially offset by the leveraging of expenses over higher revenue in 2013.

Impairment Loss

During the second quarter of 2012, our subsidiary, Celtic Insurance Company, experienced a high level of medical costs for individual health policies, especially for recently issued policies related to members converted from another insurer during the first quarter of 2012. We conducted an impairment analysis of the identifiable intangible assets and goodwill of the Celtic reporting unit, resulting in goodwill and intangible asset impairments of $28.0 million, recorded as impairment loss in the consolidated statement of operations. The impaired identifiable intangible assets of $2.3 million and goodwill of $25.7 million were reported under the Specialty Services segment, of which $26.6 million of the impairment loss was not deductible for income tax purposes.
Other Income (Expense)

The following table summarizes the components of other income (expense) for the nine months ended September 30, ($ in millions):

<table>
<thead>
<tr>
<th>Component</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$13.7</td>
<td>$13.2</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>—</td>
<td>1.5</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>—</td>
<td>17.9</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(20.3)</td>
<td>(14.4)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$ (6.6)</td>
<td>$18.2</td>
</tr>
</tbody>
</table>

Investment income. The increase in investment income in 2013 reflects an increase in investment balances over 2012.

Gain on sale of investments. During the third quarter of 2012, we recognized $1.5 million in net gains primarily as a result of the liquidation of $75.5 million of investments held by the Georgia health plan in order to meet short-term liquidity needs due to the delays in premium receipts.

Gain on sale of investment in convertible note. During the third quarter of 2012, we executed an agreement with a third party borrower whereby the borrower agreed to pay us total consideration of $50.0 million for retirement of $30.0 million of outstanding notes and equity ownership conversion features in certain Medicaid and Medicare related businesses. As a result, we recorded a pre-tax gain of $17.9 million in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the balance sheet.

Interest expense. Interest expense increased during the nine months ended September 30, 2013, by $5.9 million reflecting the addition of $175 million of Senior Notes in the fourth quarter of 2012.

Income Tax Expense

Excluding the effects of noncontrolling interests, our effective tax rate for the nine months ended September 30, 2013 was a tax expense of 39.1%. We recorded a tax benefit of $6.1 million in the corresponding period in 2012 resulting from losses. The increase in income tax expense over 2012 resulted from decreased earnings in 2012 and a tax benefit resulting from the clarification by a state taxing authority regarding a state income tax calculation in 2012, partially offset by a non-deductible goodwill impairment in 2012.

Segment Results

The following table summarizes our consolidated operating results by segment for the nine months ended September 30, ($ in millions):

<table>
<thead>
<tr>
<th>Premium and Service Revenues</th>
<th>2013</th>
<th>2012</th>
<th>% Change 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Managed Care</td>
<td>$7,398.3</td>
<td>$5,570.7</td>
<td>32.8%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>2,204.1</td>
<td>1,635.8</td>
<td>34.7%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(1,691.7)</td>
<td>(1,269.0)</td>
<td>33.3%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$7,910.7</td>
<td>$5,937.5</td>
<td>33.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings (Loss) from Operations</th>
<th>2013</th>
<th>2012</th>
<th>% Change 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Managed Care</td>
<td>$116.6</td>
<td>$(72.8)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>72.8</td>
<td>32.6</td>
<td>n.m.</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$189.4</td>
<td>$(40.2)</td>
<td>n.m.</td>
</tr>
</tbody>
</table>
Medicaid Managed Care

Premium and service revenues increased 32.8% in the nine months ended September 30, 2013, primarily as a result of the Texas, Mississippi, Louisiana, Ohio and Florida expansions, pharmacy carve-in in Texas and Louisiana, the additions of the Kansas, Missouri and Washington contracts and rate increases in several of our markets. Earnings from operations increased $189.4 million in the nine months ended September 30, 2013, as a result of improvements in the performance of the Texas business from 2012 and the effect of the premium deficiency reserve recorded for Kentucky in 2012.

Specialty Services

Premium and service revenues increased 34.7% in the nine months ended September 30, 2013, due to the carve-in of pharmacy services in Texas and Louisiana, growth in our Medicaid segment and the associated services provided to this increased membership and the acquisition of AcariaHealth. Earnings from operations increased $40.2 million in the nine months ended September 30, 2013, reflecting improvement in our individual health insurance business. Earnings from operations in 2012 were negatively impacted by a $28.0 impairment loss in our individual insurance business.

Earnings (Loss) Per Share and Shares Outstanding

Our earnings (loss) per share calculation for the nine months ended September 30, 2012 reflects lower diluted weighted average shares outstanding resulting from the exclusion of the effect of outstanding stock awards which would be anti-dilutive to earnings per share.

LIQUIDITY AND CAPITAL RESOURCES

Shown below is a condensed schedule of cash flows used in the discussion of liquidity and capital resources ($ in millions).

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$211.7</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(324.1)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>9.8</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>$(102.6)</td>
</tr>
</tbody>
</table>

Cash Flows Provided by Operating Activities

Normal operations are funded primarily through operating cash flows and borrowings under our revolving credit facility. Operating activities provided cash of $211.7 million in the nine months ended September 30, 2013, compared to $307.3 million in the comparable period in 2012. The cash provided by operations in 2013 was primarily related to net earnings as well as an increase in medical claims liabilities including our new business in Kansas.

Cash flows from operations in each year were impacted by the timing of payments we receive from our states. States may prepay the following month premium payment, which we record as unearned revenue, or they may delay our premium payment, which we record as a receivable. We typically receive capitation payments monthly, however the states in which we operate may decide to adjust their payment schedules which could positively or negatively impact our reported cash flows from operating activities in any given period. The table below details the impact to cash flows from operations from the timing of payments from our states (in millions).

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>$58.6</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>8.0</td>
</tr>
<tr>
<td>Net decrease in operating cash flow</td>
<td>$(50.6)</td>
</tr>
</tbody>
</table>
Cash Flows Used in Investing Activities

Investing activities used cash of $324.1 million in the nine months ended September 30, 2013 and $138.6 million in the comparable period in 2012. Cash flows used in investing activities in 2013 primarily consisted of additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long-term investments, the acquisition of AcariaHealth and capital expenditures. We completed the acquisition of AcariaHealth in April 2013 for $142.5 million in total consideration. The transaction was financed through a combination of Centene common stock as well as $67.1 million cash on hand. During 2012, our investing activities primarily related to additions to the investment portfolio of our regulated subsidiaries and capital expenditures.

We spent $46.4 million and $70.6 million in the nine months ended September 30, 2013 and 2012, respectively, on capital expenditures for system enhancements and market expansions.

As of September 30, 2013, our investment portfolio consisted primarily of fixed-income securities with an average duration of 2.9 years. We had unregulated cash and investments of $37.6 million at September 30, 2013, compared to $37.3 million at December 31, 2012.

Cash Flows Provided by Financing Activities

Our financing activities provided cash of $9.8 million in the nine months ended September 30, 2013, compared to $54.2 million in the comparable period in 2012. During 2013, our financing activities primarily related to borrowings under our revolving credit facility, the sale of $15.2 million of common stock to fund the escrow account for the acquisition of AcariaHealth and the repayment of a mortgage note. During 2012, our financing activities primarily related to borrowings under our revolving credit facility and proceeds from the exercise of stock options.

Liquidity Metrics

In May 2013, we entered into a new unsecured $500 million revolving credit facility and terminated its previous $350 million revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended) or certain financial conditions are not met, including carrying $100 million of unrestricted cash on deposit. As of September 30, 2013, we had no borrowings outstanding under our revolving credit facility, and we were in compliance with all covenants.

The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt-to-EBITDA ratios and minimum tangible net worth. We are required not to exceed a maximum debt-to-EBITDA ratio of 3.25 as of September 30, 2013 and 3.0 as of December 31, 2013 and thereafter. As of September 30, 2013, the availability under the new revolving credit agreement would have been limited to approximately $400 million as a result of the debt-to-EBITDA ratio.

We had outstanding letters of credit of $28.7 million as of September 30, 2013, which were not part of our revolving credit facility and bore interest at 0.52%.

At September 30, 2013, we had working capital, defined as current assets less current liabilities, of $(18.5) million, as compared to $176.5 million at December 31, 2012. We manage our short-term and long-term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term requirements as needed.

At September 30, 2013, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 30.5%, compared to 36.1% at December 31, 2012. Excluding the $73.4 million non-recourse mortgage note, our debt to capital ratio was 27.4% at September 30, 2013, compared to 32.7% at December 31, 2012. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.
2013 Expectations

During the remainder of 2013, we expect to make additional capital contributions to our insurance subsidiaries of approximately $50 million associated with our growth and spend approximately $17 million in additional capital expenditures primarily associated with system enhancements and market expansions. These capital contributions and capital expenditures are expected to be funded by unregulated cash flow generation and borrowings on our revolving credit facility.

Based on our operating plan, we expect that our available cash, cash equivalents and investments, cash from our operations and cash available under our credit facility will be sufficient to finance our general operations and capital expenditures for at least 12 months from the date of this filing.
Our operations are conducted through our subsidiaries. As managed care organizations, these subsidiaries are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state, and restrict the timing, payment and amount of dividends and other distributions that may be paid to us. Generally, the amount of dividend distributions that may be paid by a regulated subsidiary without prior approval by state regulatory authorities is limited based on the entity’s level of statutory net income and statutory capital and surplus.

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of September 30, 2013, our subsidiaries had aggregate statutory capital and surplus of $1,211.9 million, compared with the required minimum aggregate statutory capital and surplus requirements of $667.4 million. During the nine months ended September 30, 2013, we contributed $368 million of statutory capital to our subsidiaries. We estimate our Risk Based Capital, or RBC, percentage to be in excess of 350% of the Authorized Control Level.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of September 30, 2013, each of our health plans was in compliance with the risk-based capital requirements enacted in those states.
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

INVESTMENTS AND DEBT

As of September 30, 2013, we had short-term investments of $122.6 million and long-term investments of $857.8 million, including restricted deposits of $40.9 million. The short-term investments generally consist of highly liquid securities with maturities between three and 12 months. The long-term investments consist of municipal, corporate and U.S. Treasury securities, government sponsored obligations, life insurance contracts, asset backed securities and equity securities and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states’ requirements, these investments are classified as long-term regardless of the contractual maturity date. Our investments are subject to interest rate risk and will decrease in value if market rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at September 30, 2013, the fair value of our fixed income investments would decrease by approximately $23.2 million. Declines in interest rates over time will reduce our investment income.

We entered into interest rate swap agreements with creditworthy financial institutions to manage the impact of market interest rates on interest expense. Our swap agreements convert a portion of our interest expense from fixed to variable rates to better match the impact of changes in market rates on our variable rate cash equivalent investments. As a result, the fair value of $250 million of our Senior Note debt varies with market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at September 30, 2013, the fair value of our debt would decrease by approximately $9.1 million. An increase in interest rates decreases the fair value of the debt and conversely, a decrease in interest rates increases the value.

For a discussion of the interest rate risk that our investments are subject to, see "Risk Factors–Risks Related to Our Business–Our investment portfolio may suffer losses from reductions in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity.”

INFLATION

The inflation rate for medical care costs has been higher than the inflation rate for all items. We use various strategies to mitigate the negative effects of healthcare cost inflation. Specifically, our health plans try to control medical and hospital costs through our state savings initiatives and contracts with independent providers of healthcare services. Through these contracted care providers, our health plans emphasize preventive healthcare and appropriate use of specialty and hospital services. Additionally, our contracts with states require actuarially sound premiums that include health care cost trend.

While we currently believe our strategies to mitigate healthcare cost inflation will continue to be successful, competitive pressures, new healthcare and pharmaceutical product introductions, demands from healthcare providers and customers, applicable regulations or other factors may affect our ability to control the impact of healthcare cost increases.


Evaluation of Disclosure Controls and Procedures - We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the filing of this Form 10-Q, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2013. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2013.

Changes in Internal Control Over Financial Reporting - No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
ITEM 1. Legal Proceedings.

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid Managed Care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking a declaration of the Company's right to terminate the contract on July 5, 2013. In April 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. In May 2013, the Franklin Circuit Court ruled that Kentucky Spirit does not have a contractual right to terminate the contract early. Kentucky Spirit has appealed that ruling to the Kentucky Court of Appeals.

The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet. In response, the Company filed a lawsuit in April 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches. This lawsuit was subsequently consolidated with the original lawsuit for declaratory relief and continues to proceed.

Kentucky Spirit's efforts to resolve issues with the Commonwealth were unsuccessful and on July 5, 2013, Kentucky Spirit proceeded with its previously announced exit. The Commonwealth has alleged that Kentucky Spirit's exit constitutes a material breach of contract. The Commonwealth seeks to recover substantial damages and to enforce its rights under Kentucky Spirit's $25.0 million performance bond. Any claim for damages by the Commonwealth may include the costs of transition and the additional costs to the Commonwealth to cover Kentucky Spirit's former members through July 5, 2014. Kentucky Spirit is pursuing its litigation claims for damages against the Commonwealth and will vigorously defend against any allegations that it has breached the contract.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If the Company prevails on its claims, Kentucky Spirit would be entitled to damages under its lawsuit. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of September 30, 2013. While uncertain, the ultimate resolution of the pending litigation could have a material effect on the results of operations of the Company in the period it is resolved or becomes known.

Excluding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position or results of operations.

ITEM 1A. Risk Factors.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND THE TRADING PRICE OF OUR COMMON STOCK

You should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. You should also refer to the other information in this filing, including our consolidated financial statements and related notes. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our Company.
Risks Related to Being a Regulated Entity

**Reduction in Medicaid, CHIP and ABD funding could substantially reduce our profitability.**

Most of our revenues come from Medicaid, CHIP and ABD premiums. The base premium rate paid by each state differs, depending on a combination of factors such as defined upper payment limits, a member’s health status, age, gender, county or region, benefit mix and member eligibility categories. Since Medicaid was created in 1965, the federal government and the states have shared the costs, with the federal share currently averaging around 57%. Future levels of Medicaid, CHIP and ABD funding and premium rates may be affected by continuing government efforts to contain healthcare costs and may further be affected by state and federal budgetary constraints.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act collectively referred to as the Affordable Care Act (ACA), were enacted. While the constitutionality of the ACA was subsequently challenged in a number of legal actions, in June 2012, the Supreme Court upheld the constitutionality of the ACA, with one limited exception relating to the Medicaid expansion provision. The Court held that states could not be required to expand Medicaid and risk losing all federal money for their existing Medicaid programs. Under the ACA, Medicaid coverage will be expanded to all individuals under age 65 with incomes up to 133% of the federal poverty level beginning January 1, 2014, subject to the states' elections. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for 3 years, from 2014 through 2016. In 2017, the federal share declines to 95%; in 2018 it is 94%; in 2019 it is 93%; and it will be 90% in 2020 and subsequent years. States may delay Medicaid expansion after 2014 but the federal payment rates will be less. Currently 26 states and the District of Columbia are moving toward expanding Medicaid eligibility, although most are involved in a variety of legislative proposals within their States. The U.S. Department of Health and Human Services (HHS) has stated that it will consider a limited number of premium assistance demonstration proposals from States that want to privatize Medicaid expansion. States must provide a choice between at least two qualified health plans and offer very similar benefits as those available in the newly created insurance exchanges. Arkansas became the first state to obtain federal approval to use Medicaid funding to purchase private insurance for low-income residents.

States periodically consider reducing or reallocating the amount of money they spend for Medicaid, CHIP, LTC, Foster Care and ABD. The current adverse economic conditions have, and are expected to continue to, put pressures on state budgets as tax and other state revenues decrease while these eligible populations increase, creating more need for funding. We anticipate this will require government agencies with whom we contract to find funding alternatives, which may result in reductions in funding for current programs and program expansions, contraction of covered benefits, limited or no premium rate increases or premium decreases. In recent years, the majority of states have implemented measures to restrict Medicaid, CHIP, LTC, Foster Care and ABD costs and eligibility. If any state in which we operate were to decrease premiums paid to us, or pay us less than the amount necessary to keep pace with our cost trends, it could have a material adverse effect on our revenues and operating results.

Changes to Medicaid, CHIP, LTC, Foster Care and ABD programs could reduce the number of persons enrolled in or eligible for these programs, reduce the amount of reimbursement or payment levels, or increase our administrative or healthcare costs under these programs, all of which could have a negative impact on our business. Recent legislation generally requires that eligibility levels be maintained, but this could cause states to reduce reimbursement or reduce benefits in order to afford to maintain eligibility levels. A number of states have requested waivers to the requirements to maintain eligibility levels and legislation has been introduced that would eliminate the requirement that eligibility levels be maintained. We believe that reductions in Medicaid, CHIP, LTC, Foster Care and ABD payments could substantially reduce our profitability. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds.

Lastly, if a federal government shutdown occurs for a prolonged period of time, payments on the federal government’s obligations, including its obligations under Medicaid, CHIP, ABD and the new Health Insurance Marketplaces, may be delayed. If the federal government fails to make payments under these programs on a timely basis, our business could suffer, and our financial position, results of operations or cash flows may be materially affected.
If we are unable to participate in CHIP programs, our growth rate may be limited.

CHIP is a federal initiative designed to provide coverage for low-income children not otherwise covered by Medicaid or other insurance programs. It is funded jointly by the federal government and States through a formula based on the Medicaid Federal Medical Assistance Percentage (FMAP). As an incentive for States to expand their coverage programs for children, Congress created an enhanced federal matching rate for CHIP that is about 15 percentage points higher than the Medicaid rate. Every fiscal year the Centers for Medicare & Medicaid Services (CMS) determines the federal share of program funding. The programs vary significantly from state to state. Participation in CHIP programs is an important part of our growth strategy. If states do not allow us to participate or if we fail to win bids to participate, our growth strategy may be materially and adversely affected.

If CHIP is not reauthorized or states face shortfalls, our business could suffer.

The Affordable Care Act extends CHIP through September 30, 2019. Beginning October 1, 2015, the enhanced CHIP federal matching rate will increase by 23 percentage points, bringing the average federal matching rate for CHIP to 93%. This rate continues until September 30, 2019. The Affordable Care Act also provided an additional $40 million in federal funding to continue efforts promoting enrollment in CHIP and Medicaid. The federal allotment for CHIP for fiscal year 2012 was $14.982 billion.

States receive matching funds from the federal government to pay for their CHIP programs which have a per state annual cap. Because of funding caps, there is a risk that states could experience shortfalls in future years, which could have an impact on our ability to receive amounts owed to us from states in which we have CHIP contracts.

If any of our state contracts are terminated or are not renewed, our business will suffer.

We provide managed care programs and selected services to individuals receiving benefits under federal assistance programs, including Medicaid, CHIP and ABD. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. Our contracts with various states are generally intended to run for one or two years and may be extended for one or two additional years if the state or its agent elects to do so. Our current contracts are set to expire or renew between December 31, 2013 and August 31, 2018. When our contracts expire, they may be opened for bidding by competing healthcare providers. There is no guarantee that our contracts will be renewed or extended. For example, on April 12, 2010, the Wisconsin Department of Health Services notified us that our Wisconsin subsidiary was not awarded a Southeast Wisconsin BadgerCare Plus Managed Care contract. While we will continue to serve other regions of the state, we transitioned the affected members to other plans by November 1, 2010. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds. For example, the Indiana contract under which we operate can be terminated by the State without cause. Our contracts could also be terminated if we fail to perform in accordance with the standards set by state regulatory agencies. If any of our contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, our business will suffer, our goodwill could be impaired and our financial position, results of operations or cash flows may be materially affected.

Changes in government regulations designed to protect the financial interests of providers and members rather than our investors could force us to change how we operate and could harm our business.

Our business is extensively regulated by the states in which we operate and by the federal government. The applicable laws and regulations are subject to frequent change and generally are intended to benefit and protect the financial interests of health plan providers and members rather than investors. The enactment of new laws and rules or changes to existing laws and rules or the interpretation of such laws and rules could, among other things:

• force us to restructure our relationships with providers within our network;
• require us to implement additional or different programs and systems;
• mandate minimum medical expense levels as a percentage of premium revenues;
• restrict revenue and enrollment growth;
• require us to develop plans to guard against the financial insolvency of our providers;
• increase our healthcare and administrative costs;
• impose additional capital and reserve requirements; and
• increase or change our liability to members in the event of malpractice by our providers.

The ACA also requires that proposed increases of 10% or more of premiums for most individual and small group insurance health insurance plans must be approved by state or federal officials (Rate Review Program).
Regulations may decrease the profitability of our health plans.

Certain states have enacted regulations which require us to maintain a minimum health benefits ratio, or establish limits on our profitability. Other states require us to meet certain performance and quality metrics in order to receive our full contractual revenue. In certain circumstances, our plans may be required to pay a rebate to the state in the event profits exceed established levels. These regulatory requirements, changes in these requirements or the adoption of similar requirements by other regulators may limit our ability to increase our overall profits as a percentage of revenues. Most states, including but not limited to Georgia, Indiana, Texas and Wisconsin, have implemented prompt-payment laws and many states are enforcing penalty provisions for failure to pay claims in a timely manner. Failure to meet these requirements can result in financial fines and penalties. In addition, states may attempt to reduce their contract premium rates if regulators perceive our health benefits ratio as too low. Any of these regulatory actions could harm our financial position, results of operations or cash flows. Certain states also impose marketing restrictions on us which may constrain our membership growth and our ability to increase our revenues.

If we fail to comply with Medicare laws and regulation, our growth rate could be limited.

We feel there are potential growth opportunities in dual eligible markets to fully integrate care for dual eligible beneficiaries who are enrolled in both Medicaid and Medicare. The dual eligible population represents a disproportionate amount of state and federal health care spending yet less than 15 percent of dual eligibles are in comprehensive, managed care. As a result, states and the federal government have put dual eligibles on the fast track to managed care and dual eligibles are an important part of our growth strategy.

Although we strive to comply with all existing Medicare statutes and regulations applicable to our business, different interpretations and enforcement policies of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make significant changes to our operations. If we fail to comply with existing or future applicable Medicare laws and regulations, states may not allow us to continue to participate in dual eligible demonstration programs or we may fail to win bids to participate in such programs, and our growth strategy may be materially and adversely affected.

We face periodic reviews, audits and investigations under our contracts with state and federal government agencies, and these audits could have adverse findings, which may negatively impact our business.

We contract with various state and federal governmental agencies to provide managed healthcare services. Pursuant to these contracts, we are subject to various reviews, audits and investigations to verify our compliance with the contracts and applicable laws and regulations. Any adverse review, audit or investigation could result in:

• cancellation of our contracts;
• refunding of amounts we have been paid pursuant to our contracts;
• imposition of fines, penalties and other sanctions on us;
• loss of our right to participate in various markets;
• increased difficulty in selling our products and services; or
• loss of one or more of our licenses.

Failure to comply with government regulations could subject us to civil and criminal penalties.

Federal and state governments have enacted fraud and abuse laws and other laws to protect patients’ privacy and access to healthcare. In some states, we may be subject to regulation by more than one governmental authority, which may impose overlapping or inconsistent regulations. Violation of these and other laws or regulations governing our operations or the operations of our providers could result in the imposition of civil or criminal penalties, the cancellation of our contracts to provide services, the suspension or revocation of our licenses or our exclusion from participating in the Medicaid, CHIP, LTC, Foster Care and ABD programs. If we were to become subject to these penalties or exclusions as the result of our actions or omissions or our inability to monitor the compliance of our providers, it would negatively affect our ability to operate our business.
HIPAA broadened the scope of fraud and abuse laws applicable to healthcare companies. HIPAA created civil penalties for, among other things, billing for medically unnecessary goods or services. HIPAA established new enforcement mechanisms to combat fraud and abuse, including civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of protected health information. The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states’ Attorneys General in addition to the HHS Office of Civil Rights. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules. In addition, HHS has announced that it will continue its audit program to assess HIPAA compliance efforts by covered entities. Although we are not aware of HHS plans to audit any of our covered entities, an audit resulting in findings or allegations of noncompliance could have a material adverse effect on our results of operations, financial position and cash flows.

We may incur significant costs as a result of compliance with government regulations, and our management will be required to devote time to compliance.

Many aspects of our business are affected by government laws and regulations. The issuance of new regulations, or judicial or regulatory guidance regarding existing regulations, could require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover from the states our costs of complying with these new regulations. The costs of any such future compliance efforts could have a material adverse effect on our business. We have already expended significant time, effort and financial resources to comply with the privacy and security requirements of HIPAA and HITECH, and will have to expend additional time and financial resources to comply with the American Recovery and Reinvestment Act of 2009 (ARRA), the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act.

In January 2013, HHS issued its final regulations implementing the ARRA amendments to HIPAA and updating the HIPAA privacy, security and enforcement rules. In the conduct of our business, we may act, depending on the circumstances, as either a covered entity or a business associate.

We cannot predict whether states will enact stricter laws governing the privacy and security of electronic health information. If any new requirements are enacted at the state or federal level, compliance would likely require additional expenditures and management time.

Changes in healthcare law and benefits may reduce our profitability.

Changes in applicable laws and regulations are continually being considered, and interpretations of existing laws and rules may also change from time to time. We are unable to predict what regulatory changes may occur or what effect any particular change may have on our business. For example, these changes could reduce the number of persons enrolled or eligible to enroll in Medicaid, reduce the reimbursement or payment levels for medical services or reduce benefits included in Medicaid coverage. We are also unable to predict whether new laws or proposals will favor or hinder the growth of managed healthcare in general.

Beginning in 2014, the ACA requires that policies of health insurance offered in individual and small group markets as well as Medicaid benchmark plans provide coverage of designated items and services known as essential health benefits. These must include at least 10 legally defined benefit categories. HHS has granted states significant flexibility in establishing what constitutes essential health benefits in their states. The diversity of essential health benefits across states will increase the complexity in managing health plans and may affect payments.

Initiatives have begun in at least 26 states to more efficiently care for people who are dually eligible for Medicare and Medicaid. As a result, hospitals are seeking higher Medicare reimbursement rates for these patients from insurers which could negatively impact profits.
The health care reform law and the implementation of that law could have a material adverse effect on our business, financial condition, cash flows, or results of operations.

The ACA provides comprehensive changes to the U.S. health care system, which are being phased in at various stages through 2018. The legislation imposes an annual insurance industry assessment of $8 billion starting in 2014, with increasing annual amounts thereafter. Such assessments are not deductible for income tax purposes. The fee will be allocated based on health insurers premium revenues in the previous year. Each health insurer's fee is calculated by multiplying its market share by the annual fee. Market share is based on commercial, Medicare, and Medicaid premium revenue. Not-for-profit insurers are expected to have a competitive advantage since they are exempt from paying the fee if they receive at least 80% of their premium revenue from Medicare, Medicaid, and SCHIP, and other not-for-profit insurers exclude 50% of their premium revenue from the fee calculation.

If this federal premium tax is imposed as enacted, and if we are not reimbursed by the states for the cost of the federal premium tax, or if we are unable to otherwise adjust our business model to address this new tax, our results of operations, financial position and liquidity may be materially adversely affected.

There are numerous outstanding steps required to implement the legislation, including the promulgation of a substantial number of new and potentially more onerous federal regulations. Further, various health insurance reform proposals are also emerging at the state level. Because of the unsettled nature of these reforms and numerous steps required to implement them, we cannot predict what additional health insurance requirements will be implemented at the federal or state level, or the effect that any future legislation or regulation will have on our business or our growth opportunities.

Although we believe the legislation may provide us with significant opportunities to grow our business, the enacted reforms, as well as future regulations and legislative changes, may in fact have a material adverse effect on our results of operations, financial position or liquidity. If we fail to effectively implement our operational and strategic initiatives with respect to the implementation of health care reform, or do not do so as effectively as our competitors, our business may be materially adversely affected.

Our participation in health insurance exchanges, which are required to be established as part of the ACA, could adversely affect our results of operations, financial position and cash flows.

The ACA requires the establishment of health insurance exchanges for individuals and small employers to purchase health insurance that will become effective January 1, 2014. Open enrollment began on October 1, 2013 and continues until March 31, 2014.

Our participation in the health insurance exchanges could ultimately have a negative impact on our results of operations, financial position or liquidity. The ACA also requires insurers participating on the health insurance exchanges to offer a minimum level of benefits while including guidelines on setting premium rates and coverage limitations. These factors, along with the limited information that we expect to have about the individuals who have access to these newly established exchanges may cause our earnings to be affected negatively if our premiums are not adequate or do not appropriately reflect the acuity of these individuals. We may be adversely selected by individuals who will have a higher acuity level than the anticipated pool of participants in this market. In addition, the risk corridor, reinsurance and risk adjustment (“three R’s”) provisions of the ACA established to reduce risk for insurers may not be effective in appropriately mitigating the financial risks related to the exchange product. In addition, the reinsurance component may not be adequately funded.

Any variation from our expectations regarding acuity, enrollment levels, adverse selection, the three R’s, or other assumptions utilized in setting adequate premium rates could have a material adverse effect on our business, financial condition, cash flows, or results of operations.

If a state fails to renew a required federal waiver for mandated Medicaid enrollment into managed care or such application is denied, our membership in that state will likely decrease.

States may administer Medicaid managed care programs pursuant to demonstration programs or required waivers of federal Medicaid standards. Waivers and demonstration programs are generally approved for two year periods and can be renewed on an ongoing basis if the state applies. We have no control over this renewal process. If a state does not renew such a waiver or demonstration program or the Federal government denies a state’s application for renewal, membership in our health plan in the state could decrease and our business could suffer.
Changes in federal funding mechanisms may reduce our profitability.

Changes in funding for Medicaid may affect our business. For example, on May 29, 2007, CMS issued a final rule that would reduce states’ use of intergovernmental transfers for the states’ share of Medicaid program funding. By restricting the use of intergovernmental transfers, this rule may restrict some states’ funding for Medicaid, which could adversely affect our growth, operations and financial performance. On May 23, 2008, the United States District Court for the District of Columbia vacated the final rule as improperly promulgated. On November 30, 2010, CMS issued final regulations that remove these provisions and restore the regulatory language that was in place before the 2007 regulations were issued. While this rule has been removed, we cannot predict whether another similar rule or any other rule that changes funding mechanisms will be promulgated, and if any are, what impact they will have on our business.

Legislative changes in the Medicare program may also affect our business. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 revised cost-sharing requirements for some beneficiaries and required states to reimburse the federal Medicare program for costs of prescription drug coverage provided to beneficiaries who are enrolled simultaneously in both the Medicaid and Medicare programs.

Medicaid spending by the federal government could be decreased as part of the spending cuts associated with the debt ceiling.

The American Taxpayer Relief Act (ATRA) of 2012, known as the fiscal cliff deal, delayed the sequestration mandated under the Sequestration Transparency Act of 2012 until March 1, 2013. The mandated cuts for 2013 are approximately $85.3 billion. Although Medicaid is exempt from cuts under the ATRA, a 2% cut in payments to Medicare providers and suppliers in 2013, or approximately $11.3 billion, is included in ATRA.

We cannot predict whether Congress will take any action to change the automatic spending cuts. Further, we cannot predict how states will react to any changes that occur at the federal level.

If state regulatory agencies require a statutory capital level higher than the state regulations, we may be required to make additional capital contributions.

Our operations are conducted through our wholly owned subsidiaries, which include health maintenance organizations, or HMOs, and managed care organizations, or MCOs. HMOs and MCOs are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state. Additionally, state regulatory agencies may require, at their discretion, individual HMOs to maintain statutory capital levels higher than the state regulations. If this were to occur to one of our subsidiaries, we may be required to make additional capital contributions to the affected subsidiary. Any additional capital contribution made to one of the affected subsidiaries could have a material adverse effect on our liquidity and our ability to grow.

If state regulators do not approve payments of dividends and distributions by our subsidiaries to us, we may not have sufficient funds to implement our business strategy.

We principally operate through our health plan subsidiaries. If funds normally available to us become limited in the future, we may need to rely on dividends and distributions from our subsidiaries to fund our operations. These subsidiaries are subject to regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny our subsidiaries’ request to pay dividends to us, the funds available to us would be limited, which could harm our ability to implement our business strategy.

Risks Related to Our Business

Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.

Our health plans rely on other state-operated systems or sub-contractors to qualify, solicit, educate and assign eligible members into the health plans. The effectiveness of these state operations and sub-contractors can have a material effect on a health plan’s enrollment in a particular month or over an extended period. When a state implements new programs to determine eligibility, new processes to assign or enroll eligible members into health plans, or chooses new contractors, there is an increased potential for an unanticipated impact on the overall number of members assigned into the health plans.
Failure to accurately predict our medical expenses could negatively affect our financial position, results of operations or cash flows.

Our medical expense includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified.

While we utilize our predictive modeling technology and our executive dashboard, we still cannot be sure that our medical claims liability estimates are adequate or that adjustments to those estimates will not unfavorably impact our results of operations. For example, in the three months ended June 30, 2006 we adjusted medical expense by $9.7 million for adverse medical costs development from the first quarter of 2006.

Additionally, when we commence operations in a new state or region, we have limited information with which to estimate our medical claims liability. For example, we commenced operations in Kentucky in November 2011, in Louisiana in February 2012, in Missouri and Washington in July 2012 and expanded in Texas in March 2012. For a period of time after the inception of business in these states, we base our estimates on state-provided historical actuarial data and limited actual incurred and received claims. The addition of new categories of individuals who are eligible for Medicaid under new legislation may pose the same difficulty in estimating our medical claims liability and utilization patterns. Similarly, we may face difficulty in estimating our medical claims liability and utilization patterns beginning in January 2014 when we begin providing coverage for the first time under the newly created insurance exchanges.

Assumptions and estimates are also utilized in establishing premium deficiency reserves. For example, in October 2012, we notified the Kentucky Cabinet for Health and Family Services that we were exercising a contractual right that we believed allowed Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. As a result, we recorded a premium deficiency reserve included in Medical costs expense of $41.5 million for the Kentucky contract in the year ended December 31, 2012. The premium deficiency reserve encompassed the contract period from January 1, 2013 through July 5, 2013.

From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. The accuracy of our medical claims liability estimate may also affect our ability to take timely corrective actions, further harming our results.

Receipt of inadequate or significantly delayed premiums would negatively affect our revenues, profitability or cash flows.

Our premium revenues consist of fixed monthly payments per member and supplemental payments for other services such as maternity deliveries. These premiums are fixed by contract, and we are obligated during the contract periods to provide healthcare services as established by the state governments. We use a large portion of our revenues to pay the costs of healthcare services delivered to our members. If premiums do not increase when expenses related to medical services rise, our earnings will be affected negatively. In addition, our actual medical services costs may exceed our estimates, which would cause our health benefits ratio, or our expenses related to medical services as a percentage of premium revenue, to increase and our profits to decline. In addition, it is possible for a state to increase the rates payable to certain providers without granting a corresponding increase in premiums to us. If this were to occur in one or more of the states in which we operate, our profitability would be harmed. In addition, if there is a significant delay in our receipt of premiums to offset previously incurred health benefits costs, our cash flows or earnings could be negatively impacted.

In some instances, our base premiums are subject to an adjustment, or risk score, based on the acuity of our membership. Generally, the risk score is determined by the State analyzing encounter submissions of processed claims data to determine the acuity of our membership relative to the entire state’s Medicaid membership. The risk score is dependent on several factors including our providers’ completeness and quality of claims submission, our processing of the claim, submission of the processed claims in the form of encounters to the states’ encounter systems and the states’ acceptance and analysis of the encounter data. If the risk scores assigned to our premiums that are risk adjusted are not adequate or do not appropriately reflect the acuity of our membership, our earnings will be affected negatively.
Failure to effectively manage our medical costs or related administrative costs or uncontrollable epidemic or pandemic costs would reduce our profitability.

Our profitability depends, to a significant degree, on our ability to predict and effectively manage expenses related to health benefits. We have less control over the costs related to medical services than we do over our general and administrative expenses. Because of the narrow margins of our health plan business, relatively small changes in our health benefits ratio can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of use of healthcare services, hospital costs, pharmaceutical costs, major epidemics or pandemics, new medical technologies and other external factors, including general economic conditions such as inflation levels, are beyond our control and could reduce our ability to predict and effectively control the costs of providing health benefits. In 2009, the H1N1 influenza pandemic resulted in heightened costs due to increased physician visits and increased utilization of hospital emergency rooms and pharmaceutical costs. We cannot predict what impact an epidemic or pandemic will have on our costs in the future. Additionally, we may not be able to manage costs effectively in the future. If our costs related to health benefits increase, our profits could be reduced or we may not remain profitable.

Our investment portfolio may suffer losses from changes in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity.

As of September 30, 2013, we had $863.9 million in cash, cash equivalents and short-term investments and $857.8 million of long-term investments and restricted deposits. We maintain an investment portfolio of cash equivalents and short-term and long-term investments in a variety of securities which may include asset backed securities, bank deposits, commercial paper, certificates of deposit, money market funds, municipal bonds, corporate bonds, instruments of the U.S. Treasury and other government corporations and agencies, insurance contracts and equity securities. These investments are subject to general credit, liquidity, market and interest rate risks. Substantially all of these are subject to interest rate and credit risk and will decline in value if interest rates increase or one of the issuers’ credit ratings is reduced. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

Our investments in state, municipal and corporate securities are not guaranteed by the United States government which could materially and adversely affect our results of operation, liquidity or financial condition.

As of September 30, 2013, we had $548.2 million of investments in state, municipal and corporate securities. These securities are not guaranteed by the United States government. State and municipal securities are subject to additional credit risk based upon each local municipality’s tax revenues and financial stability. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

Difficulties in executing our acquisition strategy could adversely affect our business.

Historically, the acquisition of Medicaid and specialty services businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets has accounted for a significant amount of our growth. Many of the other potential purchasers have greater financial resources than we have. In addition, many of the sellers are interested either in (a) selling, along with their Medicaid assets, other assets in which we do not have an interest or (b) selling their companies, including their liabilities, as opposed to the assets of their ongoing businesses.

We generally are required to obtain regulatory approval from one or more state agencies when making acquisitions. In the case of an acquisition of a business located in a state in which we do not currently operate, we would be required to obtain the necessary licenses to operate in that state. In addition, even if we already operate in a state in which we acquire a new business, we would be required to obtain additional regulatory approval if the acquisition would result in our operating in an area of the state in which we did not operate previously, and we could be required to renegotiate provider contracts of the acquired business. We cannot provide any assurance that we would be able to comply with these regulatory requirements for an acquisition in a timely manner, or at all. In deciding whether to approve a proposed acquisition, state regulators may consider a number of factors outside our control, including giving preference to competing offers made by locally owned entities or by not-for-profit entities.

We also may be unable to obtain sufficient additional capital resources for future acquisitions. If we are unable to effectively execute our acquisition strategy, our future growth will suffer and our results of operations could be harmed.
Execution of our growth strategy may increase costs or liabilities, or create disruptions in our business.

We pursue acquisitions of other companies or businesses from time to time. Although we review the records of companies or businesses we plan to acquire, even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities or adverse operating conditions, or an acquisition may not perform as well as expected. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses, or the capital expenditures needed to develop such businesses. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively without substantial expense, delay or other operational or financial problems. Integration may be hindered by, among other things, differing procedures, including internal controls, business practices and technology systems. We may need to divert more management resources to integration than we planned, which may adversely affect our ability to pursue other profitable activities.

In addition to the difficulties we may face in identifying and consummating acquisitions, we will also be required to integrate and consolidate any acquired business or assets with our existing operations. This may include the integration of:

- additional personnel who are not familiar with our operations and corporate culture;
- provider networks that may operate on different terms than our existing networks;
- existing members, who may decide to switch to another healthcare plan; or
- disparate administrative, accounting and finance, and information systems.

Additionally, our growth strategy includes start-up operations in new markets or new products in existing markets. We may incur significant expenses prior to commencement of operations and the receipt of revenue. As a result, these start-up operations may decrease our profitability. We also face the risk that we will not be able to integrate start-up operations into our existing operations effectively without substantial expense, delay or other operational or financial problems. In the event we pursue any opportunity to diversify our business internationally, we would become subject to additional risks, including, but not limited to, political risk, an unfamiliar regulatory regime, currency exchange risk and exchange controls, cultural and language differences, foreign tax issues, and different labor laws and practices. For example, in 2014, we expect to provide coverage for the first time under the newly created insurance exchanges.

Accordingly, we may be unable to identify, consummate and integrate future acquisitions or start-up operations successfully or operate acquired or new businesses profitably.

Acquisitions of unfamiliar new businesses could negatively impact our business.

We are subject to the expenditures and risks associated with entering into any new line of business. Our failure to properly manage these expenditures and risks could have a negative impact on our overall business. For example, effective July 2008, we completed the previously announced acquisition of Celtic Group, Inc., the parent company of Celtic Insurance Company, or Celtic. Celtic is a national individual health insurance provider that provides health insurance to individual customers and their families. While we believed that the addition of Celtic would be complementary to our business, we had not previously operated in the individual health care industry.

If competing managed care programs are unwilling to purchase specialty services from us, we may not be able to successfully implement our strategy of diversifying our business lines.

We are seeking to diversify our business lines into areas that complement our Medicaid business in order to grow our revenue stream and balance our dependence on Medicaid risk reimbursement. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our Medicaid programs. Our inability to market specialty services to other programs may impair our ability to execute our business strategy.
Failure to achieve timely profitability in any business would negatively affect our results of operations.

Business expansion costs associated with a new business can be substantial. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place and demonstrate our ability to obtain a state contract and process claims. If we were unsuccessful in obtaining the necessary license, winning the bid to provide service or attracting members in numbers sufficient to cover our costs, any new business of ours would fail. We also could be obligated by the state to continue to provide services for some period of time without sufficient revenue to cover our ongoing costs or recover business expansion costs. The expenses associated with starting up a new business could have a significant impact on our results of operations if we are unable to achieve profitable operations in a timely fashion.

Adverse credit market conditions may have a material adverse effect on our liquidity or our ability to obtain credit on acceptable terms.

The securities and credit markets have been experiencing extreme volatility and disruption over the past several years. The availability of credit, from virtually all types of lenders, has been restricted. Such conditions may persist during 2013 and beyond. In the event we need access to additional capital to pay our operating expenses, make payments on our indebtedness, pay capital expenditures, or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant, particularly if we are unable to access our existing credit facility.

Our access to additional financing will depend on a variety of factors such as prevailing economic and credit market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, and perceptions of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms or at all. We believe that if credit could be obtained, the terms and costs of such credit could be significantly less favorable to us than what was obtained in our most recent financings.

We derive a majority of our premium revenues from operations in a small number of states, and our financial position, results of operations or cash flows would be materially affected by a decrease in premium revenues or profitability in any one of those states.

Operations in a few states have accounted for most of our premium revenues to date. If we were unable to continue to operate in any of our current states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative or other governmental or regulatory actions and decisions, economic conditions and similar factors in those states. For example, states we currently serve may bid out their Medicaid program through a Request for Proposal, or RFP, process. Our inability to continue to operate in any of the states in which we operate would harm our business.

Competition may limit our ability to increase penetration of the markets that we serve.

We compete for members principally on the basis of size and quality of provider network, benefits provided and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided. In addition, the impact of health care reform and potential growth in our segment may attract new competitors. Subject to limited exceptions by federally approved state applications, the federal government requires that there be choices for Medicaid recipients among managed care programs. Voluntary programs, increases in the number of competitors and mandated competition may limit our ability to increase our market share.

Some of the health plans with which we compete have greater financial and other resources and offer a broader scope of products than we do. In addition, significant merger and acquisition activity has occurred in the managed care industry, as well as in industries that act as suppliers to us, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

In addition, in order to increase our membership in the markets we currently serve, we believe that we must continue to develop and implement community-specific products, alliances with key providers and localized outreach and educational programs. If we are unable to develop and implement these initiatives, or if our competitors are more successful than we are in doing so, we may not be able to further penetrate our existing markets.
If we are unable to maintain relationships with our provider networks, our profitability may be harmed.

Our profitability depends, in large part, upon our ability to contract favorably with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians, specialists and hospitals generally may be canceled by either party without cause upon 90 to 120 days prior written notice. We cannot provide any assurance that we will be able to continue to renew our existing contracts or enter into new contracts enabling us to service our members profitably.

From time to time providers assert or threaten to assert claims seeking to terminate non-cancelable agreements due to alleged actions or inactions by us. Even if these allegations represent attempts to avoid or renegotiate contractual terms that have become economically disadvantageous to the providers, it is possible that in the future a provider may pursue such a claim successfully. In addition, we are aware that other managed care organizations have been subject to class action suits by physicians with respect to claim payment procedures, and we may be subject to similar claims. Regardless of whether any claims brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

We will be required to establish acceptable provider networks prior to entering new markets. We may be unable to enter into agreements with providers in new markets on a timely basis or under favorable terms. If we are unable to retain our current provider contracts or enter into new provider contracts timely or on favorable terms, our profitability will be harmed.

We may be unable to attract and retain key personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team, including our chief executive officer, Michael F. Neidorff, who has been instrumental in developing our business strategy and forging our business relationships, our business and financial position, results of operations or cash flows could be harmed. Our ability to replace any departed members of our senior management or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in the Medicaid managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel.

Negative publicity regarding the managed care industry may harm our business and financial position, results of operations or cash flows.

The managed care industry has received negative publicity. This publicity has led to increased legislation, regulation, review of industry practices and private litigation in the commercial sector. These factors may adversely affect our ability to market our services, require us to change our services, and increase the regulatory burdens under which we operate. Any of these factors may increase the costs of doing business and adversely affect our financial position, results of operations or cash flows.

Claims relating to medical malpractice could cause us to incur significant expenses.

Our providers and employees involved in medical care decisions may be subject to medical malpractice claims. In addition, some states have adopted legislation that permits managed care organizations to be held liable for negligent treatment decisions, credentialing or benefits coverage determinations. Claims of this nature, if successful, could result in substantial damage awards against us and our providers that could exceed the limits of any applicable insurance coverage. Therefore, successful malpractice or tort claims asserted against us, our providers or our employees could adversely affect our financial condition and profitability. Even if any claims brought against us are unsuccessful or without merit, they would still be time consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.
Loss of providers due to increased insurance costs could adversely affect our business.

Our providers routinely purchase insurance to help protect themselves against medical malpractice claims. In recent years, the costs of maintaining commercially reasonable levels of such insurance have increased dramatically, and these costs are expected to increase to even greater levels in the future. As a result of the level of these costs, providers may decide to leave the practice of medicine or to limit their practice to certain areas, which may not address the needs of Medicaid participants. We rely on retaining a sufficient number of providers in order to maintain a certain level of service. If a significant number of our providers exit our provider networks or the practice of medicine generally, we may be unable to replace them in a timely manner, if at all, and our business could be adversely affected.

Growth in the number of Medicaid-eligible persons could cause our financial position, results of operations or cash flows to suffer if state and federal budgets decrease or do not increase.

Less favorable economic conditions may cause our membership to increase as more people become eligible to receive Medicaid benefits. During such economic downturns, however, state and federal budgets could decrease, causing states to attempt to cut healthcare programs, benefits and rates. Additionally, the number of individuals eligible for Medicaid managed care will likely increase as a result of the health care reform legislation. We cannot predict the impact of changes in the United States economic environment or other economic or political events, including acts of terrorism or related military action, on federal or state funding of healthcare programs or on the size of the population eligible for the programs we operate. If federal or state funding decreases or remains unchanged while our membership increases, our results of operations will suffer.

Growth in the number of Medicaid-eligible persons may be countercyclical, which could cause our financial position, results of operations or cash flows to suffer when general economic conditions are improving.

Historically, the number of persons eligible to receive Medicaid benefits has increased more rapidly during periods of rising unemployment, corresponding to less favorable general economic conditions. Conversely, this number may grow more slowly or even decline if economic conditions improve. Therefore, improvements in general economic conditions may cause our membership levels to decrease, thereby causing our financial position, results of operations or cash flows to suffer, which could lead to decreases in our stock price during periods in which stock prices in general are increasing.

If we are unable to integrate and manage our information systems effectively, our operations could be disrupted.

Our operations depend significantly on effective information systems. The information gathered and processed by our information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our providers also depend upon our information systems for membership verifications, claims status and other information.

Our information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs and regulatory requirements. Moreover, our acquisition activity requires frequent transitions to or from, and the integration of, various information systems. We regularly upgrade and expand our information systems’ capabilities. If we experience difficulties with the transition to or from information systems or are unable to properly maintain or expand our information systems, we could suffer, among other things, from operational disruptions, loss of existing members and difficulty in attracting new members, regulatory problems and increases in administrative expenses. In addition, our ability to integrate and manage our information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists.

We rely on the accuracy of eligibility lists provided by state governments. Inaccuracies in those lists may negatively affect our results of operations.

Premium payments to us are based upon eligibility lists produced by state governments. From time to time, states require us to reimburse them for premiums paid to us based on an eligibility list that a state later discovers contains individuals who are not in fact eligible for a government sponsored program or are eligible for a different premium category or a different program. Alternatively, a state could fail to pay us for members for whom we are entitled to payment. Our results of operations would be adversely affected as a result of such reimbursement to the state if we had made related payments to providers and were unable to recoup such payments from the providers.
We may not be able to obtain or maintain adequate insurance.

We maintain liability insurance, subject to limits and deductibles, for claims that could result from providing or failing to provide managed care and related services. These claims could be substantial. We believe that our present insurance coverage and reserves are adequate to cover currently estimated exposures. We cannot provide any assurance that we will be able to obtain adequate insurance coverage in the future at acceptable costs or that we will not incur significant liabilities in excess of policy limits.

From time to time, we may become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management.

We are a defendant from time to time in lawsuits and regulatory actions relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business and financial position, results of operations or cash flows. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are costly and time consuming and require significant attention from our management. For example, in the future we may be subject to lawsuits for substantial damages, securities class action lawsuits, IRS examinations, audits by government agencies or similar regulatory actions. Any such matters could harm our business and financial position, results of operations or cash flows.

An impairment charge with respect to our recorded goodwill and intangible assets could have a material impact on our results of operations.

Goodwill and other intangible assets were $398.1 million as of September 30, 2013. We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may be impaired, in which case a charge to earnings may be necessary. Changes in business strategy, government regulations or economic or market conditions have resulted and may result in impairments of our goodwill and other intangible assets at any time in the future. Our judgments regarding the existence of impairment indicators are based on, among other things, legal factors, market conditions, and operational performance. For example, the non-renewal of our health plan contracts with the state in which they operate may be an indicator of impairment.

If an event or events occur that would cause us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets, such revision could result in a non-cash impairment charge that could have a material impact on our results of operations in the period in which the impairment occurs.

An unauthorized disclosure of sensitive or confidential member information could have an adverse effect on our business.

As part of our normal operations, we collect, process and retain confidential member information. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including HIPAA and the Gramm-Leach-Bliley Act. The American Recovery and Reinvestment Act of 2009 further expands the coverage of HIPAA by, among other things, extending the privacy and security provisions, requiring new disclosures if a data breach occurs, mandating new regulations around electronic medical records, expanding enforcement mechanisms, allowing the state Attorneys General to bring enforcement actions and increasing penalties for violations. Despite the security measures we have in place to ensure adherence to information security best practices as well as compliance with applicable laws and rules, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism or theft, malware, misplaced or lost data including paper or electronic media, programming and/or human errors or other similar events. In the past, we have had data breaches resulting in disclosure of confidential or protected health information that have not resulted in a financial loss or penalty to date. However, previous or future data breaches could require us to expend significant resources to remediate any damage, interrupt our operations and damage our reputation, subject us to state or Federal agency review and could also result in enforcement actions, material fines and penalties, litigation or other actions which could have a material adverse effect on our business, reputation and results of operations.
A failure in or breach of our operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks, could have an adverse effect on our business.

Information security risks have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state agents. Our operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in our computer systems and networks. Further, our operations are subject to the Payment Card Industry Data Security Standards (PCI DSS), which are multifaceted security standards that are designed to protect credit card account data as mandated by payment card industry entities.

Security breaches may arise from external or internal threats. External breaches include hacking for personal information for financial gain, attempting to cause harm to our operations, or intending to obtain competitive information. We experience attempted external hacking attacks on a regular basis. We maintain a rigorous system of preventive and detective controls through our security programs; however, our prevention and detection controls may not prevent or identify all such attacks. Internal breaches may result from inappropriate security access to confidential information by employees, consultants or third party service providers. While we have not experienced malicious insider attacks, the level of trust afforded to privileged insiders significantly increases the harm that could be done to the organization should they misuse or abuse that trust. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential member information, financial data, competitively sensitive information, or other proprietary data, whether by us or a third party, could have a material adverse effect on our business reputation, financial condition, cash flows, or results of operations.
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities  
Third Quarter 2013

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased</th>
<th>Average Price Paid per Share</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</th>
<th>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1 – July 31, 2013</td>
<td>4,017</td>
<td>$55.85</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>August 1 – August 31, 2013</td>
<td>2,581</td>
<td>57.59</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>September 1 – September 30, 2013</td>
<td>65,122</td>
<td>64.49</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>Total</td>
<td>71,720</td>
<td>$63.76</td>
<td>—</td>
<td>1,667,724</td>
</tr>
</tbody>
</table>

(1) Shares acquired represent shares relinquished to the Company by certain employees for payment of taxes or option cost upon vesting of restricted stock units or option exercise.
(2) Our Board of Directors adopted a stock repurchase program which allows for repurchases of up to a remaining amount of 1,667,724 shares. No duration has been placed on the repurchase program.
ITEM 6. Exhibits.

<table>
<thead>
<tr>
<th>EXHIBIT NUMBER</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Amendment F (Version 2.6) to the contract between the Texas Health and Human Services Commission and Bankers Reserve Life Insurance Company of Wisconsin, Inc. d.b.a. Superior HealthPlan Network</td>
</tr>
<tr>
<td>10.2&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Amendment G (Version 2.7) to the contract between the Texas Health and Human Services Commission and Bankers Reserve Life Insurance Company of Wisconsin, Inc. d.b.a. Superior HealthPlan Network</td>
</tr>
<tr>
<td>12.1</td>
<td>Computation of ratio of earnings to fixed charges.</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>32.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>101.1</td>
<td>XBRL Taxonomy Instance Document.</td>
</tr>
<tr>
<td>101.2</td>
<td>XBRL Taxonomy Extension Schema Document.</td>
</tr>
<tr>
<td>101.3</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document.</td>
</tr>
<tr>
<td>101.4</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document.</td>
</tr>
<tr>
<td>101.5</td>
<td>XBRL Taxonomy Extension Label Linkbase Document.</td>
</tr>
<tr>
<td>101.6</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document.</td>
</tr>
</tbody>
</table>

<sup>1</sup> The Company has requested confidential treatment of the redacted portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended, and has separately filed a complete copy of this exhibit with the Securities and Exchange Commission.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of October 22, 2013.

CENTENE CORPORATION

By:  /s/ MICHAEL F. NEIDORFF
      Chairman, President and Chief Executive Officer
      (principal executive officer)

By:  /s/ WILLIAM N. SCHEFFEL
      Executive Vice President and Chief Financial Officer
      (principal financial officer)

By:  /s/ JEFFREY A. SCHWANEKE
      Senior Vice President, Corporate Controller and Chief Accounting Officer
      (principal accounting officer)
EXPLANATORY NOTE: "***" INDICATES THE PORTION OF THIS EXHIBIT THAT HAS BEEN OMITTED AND SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

HHSC Contract No. 529-12-0002-00006-F

Parties to the Contract:
This Amendment is between the Texas Health and Human Services Commission (HHSC), an administrative agency within the executive department of the State of Texas, having its principal office at 4900 North Lamar Boulevard, 4th Floor, Austin, Texas 78751, and Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network (MCO) an entity organized under the laws of the State of Wisconsin, having its principal place of business at 2100 South IH-35, Suite 202, Austin, Texas 78704. HHSC and MCO may be referred to in this Amendment individually as a “Party” and collectively as the “Parties.”

The Parties hereby agree to amend their original contract, HHSC contract number 529-12-0002-00006 (the “Contract”) as set forth herein. The Parties agree that the terms of the Contract will remain in effect and continue to govern except to the extent modified in this Amendment.

This Amendment is executed by the Parties in accordance with the authority granted in Attachment A to the HHSC Managed Care Contract document, “HHSC Uniform Managed Care Contract Terms & Conditions,” Article 8, “Amendments and Modifications.”

<table>
<thead>
<tr>
<th>Amendment Effective Date</th>
<th>Contract Expiration Date</th>
<th>Operational Start Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1, 2013</td>
<td>August 31, 2015</td>
<td>March 1, 2012</td>
</tr>
</tbody>
</table>

**MCO Brand Names**

The MCO will use following brand name(s). The MCO acknowledges that if it requests a change to the brand name(s), it will be responsible for all costs associated with the change(s), including HHSC’s costs for modifying its business rules, system identifiers, communications materials, web page, etc.

- **STAR:** Superior Health Plan
- **STAR+PLUS:** 
- **CHIP:** 
- **MRSA:** Superior Health Plan

**Project Managers**

**HHSC:**
Emily Zalkovsky
Director, Program Management
11209 Metric Boulevard, Building H
Austin, Texas 78758
Phone: 512-491-2078
Fax: 512-491-1972

**MCO:**
Susan Erickson
Vice President
2100 South IH-35, Suite 202
Austin, Texas 78704
Phone: 512-692-1465 Ext 22032
Fax: 866-702-4830
E-mail: serickson@centene.com

**Legal Notice Delivery Addresses**

**HHSC:**
General Counsel
4900 North Lamar Boulevard, 4th Floor
Austin, Texas 78751
Fax: 512-424-6586

**MCO:**
Superior HealthPlan
2100 South IH-35, Suite 202
Austin, Texas 78704
Fax: 866-702-4830
This Amendment applies to the following checked HHSC MCO Programs and Service Areas. All references in the Amendment or the Contract to MCO Programs or Service Areas that are not checked do not apply to the MCO.

☑ Medicaid STAR MCO Program ☑ Medicaid STAR + PLUS MCO Program ☐ CHIP MCO Program

☑ Medicaid STAR MCO Program

Service Areas:

☐ Bexar ☐ Medicaid RSA - Central
☐ Dallas ☐ Medicaid RSA - Northeast
☐ El Paso ☐ Medicaid RSA - West
☐ Harris ☐ Nueces
☑ Hidalgo ☐ Tarrant
☐ Jefferson ☐ Travis
☐ Lubbock

See Contract Attachment B-4, “Map of Counties with MCO Program Service Areas,” for listing of counties included within the STAR Service Areas.

☑ Medicaid STAR+PLUS MCO Program

Service Areas:

☐ Bexar ☐ Jefferson
☐ El Paso ☐ Lubbock
☐ Harris ☐ Nueces
☑ Hidalgo ☐ Travis

See Contract Attachment B-4.2, “Map of Counties with STAR+PLUS MCO Program Service Areas,” for a list of counties included within the STAR+PLUS Service Areas.

Payment

☑ Medicaid STAR MCO Program

Capitation: See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR Program.
Rate Period 2 Capitation Rates

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Hidalgo</th>
<th>Medicaid Rural Service Area-Central Texas</th>
<th>Medicaid Rural Service Area-Northeast Texas</th>
<th>Medicaid Rural Service Area-West Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Cell</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Under Age 1 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2 Age 1-5 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>3 Age 6-14 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>4 Age 15-18 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>5 Age 19-20 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>6 TANF Adult</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>7 Pregnant Woman</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>8 SSI- Aged, Blind &amp; Disabled</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
</tbody>
</table>

Delivery Supplemental Payment: See Contract Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 10, for a description of the Delivery Supplemental Payment for the STAR Program. The STAR Delivery Supplemental Payments for the Service Areas covered by this contract are listed below.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Delivery Supplemental Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hidalgo</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - Central Texas</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - Northeast Texas</td>
<td>***</td>
</tr>
<tr>
<td>Medicaid Rural Service Area - West Texas</td>
<td>***</td>
</tr>
</tbody>
</table>

Medicaid STAR+PLUS MCO Program

Capitation: See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR+PLUS Program.

Rate Period 2 Capitation Rates

<table>
<thead>
<tr>
<th>STAR + PLUS Service Area</th>
<th>Hidalgo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Cell</td>
<td></td>
</tr>
<tr>
<td>1 Medicaid Only Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>2 Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>3 Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>4 Dual Eligible Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>5 Dual Eligible HCBS STAR+PLUS Waiver Rate - Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>6 Dual Eligible HCBS STAR+PLUS Waiver Rate - Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>7 Nursing Facility- Medicaid Only</td>
<td>***</td>
</tr>
<tr>
<td>8 Nursing Facility- Medicaid Only</td>
<td>***</td>
</tr>
</tbody>
</table>
Terms and Attachments:

The parties agree to amend their original contract, HHSC contract number 529-12-0002-00006 (contract). The Parties agree that the terms of the Contract will remain in effect and continue to govern except to the extent modified in this Amendment.

The Parties execute this Amendment in accordance with the authority granted in HHSC Uniform Managed Care Contract Attachment A, "Uniform Managed Care Contract Terms & Conditions," under Article 8, "Amendments & Modifications."

HHSC Uniform Managed Care Contract Version 2.6 is attached

Signatures

The Parties execute this Amendment in their stated capacities with authority to bind their organizations on the dates in this section.

Texas Health and Human Services Commission
/s/ Chris Traylor
Chris Traylor
Chief Deputy Commissioner
Office of the Chief Deputy Commissioner
Date: 8/29/13

Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network
/s/ Holly Munin
By: Holly Munin
Title: CEO
Date: 8/6/13
Texas Health & Human Services Commission

Uniform Managed Care Contract Terms & Conditions

DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of the Attachment A, “Medicaid and CHIP Uniform Managed Care Contract Terms &amp; Conditions.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Definition “1915(c) Nursing Facility Waiver” is modified to correct a cross-reference. Definition for Medically Necessary is modified for clarification. The State has determined that all acute care behavioral health and non-behavioral health services for Medicaid children fall within the scope of Texas Health Steps. Note that for LTSS, such as PCS (PAS) services for children in STAR+PLUS, the functional necessity standard for LTSS also applies (see Attachment B-1, Section 8.3.3). Definition for Rate Period 1 is modified. Section 4.04 is modified to clarify the requirements for Medical Director designees, and to clarify that the provision does not apply to prior authorization determinations made by Texas licensed pharmacists. New Section 4.11 “Prohibition Against Performance Outside of the United States” added. Section 5.02(b) is modified to clarify that MCOs may not sell or transfer their Member base. Section 5.06(a)(2) is modified to clarify the exceptions to enrollment in an MCO during an Inpatient Stay. Section 5.06(a)(3) and (4) are modified to clarify that Members cannot move from FFS to an MCO or from one MCO to another during residential treatment or residential detoxification. References to the PCCM program are removed. In addition, Section 5.06(a)(8) is modified to clarify movement requirements for SSI Members in the MRSA. Section 10.06(b) is modified to remove the Perinate Newborn 0% - 185% rate cell. Section 10.10 is modified to consolidate STAR+PLUS with STAR and CHIP for the Experience Rebate calculation. Section 10.10.1 is deleted in its entirety. Section 10.10.2 is modified to consolidate STAR+PLUS into STAR and CHIP for the Experience Rebate calculation.</td>
</tr>
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</table>
Revision 2.2 June 1, 2012
Definition for Consolidated FSR Report or Consolidated Basis is added.
Definition for Financial Statistical Report is added.
Definitions for FSR Reporting Period, FSR Reporting Period 12/13, and FSR Reporting Period 14 are added.
Definition for Material Subcontract is modified.
Definition for Net Income Before Taxes is modified.
Definition for Pre-tax Income is modified.
Definition for Program is added.
Definition for Rate Period 1 and Rate Period 2 are modified.
Section 10.10 is modified to consolidate the Experience Rebate across all contracts and all programs.
Section 10.10.2 is modified to consolidate the Administrative Expense Cap across all contracts and all programs.

Revision 2.3 September 1, 2012
Definition for Case Management for Children and Pregnant Women is modified to remove the acronym “CPW”.
Definition for Community-based Long Term Services and Supports is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.
Definition for “1915(c) Nursing Facility Waiver” is modified to change the name to “HCBS STAR+PLUS Waiver” and to update references to “Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver” and “HCBS STAR+PLUS Waiver”.
Definition for “HHSC MCO Programs or MCO Programs” is modified.
Definition for “Medically Necessary” is modified.
Definition for “Provider Materials” is added.
Section 5.06(a)(4) is modified to clarify responsibility for payment.
Section 5.11 is deleted in its entirety.
Section 7.02 is modified to clarify that only applicable provisions of the listed laws apply to the contract.
Section 10.05 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.

Revision 2.4 March 1, 2013
All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.
Definition for “Electronic Visit Verification” is added.
Section 5.02(e), Subsections (4) and (5) are modified.
Section 10.16 is added to address supplemental payments to MCOs for wrap-around services for outpatient drugs and biological products for STAR-PLUS Members.

Revision 2.5 June 1, 2013
Contract amendment did not revise Attachment A, Uniform Managed Care Contract Terms and Conditions.
| Revision | 2.6 | September 1, 2013 | Definition for CAHPS is modified to correct the name to which the acronym refers. 
Definition for “Community Health Worker” is added. 
Definition for “Court-Ordered Commitment” is modified. 
Definition for Default Enrollment is modified to add T.A.C. reference. 
Definition for “DSM” is modified. 
Definition for “ECI” is modified. 
Definition for HEDIS is modified to correct the name to which the acronym refers. 
Definition for Primary Care Physician is modified to remove the list of provider types as being redundant. 
Definition for Rate Period is modified to include a third sub-period. 
Section 5.02(e) is modified to remove the language regarding disenrollment for ESRD and ventilator dependency. 
Section 5.08 is renamed “Modified Default Enrollment Process” and revised to include a process for all Programs. 
Section 5.09 is deleted and replaced with Section 5.08. 
Section 5.10 is deleted and replaced with Section 5.08. 
Section 7.04 is deleted in its entirety and updated within Section 7.02. 
Section 9.02 is modified for clarification that records must be provided “at no cost.” 
Section 9.04 is modified for clarification that records must be provided “at no cost.” 
Section 10.05(a) is modified to comply with the new STAR Risk Groups. 
Section 10.10.3 is modified to clarify that the Reinsurance Cap impacts only the Experience Rebate calculation. 
Section 11.01(c) is modified to add the missing word “may.” 
Section 13.01 is modified to clarify the required certifications. 
Section 14.08 is modified to delete outdated language. |

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
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Section 1.04 Construction of the Contract.

(a) Scope of Introductory Article.

Section 1.01 Purpose.

The purpose of this Contract is to set forth the terms and conditions for the MCO’s participation as a managed care organization in one (1) or more of the MCO Programs administered by HHSC. Under the terms of this Contract, MCO will provide comprehensive health care services to qualified Program recipients through a managed care delivery system.

Section 1.02 Risk-based contract.

This is a Risk-based contract.

Section 1.03 Inducements.

In making the award of this Contract, HHSC relied on MCO’s assurances of the following:

(1) MCO is a health maintenance organization, Approved Non-Profit Health Corporation (ANHC), or Exclusive Provider Organization that arranges for the delivery of Health Care Services, and is either (1) has received Texas Department of Insurance (TDI) licensure or approval as such an entity and is fully authorized to conduct business in the Service Areas, or (2) will receive TDI licensure or approval as such an entity and be fully authorized to conduct business in all Service Areas no later than 60 calendar days after HHSC executes this Contract;

(2) MCO and the MCO Administrative Service Subcontractors have the skills, qualifications, expertise, financial resources and experience necessary to provide the Services and Deliverables described in the RFP, MCO’s Proposal, and this Contract in an efficient, cost-effective manner, with a high degree of quality and responsiveness, and has performed similar services for other public or private entities;

(3) MCO has thoroughly reviewed, analyzed, and understood the RFP, has timely raised all questions or objections to the RFP, and has had the opportunity to review and fully understand HHSC’s current program and operating environment for the activities that are the subject of the Contract and the needs and requirements of the State during the Contract term;

(4) MCO has had the opportunity to review and understand the State’s stated objectives in entering into this Contract and, based on such review and understanding, MCO currently has the capability to perform in accordance with the terms and conditions of this Contract;

(5) MCO also has reviewed and understands the risks associated with the MCO Programs as described in the RFP, including the risk of non-appropriation of funds.

Accordingly, on the basis of the terms and conditions of this Contract, HHSC desires to engage MCO to perform the Services and provide the Deliverables described in this Contract under the terms and conditions set forth in this Contract.
The provisions of any introductory article to the Contract are intended to be a general introduction and are not intended to expand the scope of the Parties’ obligations under the Contract or to alter the plain meaning of the terms and conditions of the Contract.
(b) References to the “State.”
References in the Contract to the “State” must mean the State of Texas unless otherwise specifically indicated and must be interpreted, as appropriate, to mean or include HHSC and other agencies of the State of Texas that may participate in the administration of the MCO Programs, provided, however, that no provision will be interpreted to include any entity other than HHSC as the contracting agency.
(c) Severability.
If any provision of this Contract is construed to be illegal or invalid, such interpretation will not affect the legality or validity of any of its other provisions. The illegal or invalid provision will be deemed stricken and deleted to the same extent and effect as if never incorporated in this Contract, but all other provisions will remain in full force and effect.
(d) Survival of terms.
Termination or expiration of this Contract for any reason will not release either Party from any liabilities or obligations set forth in this Contract that:
(1) The Parties have expressly agreed must survive any such termination or expiration; or
(2) Arose prior to the effective date of termination and remain to be performed or by their nature would be intended to be applicable following any such termination or expiration.
(e) Headings.
The article, section and paragraph headings in this Contract are for reference and convenience only and may not be considered in the interpretation of this Contract.
(f) Global drafting conventions.
(1) The terms “include,” “includes,” and “including” are terms of inclusion, and where used in this Contract, are deemed to be followed by the words “without limitation.”
(2) Any references to “sections,” “appendices,” “exhibits” or “attachments” are deemed to be references to sections, appendices, exhibits or attachments to this Contract.
(3) Any references to laws, rules, regulations, and manuals in this Contract are deemed references to these documents as amended, modified, or supplemented from time to time during the term of this Contract.

Section 1.05 No implied authority.
The authority delegated to MCO by HHSC is limited to the terms of this Contract. HHSC is the state agency designated by the Texas Legislature to administer the MCO Programs, and no other agency of the State grants MCO any authority related to this program unless directed through HHSC. MCO may not rely upon implied authority, and specifically is not delegated authority under this Contract to:
(1) make public policy;
(2) promulgate, amend or disregard administrative regulations or program policy decisions made by State and federal agencies responsible for administration of HHSC Programs; or
(3) unilaterally communicate or negotiate with any federal or state agency or the Texas Legislature on behalf of HHSC regarding the HHSC Programs.
MCO is required to cooperate to the fullest extent possible to assist HHSC in communications and negotiations with state and federal governments and agencies concerning matters relating to the scope of the Contract and the MCO Program(s), as directed by HHSC.

Section 1.06 Legal Authority.
(a) HHSC is authorized to enter into this Contract under Chapters 531 and 533, Texas Government Code; Section 2155.144, Texas Government Code; and/or Chapter 62, Texas Health & Safety Code. MCO is authorized to enter into this Contract pursuant to the authorization of its governing board or controlling owner or officer.
(b) The person or persons signing and executing this Contract on behalf of the Parties, or representing themselves as signing and executing this Contract on behalf of the Parties, warrant and guarantee that he, she, or they have been duly authorized to execute this Contract and to validly and legally bind the Parties to all of its terms, performances, and provisions.

Article 2. Definitions
As used in this Contract, the following terms and conditions must have the meanings assigned below:
1915(c) Nursing Facility Waiver or 1915(c) STAR+PLUS Waiver (SPW) means the HHSC waiver program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Should HHSC begin operating this waiver program under a 1115 Waiver structure, then references to the 1915(c)
Nursing Facility Waiver or SPW will mean the home and community based services component of the 1115 Waiver for Members who qualify for the additional services described in Attachment B-2, "STAR+PLUS Covered Services," under the heading “1915(c) STAR+PLUS Waiver Services for those Members who qualify for such services.”

AAP means the American Academy of Pediatrics.

Abuse means provider practices that are inconsistent with sound fiscal, business, or medical practices and result in an unnecessary cost to the Medicaid or CHIP Program, or in reimbursement for services that are not Medically Necessary or that fail to meet professionally recognized standards for health care. It also includes Member practices that result in unnecessary cost to the Medicaid or CHIP Program.

Account Name means the name of the individual who lives with the child(ren) and who applies for the Children’s Health Insurance Program coverage on behalf of the child(ren).

Action (Medicaid only) means:
(1) the denial or limited authorization of a requested Medicaid service, including the type or level of service;
(2) the reduction, suspension, or termination of a previously authorized service;
(3) the denial in whole or in part of payment for service;
(4) the failure to provide services in a timely manner;
(5) the failure of an MCO to act within the timeframes set forth in the Contract and 42 C.F.R. §438.408(b); or
(6) for a resident of a rural area with only one (1) MCO, the denial of a Medicaid Members’ request to obtain services outside of the Network.

An Adverse Determination is one (1) type of Action.

Acute Care means preventive care, primary care, and other medical care provided under the direction of a physician for a condition having a relatively short duration.

Acute Care Hospital means a Hospital that provides Acute Care Services.

Adjudicate means to deny or pay a Clean Claim.

Administrative Services see MCO Administrative Services.

Administrative Services Contractor see HHSC Administrative Services Contractor.

Adverse Determination means a determination by an MCO or Utilization Review agent that the Health Care Services furnished, or proposed to be furnished to a patient, are not Medically Necessary or not appropriate.

Affiliate means any individual or entity that meets any of the following criteria:
(1) owns or holds more than a five percent (5%) interest in the MCO (either directly, or through one (1) or more intermediaries);
(2) in which the MCO owns or holds more than a five percent (5%) interest (either directly, or through one (1) or more intermediaries);
(3) any parent entity or subsidiary entity of the MCO, regardless of the organizational structure of the entity;
(4) any entity that has a common parent with the MCO (either directly, or through one (1) or more intermediaries);
(5) any entity that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the MCO; or
(6) any entity that would be considered to be an affiliate by any Securities and Exchange Commission (SEC) or Internal Revenue Service (IRS) regulation, Federal Acquisition Regulations (FAR), or by another applicable regulatory body.

Agreement or Contract means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

Allowable Expenses means all expenses related to the Contract between HHSC and the MCO that are incurred during the Contract Period, are not reimbursable or recovered from another source, and that conform with the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

Appeal (CHIP and CHIP Perinatal Program only) means the formal process by which a Utilization Review agent addresses Adverse Determinations.

Appeal (Medicaid only) means the formal process by which a Member or his or her representative request a review of the MCO’s Action, as defined above.

Approved Non-Profit Health Corporation (ANHC) means an organization formed in compliance with Chapter 844 of the Texas Insurance Code and licensed by TDI. See also MCO.

Auxiliary Aids and Services includes:
(1) qualified interpreters or other effective methods of making aurally delivered materials understood by persons with hearing impairments;
(2) taped texts, large print, Braille, or other effective methods to ensure visually delivered materials are available to individuals with visual impairments; and
(3) other effective methods to ensure that materials (delivered both aurally and visually) are available to those with cognitive or other Disabilities affecting communication.

Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. In managed care, batch billing is a technique that allows providers to send billing information all at once in a “batch” rather than in separate individual transactions.
Behavioral Health Services means Covered Services for the treatment of mental, emotional, or chemical dependency disorders.

Benchmark means a target or standard based on historical data or an objective/goal.

Business Continuity Plan or BCP means a plan that provides for a quick and smooth restoration of MIS operations after a disruptive event. BCP includes business impact analysis, BCP development, testing, awareness, training, and maintenance. This is a day-to-day plan.

Business Day means any day other than a Saturday, Sunday, or a state or federal holiday on which HHSC’s offices are closed, unless the context clearly indicates otherwise.

CAHPS means the Consumer Assessment of Healthcare Providers and Systems. This survey is conducted annually by the EQRO.

Call Coverage means arrangements made by a facility or an attending physician with an appropriate level of health care provider who agrees to be available on an as-needed basis to provide medically appropriate services for routine, high risk, or Emergency Medical Conditions or Emergency Behavioral Health Conditions that present without being scheduled at the facility or when the attending physician is unavailable.

Capitation Payment means the aggregate amount paid by HHSC to the MCO on a monthly basis for the provision of Covered Services to enrolled Members in accordance with the Capitation Rates in the Contract.

Capitation Rate means a fixed predetermined fee paid by HHSC to the MCO each month in accordance with the Contract, for each enrolled Member in a defined Rate Cell, in exchange for the MCO arranging for or providing a defined set of Covered Services to such a Member, regardless of the amount of Covered Services used by the enrolled Member.

Case Head means the head of the household that is applying for Medicaid.

Case Management for Children and Pregnant Women is a Medicaid program for children with a health condition/health risk, birth through 20 years of age and for women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.


Chemical Dependency Treatment means treatment provided for a chemical dependency condition by a Chemical Dependency Treatment facility, chemical dependency counselor or Hospital.

Child (or Children) with Special Health Care Needs (CSHCN) means a child (or children) who:

1. ranges in age from birth up to age 19 years;
2. has a serious ongoing illness, a complex chronic condition, or a disability that has lasted or is anticipated to last at least 12 continuous months or more;
3. has an illness, condition or disability that results (or without treatment would be expected to result) in limitation of function, activities, or social roles in comparison with accepted pediatric age-related milestones in the general areas of physical, cognitive, emotional, and/or social growth and/or development;
4. requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel; and
5. has a need for health and/or health-related services at a level significantly above the usual for the child's age.

Children’s Health Insurance Program or CHIP means the health insurance program authorized and funded pursuant to Title XXI, Social Security Act (42 U.S.C. §§ 1397aa-1397jj) and administered by HHSC. The CHIP Perinatal Program is a subprogram of CHIP.

CHIP MCO Program, or CHIP Program, means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Members.

CHIP MCOs means MCOs participating in the CHIP MCO Program.

CHIP Perinatal MCOs means MCOs participating in the CHIP Perinatal Program, a subprogram of CHIP.

CHIP Perinatal Program means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Perinatal and CHIP Perinatal Newborn Members. Although the CHIP Perinatal Program is part of the CHIP Program, for Contract administration purposes it is sometimes identified independently in this Contract.

CHIP Perinate means a CHIP Perinatal Program Member identified prior to birth (an unborn child).

CHIP Perinate Newborn means a CHIP Perinate who has been born alive and whose family income meets the criteria for continued participation in the CHIP Perinatal Program (refer to Section 5.04.1 for information concerning eligibility).

Chronic or Complex Condition means a physical, behavioral, or developmental condition which may have no known cure and/or is progressive and/or can be debilitating or fatal if left untreated or under-treated.

Clean Claim means a claim submitted by a physician or provider for medical care or health care services rendered to a Member, with the data necessary for the MCO or subcontracted claims processor to adjudicate and accurately report the claim. A Clean Claim must meet all requirements for accurate and complete data as defined in the appropriate 837-(claim type) encounter guides as follows:

1. 837 Professional Combined Implementation Guide;
2. 837 Institutional Combined Implementation Guide;
3. 837 Professional Companion Guide; and
4. 837 Institutional Companion Guide.
The MCO may not require a physician or provider to submit documentation that conflicts with the requirements of Texas Administrative Code, Title 28, Part 1, Chapter 21, Subchapters C and T.

**Clinical Edit** means a process for verifying that a Member’s medical condition matches the clinical criteria for dispensing a requested drug. Clinical Edits must be based on evidence-based clinical criteria and nationally recognized peer-reviewed information. If the information about a Member’s medical condition meets the Clinical Edit criteria, the claim can be approved. If a Member's medical condition does not meet the Clinical Edit criteria, then prior authorization is required.

**CMS** means the Centers for Medicare and Medicaid Services, which is the federal agency responsible for administering Medicare and overseeing state administration of Medicaid and CHIP.

**COLA** means the Cost of Living Adjustment.

**Community-based Long Term Services and Supports** means services provided to STAR+PLUS Members in their home or other community based settings necessary to provide assistance with activities of daily living to allow the Member to remain in the most integrated setting possible. Community-based Long-term Services and Supports includes services available to all STAR+PLUS Members as well as those services available only to STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services.

**Community Health Worker:** Also called a promotor(a), a community health worker is a trusted member of the community, and has a close understanding of the ethnicity, language, socio-economic status, and life experiences of the community served. A community health worker helps people gain access to needed services, increase health knowledge, and become self-sufficient through outreach, patient navigation and follow-up, community health education and information, informal counseling, social support, advocacy, and more.

**Community Resource Coordination Groups (CRCGs)** means a statewide system of local interagency groups, including both public and private providers, which coordinate services for “multi-need” children and youth. CRCGs develop individual service plans for children and adolescents whose needs can be met only through interagency cooperation. CRCGs address Complex Needs in a model that promotes local decision-making and ensures that children receive the integrated combination of social, medical and other services needed to address their individual problems.

**Complainant** means a Member or a treating provider or other individual designated to act on behalf of the Member who filed the Complaint.

**Complaint (CHIP Program only)** means any dissatisfaction, expressed by a Complainant, orally or in writing to the MCO, with any aspect of the MCO’s operation, including, but not limited to, dissatisfaction with plan administration, procedures related to review or Appeal of an Adverse Determination, as defined in Texas Insurance Code, Chapter 843, Subchapter G; the denial, reduction, or termination of a service for reasons not related to Medical Necessity; the way a service is provided; or disenrollment decisions. The term does not include misinformation that is resolved promptly by supplying the appropriate information or clearing up the misunderstanding to the satisfaction of the CHIP Member.

**Complaint (Medicaid only)** means an expression of dissatisfaction expressed by a Complainant, orally or in writing to the MCO, about any matter related to the MCO other than an Action. As provided by 42 C.F.R. §438.400, possible subjects for Complaints include, but are not limited to, the quality of care of services provided, and aspects of interpersonal relationships such as rudeness of a provider or employee, or failure to respect the Medicaid Member’s rights.

**Complex Need** means a condition or situation resulting in a need for coordination or access to services beyond what a PCP would normally provide, triggering the MCO's determination that Care Coordination is required.

**Comprehensive Care Program:** see definition for Texas Health Steps.

**Confidential Information** means any communication or record (whether oral, written, electronically stored or transmitted, or in any other form) consisting of:

- (1) Confidential Client information, including HIPAA-defined protected health information;
- (2) All non-public budget, expense, payment and other financial information;
- (3) All Privileged Work Product;
- (4) All information designated by HHSC or any other State agency as confidential, and all information designated as confidential under the Texas Public Information Act;
- (5) Information utilized, developed, received, or maintained by HHSC, the MCO, or participating State agencies for the purpose of fulfilling a duty or obligation under this Contract and that has not been disclosed publicly.

**Consolidated FSR Report** or **Consolidated Basis,** means FSR reporting results for all Programs and all SDAs operated by the MCO or its Affiliates, including those under separate contracts between the MCO or its Affiliates and HHSC. Consolidated FSR Reporting does not include any of the MCO's or its Affiliates' business outside of the HHSC Programs.

**Consumer-Directed Services** means the Member or his legal guardian is the employer of and retains control over the hiring, management, and termination of an individual providing personal assistance or respite.

**Continuity of Care** means care provided to a Member by the same PCP or specialty provider to ensure that the delivery of care to the Member remains stable, and services are consistent and unduplicated.
Contract or Agreement means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

Contract Period or Contract Term means the Initial Contract Period plus any and all Contract extensions.

Contractor or MCO means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

Copayment (CHIP only) means the amount that a Member is required to pay when utilizing certain CHIP Covered Services. Once the copayment is made, further payment is not required by the Member.

Corrective Action Plan means the detailed written plan that may be required by HHSC to correct or resolve a deficiency or event causing the assessment of a remedy or damage against MCO.

Court-Ordered Commitment means a commitment of a Member to an inpatient mental health facility for treatment ordered by a court of law pursuant to Texas Health and Safety Code, Chapters 573 or 574.

Covered Services means Health Care Services the MCO must arrange to provide to Members, including all services required by the Contract and state and federal law, and all Value-added Services negotiated by the Parties (see Attachments B-2, B-2.1, B-2.2 and B-3 of the HHSC Managed Care Contract relating to “Covered Services” and “Value-added Services”).

CPW means Case Management for Children and Pregnant Women; a Medicaid program for children with a health condition/health risk, birth through 20 years of age and to women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.

Credentialed means the process of collecting, assessing, and validating qualifications and other relevant information pertaining to a health care provider to determine eligibility and to deliver Covered Services.

Cultural Competency means the ability of individuals and systems to provide services effectively to people of various cultures, races, ethnic backgrounds, and religions in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves their dignity.

DADS means the Texas Department of Aging and Disability Services or its successor agency (formerly Department of Human Services).

Date of Disenrollment means the last day of the last month for which MCO receives payment for a Member.

Day means a calendar day unless specified otherwise.

Default Enrollment means the processes established by HHSC to assign an enrollee who has not selected an MCO to an MCO. See 1 Tex. Admin. Code § 353.403 for Medicaid default enrollment processes, and 1 Tex. Admin. Code § 370.303 for CHIP default enrollment processes.

Deliverable means a written or recorded work product or data prepared, developed, or procured by MCO as part of the Services under the Contract for the use or benefit of HHSC or the State of Texas.

Delivery Supplemental Payment means a one-time per pregnancy supplemental payment for STAR, CHIP and CHIP Perinatal MCOs.

Designated Provider means a physician, clinical practice or clinical group practice, rural clinic, community health center, community mental health center, home health agency, or any other entity or provider (including pediatricians, gynecologists, and obstetricians) that are determined by the State and approved by the U.S. Secretary of Health and Human Services to be qualified to be a Health Home for Members with chronic conditions on the basis of documentation that the physician practice or clinic (A) has the systems and infrastructure in place to provide Health Home services and (B) satisfies the qualification standards established by the U.S. Secretary of Health and Human Services.

Diagnostic means assessment that may include gathering of information through interview, observation, examination, and use of specific tests that allows a provider to diagnose existing conditions.

Disabled Person or Person with Disability means a person under 65 years of age, including a child, who qualifies for Medicaid services because of a disability.

Disability means a physical or mental impairment that substantially limits one (1) or more of an individual’s major life activities, such as caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and/or working.

Disability-related Access means that facilities are readily accessible to and usable by individuals with disabilities, and that auxiliary aids and services are provided to ensure effective communication, in compliance with Title III of the Americans with Disabilities Act.

Disaster Recovery Plan means the document developed by the MCO that outlines details for the restoration of the MIS in the event of an emergency or disaster.

Discharge means a formal release of a Member from an Inpatient Hospital stay when the need for continued care at an inpatient level has concluded. Movement or Transfer from one (1) Acute Care Hospital or Long Term Care Hospital /facility and readmission to another within 24 hours for continued treatment is not a discharge under this Contract.

Disease Management means a system of coordinated healthcare interventions and communications for populations with conditions in which patient self-care efforts are significant.

Disproportionate Share Hospital (DSH) means a Hospital that serves a higher than average number of Medicaid and other low-income patients and receives additional reimbursement from the State.
DSHS means the Texas Department of State Health Services or its successor agency (formerly Texas Department of Health and Texas Department of Mental Health and Mental Retardation).

DSM means the most current edition of the Diagnostic and Statistical Manual of Mental Disorders, which is the American Psychiatric Association's official classification of behavioral health disorders, or its replacement.

Dual Eligibles means Medicaid recipients who are also eligible for Medicare.

ECI means Early Childhood Intervention, a federally mandated program for infants and toddlers under the age of three with developmental delays or disabilities. See 34 C.F.R. § 303.1 et seq. and 40 Tex. Admin. Code § 108.101 et seq. for further clarification.

EDI means electronic data interchange.

Effective Date means the effective date of this Contract, as specified in the HHSC Managed Care Contract document.

Effective Date of Coverage means the first day of the month for which the MCO has received payment for a Member.

Electronic Visit Verification or EVV (STAR+PLUS only) means verification and documentation through a telephone or computer-based system of personal assistance services.

Eligibles means individuals residing in one (1) of the Service Areas and eligible to enroll in a STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO, as applicable.

Emergency Behavioral Health Condition means any condition, without regard to the nature or cause of the condition, which in the opinion of a prudent layperson possessing an average knowledge of health and medicine:

(1) requires immediate intervention and/or medical attention without which Members would present an immediate danger to themselves or others, or

(2) renders Members incapable of controlling, knowing or understanding the consequences of their actions.

Emergency Medical Condition means a medical condition manifesting itself by acute symptoms of recent onset and sufficient severity (including severe pain), such that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical care could result in:

(1) placing the patient’s health in serious jeopardy;

(2) serious impairment to bodily functions;

(3) serious dysfunction of any bodily organ or part;

(4) serious disfigurement; or

(5) in the case of a pregnant women, serious jeopardy to the health of a woman or her unborn child.

Emergency Services means covered inpatient and outpatient services furnished by a provider that is qualified to furnish such services under the Contract and that are needed to evaluate or stabilize an Emergency Medical Condition and/or an Emergency Behavioral Health Condition, including Post-stabilization Care Services.

Encounter means a Covered Service or group of Covered Services delivered by a Provider to a Member during a visit between the Member and Provider. This also includes Value-added Services.

Encounter Data means data elements from Fee-for-Service claims or capitated services proxy claims that are submitted to HHSC by the MCO in accordance with HHSC’s required format for Medicaid and CHIP MCOs.

Enrollment Report/Enrollment File means the daily or monthly list of Eligibles that are enrolled with an MCO as Members on the day or for the month the report is issued.

EPSDT means the federally mandated Early and Periodic Screening, Diagnosis and Treatment program contained at 42 U.S.C. 1396d(r). The name has been changed to Texas Health Steps in the State of Texas.

Exclusive Provider Organization (EPO) means an insurer with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212

Expansion Area means a county or Service Area that has not previously provided healthcare to HHSC’s MCO Program Members utilizing a managed care model.

Expansion Children means children who are generally at least age one (1), but under age six (6), and live in a family whose income is at or below 133 percent of the federal poverty level (FPL). Children in this coverage group have either elected to bypass TANF or are not eligible for TANF in Texas.

Expansion Service Areas are the Hidalgo and Medicaid Rural Service Areas for the STAR Program; and the El Paso, Hidalgo, and Lubbock Service Areas for the STAR+PLUS Program.

 Expedited Appeal means an appeal to the MCO in which the decision is required quickly based on the Member's health status, and the amount of time necessary to participate in a standard appeal could jeopardize the Member's life or health or ability to attain, maintain, or regain maximum function.

Experience Rebate means the portion of the MCO’s Net Income Before Taxes that is returned to the State in accordance with Section 10.10 for the STAR, CHIP and CHIP Perinatal Programs and 10.10.1 for the STAR+PLUS Program (“Experience Rebate”).

Expiration Date means the expiration date of this Contract, as specified in HHSC’s Managed Care Contract document.

External Quality Review Organization (EQRO) means the entity that contracts with HHSC to provide external review of access to and quality of healthcare provided to Members of HHSC’s MCO Programs.

Fair Hearing means the process adopted and implemented by HHSC in 1 T.A.C. Chapter 357, in compliance with federal regulations and state rules relating to Medicaid Fair Hearings.
Farm Worker Child (FWC) means a child birth through age 20 of a Migrant Farm Worker.

Fee-for-Service means the traditional Medicaid Health Care Services payment system under which providers receive a payment for each unit of service according to rules adopted pursuant to Chapter 32, Texas Human Resources Code.

Financial Statistical Report (see FSR below).

Force Majeure Event means any failure or delay in performance of a duty by a Party under this Contract that is caused by fire, flood, hurricane, tornadoes, earthquake, an act of God, an act of war, riot, civil disorder, or any similar event beyond the reasonable control of such Party and without the fault or negligence of such Party.

FPL means the Federal Poverty Level.

FQHC means a Federally Qualified Health Center, certified by CMS to meet the requirements of §1861(aa)(3) of the Social Security Act as a federally qualified health center, that is enrolled as a provider in the Texas Medicaid program.

Fraud means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under applicable federal or state law.

FSR means Financial Statistical Report. The FSR is a report designed by HHSC, and submitted to HHSC by the MCO in accordance with Contract requirements. The FSR is a form of modified income statement, subject to audit, and contains revenue, cost, and other data, as defined by the Contract. Not all incurred expenses may be included in the FSR.

FSR Reporting Period is the period of months that are measured on a given FSR. Generally, the FSR Reporting Period is a twelve-calendar-month period corresponding to the State Fiscal Year, but it can vary by Contract and by year. If an FSR Reporting Period is not defined in the Contract, then it will be deemed to be the twelve months following the end of the prior FSR Reporting Period.

FSR Reporting Period 12/13 means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. This is the first FSR Reporting Period under this Contract.

FSR Reporting Period 14 means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

Functionally Necessary Covered Services means Community-based Long Term Services and Supports services provided to assist STAR+PLUS Members with activities of daily living based on a functional assessment of the Member’s activities of daily living and a determination of the amount of supplemental supports necessary for the STAR+PLUS Member to remain independent or in the most integrated setting possible.

Habilitative and Rehabilitative Services means Health Care Services described in Attachment B-2 that may be required by children who fail to reach (habilitative) or have lost (rehabilitative) age appropriate developmental milestones.

HCBS STAR+PLUS Waiver means the HHSC program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Members who qualify for HCBS STAR+PLUS Waiver are eligible to receive the home and community based services component of the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver as described in Attachment B-2 STAR+PLUS Covered Services, under the heading HCBS STAR+PLUS Waiver services for those Members who qualify for such services.

Health and Human Services Commission or HHSC means the administrative agency within the executive department of Texas state government established under Chapter 531, Texas Government Code, or its designee, including, but not limited to, the HHS Agencies.

Health Care Services means the Acute Care, Behavioral Health Care, and health-related services that an enrolled population might reasonably require in order to be maintained in good health.

Health Home means a Designated Provider (including a provider that operates in coordination with a team of health care professionals) or a Health Team selected by a Member with chronic conditions to provide Health Home Services.

Health Home Services means comprehensive and timely high-quality services that are provided by a Designated Provider, a Team of Health Care Professionals operating with such a provider, or a Health Team. Health Home Services include:

1. Comprehensive care management;
2. Care coordination and health promotion;
3. Comprehensive transitional care, including appropriate follow-up, from inpatient to other settings;
4. Patient and family support (including authorized representatives);
5. Referral to community and social support services, if relevant; and
6. Use of health information technology to link services, as feasible and appropriate.

Health-related Materials are materials developed by the MCO or obtained from a third party relating to the prevention, diagnosis or treatment of a medical condition.

Health Team means such term as described in Section 3502 of the Patient Protection and Affordable Care Act, P.L. 111-148 (March 23, 2010), as amended or modified.

HEDIS, the Healthcare Effectiveness Data and Information Set, is a registered trademark of NCQA. HEDIS is a set of standardized performance measures designed to reliably compare the performance of managed health care plans. HEDIS is sponsored, supported and maintained by NCQA.

HHS Agency means the Texas health and human service agencies subject to HHSC’s oversight under Chapter 531, Texas Government Code, and their successor agencies.
HHSC Administrative Services Contractor (ASC) means an entity performing MCO administrative services functions, including member enrollment functions, for the STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO Programs under contract with HHSC.

HHSC MCO Programs or MCO Programs mean the STAR, STAR+PLUS, and CHIP MCO Programs.


Home and Community Support Services Agency or HCSSA means an entity licensed to provide home health, hospice, or personal assistance services provided to individuals in their own home or independent living environment as prescribed by a physician or individualized service plan. Each HCSS must provide clients with a plan of care that includes specific services the agency agrees to perform. The agencies are licensed and monitored by DADS or its successor.

Hospital means a licensed public or private institution as defined by Chapter 241, Texas Health and Safety Code, or in Subtitle C, Title 7, Texas Health and Safety Code.

ICF-MR means an intermediate care facility for the mentally retarded.

Individual Family Service Plan (IFSP) means the plan for services required by the Early Childhood Intervention (ECI) Program and developed by an interdisciplinary team.

Initial Contract Period means the Effective Date of the Contract through August 31, 2015.

Inpatient Stay means at least a 24-hour stay in a facility licensed to provide Hospital care.

JCAHO means Joint Commission on Accreditation of Health Care Organizations.

Joint Interface Plan (JIP) means a document used to communicate basic system interface information. This information includes: file structure, data elements, frequency, media, type of file, receiver and sender of the file, and file I.D. The JIP must include each of the MCO’s interfaces required to conduct business under this Contract. The JIP must address the coordination with each of the MCO’s interface partners to ensure the development and maintenance of the interface; and the timely transfer of required data elements between contractors and partners.

Key MCO Personnel means the critical management and technical positions identified by the MCO in accordance with Article 4.

Linguistic Access means translation and interpreter services, for written and spoken language to ensure effective communication. Linguistic access includes sign language interpretation, and the provision of other auxiliary aids and services to persons with disabilities.

Local Health Department means a local health department established pursuant to Health and Safety Code, Title 2, Local Public Health Reorganization Act §121.031.

Local Mental Health Authority (LMHA) means an entity within a specified region responsible for planning, policy development, coordination, and resource development and allocation and for supervising and ensuring the provision of mental health care services to persons with mental illness in one (1) or more local service areas.

Major Population Group means any population that represents at least 10% of the Medicaid, CHIP, and/or CHIP Perinatal Program population in the Service Area served by the MCO.

Mandated or Required Services means services that a state is required to offer to categorically needy clients under a state Medicaid plan.

Marketing means any communication from the MCO to a Medicaid or CHIP Eligible who is not enrolled with the MCO that can reasonably be interpreted as intended to influence the Eligible to:

1. enroll with the MCO; or
2. not enroll in, or to disenroll from, another MCO.

Marketing Materials means materials that are produced in any medium by or on behalf of the MCO and can reasonably be interpreted as intending to market to potential Members. Health-related Materials are not Marketing Materials.

Material Subcontract means any contract, Subcontract, or agreement between the MCO and another entity that meets any of the following criteria:

- the other entity is an Affiliate of the MCO;
- the Subcontract is considered by HHSC to be for a key type of service or function, including
  - Administrative Services (including but not limited to third party administrator, Network administration, and claims processing);
  - delegated Networks (including but not limited to behavioral health, dental, pharmacy, and vision);
  - management services (including management agreements with parent)
  - reinsurance;
  - Disease Management;
  - pharmacy benefit management (PBM) or pharmacy administrative services; or
  - call lines (including nurse and medical consultation); or
- any other Subcontract that exceeds, or is reasonably expected to exceed, the lesser of: a) $500,000 per year, or b) 1% of the MCO’s annual Revenues under this Contract. Any Subcontracts between the MCO and a single entity that are split into separate agreements by time period, Program, or SDA, etc., will be consolidated for the purpose of this definition.
For the purposes of this Agreement, Material Subcontracts do not include contracts with any non-Affiliates for any of the following, regardless of the value of the contract: utilities (e.g., water, electricity, telephone, Internet), mail/shipping, office space, or computer hardware.

**Material Subcontractor or Major Subcontractor** means any entity with a Material Subcontract with the MCO. For the purposes of this Agreement, Material Subcontractors do not include providers in the MCO’s Provider Network. Material Subcontractors may include, without limitation, Affiliates, subsidiaries, and affiliated and unaffiliated third parties.

**MCO** means managed care organization.

**MCO or Contractor** means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

**MCO Administrative Services** means the performance of services or functions, other than the direct delivery of Covered Services, necessary for the management of the delivery of and payment for Covered Services, including but not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, management information systems operation, and reporting.

**MCO’s Service Area** means all the counties included in any HHSC-defined Service Area, as applicable to each MCO Program and within which the MCO has been selected to provide MCO services.

**Medicaid** means the medical assistance entitlement program authorized and funded pursuant to Title XIX, Social Security Act (42 U.S.C. §1396 et seq.) and administered by HHSC.

**Medicaid MCOs** means contracted MCOs participating in STAR, STAR+PLUS, and/or STAR Health.

**Medical Assistance Only (MAO)** means a person that does not receive SSI benefits but qualifies financially and functionally for limited Medicaid assistance.

**Medical Home** means a PCP or specialty care Provider who has accepted the responsibility for providing accessible, continuous, comprehensive and coordinated care to Members participating in a HHSC MCO Program.

**Medically Necessary** has the meaning defined in 1 T.A.C. §353.2 for Medicaid and 1 T.A.C. §370.4 for CHIP.

**Member** means a person who:

1. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
2. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included as a voluntary participant in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
3. has met CHIP eligibility criteria and is enrolled in the MCO’s CHIP MCO; or
4. has met CHIP Perinatal Program eligibility criteria and is enrolled in the MCO’s CHIP Perinatal Program.

**Member Materials** means all written materials produced or authorized by the MCO and distributed to Members or potential members containing information concerning the MCO Program(s). Member Materials include, but are not limited to, Member ID cards, Member handbooks, Provider directories, and Marketing Materials.

**Member Month** means one (1) Member enrolled with the MCO during any given month. The total Member Months for each month of a year comprise the annual Member Months.

**Member(s) with Special Health Care Needs (MSHCN)** includes a Child or Children with a Special Health Care Need (CSHCN) and any adult Member who:

1. has a serious ongoing illness, a Chronic or Complex Condition, or a Disability that has lasted or is anticipated to last for a significant period of time, and
2. requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel.

**Migrant Farm Worker** means a migratory agricultural worker, generally defined as an individual:

1. whose principal employment is in agriculture on a seasonal basis;
2. who has been so employed within the last twenty-four months;
3. who performs any activity directly related to the production or processing of crops, dairy products, poultry, or livestock for initial commercial sale or as a principal means of personal subsistence; and
4. who establishes for the purposes of such employment a temporary abode.

**MIS** means Management Information System.

**National Committee for Quality Assurance (NCQA)** means the independent organization that accredits MCOs, managed behavioral health organizations, and accredits and certifies disease management programs. HEDIS and the Quality Compass are registered trademarks of NCQA.

**Net Income Before Taxes or Pre-tax Income** means an aggregate excess of Revenues over Allowable Expenses.

**Network or Provider Network** means all Providers that have entered into Network Provider agreements with the MCO or its Subcontractor for the delivery of Medicaid or CHIP Covered Services to the MCO’s Members.

**Network Provider or Provider** means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.
Network Provider Agreement or Provider Agreement means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

Non-capitated Services means those Medicaid services identified in Attachment B-1, Section 8.2.2.8.

Non-provider Subcontracts means contracts between the MCO and a third party that performs a function, excluding delivery of Health Care Services, that the MCO is required to perform under its Contract with HHSC.

Non-Urban County or Rural County means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

Nursing Facility Cost Ceiling means the annualized cost of serving a client in a nursing facility. A per diem cost is established for each Medicaid nursing facility resident based on the level of care needed. This level of care is referred to as the Texas Index for Level of Effort or the TILE level. The per diem cost is annualized to achieve the nursing facility ceiling.

Nursing Facility Level of Care means the determination that the level of care required to adequately serve a STAR+PLUS Member is at or above the level of care provided by a nursing facility.

OB/GYN means obstetrician-gynecologist.

Open Panel means PCPs who are accepting new patients for the MCO Program(s) served.

Operational Start Date means the first day on which an MCO is responsible for providing Covered Services to MCO Program Members and all related Contract functions in a Service Area. The Operational Start Date may vary per MCO Program and Service Area. The Operational Start Date(s) applicable to this Contract are set forth in the HHSC Managed Care Contract document.

Operations Phase means the period of time when MCO is responsible for providing the Covered Services and all related Contract functions for a Service Area. The Operations Phase begins on the Operational Start Date, and may vary by MCO Program and Service Area.

Out-of-Network (OON) means an appropriately licensed individual, facility, agency, institution, organization or other entity that has not entered into a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Outpatient Hospital Services means diagnostic, therapeutic, and rehabilitative services that are provided to Members in an organized medical facility, for less than a 24-hour period, by or under the direction of a physician.

Parties means HHSC and MCO, collectively.

Party means either HHSC or MCO, individually.

Pended Claim means a claim for payment that requires additional information before the claim can be Adjudicated as a Clean Claim.

Pharmacy Benefit Manager (PBM) is a third party administrator of prescription drug programs.

Population Risk Group means a distinct group of members identified by age, age range, gender, type of program, or eligibility category.

Post-stabilization Care Services means Covered Services, related to an Emergency Medical Condition that are provided after a Member is stabilized in order to maintain the stabilized condition, or, for a Medicaid Member, under the circumstances described in 42 C.F.R. 438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii) to improve or resolve the Medicaid Member’s condition.

PPACA – means the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), together known as the Affordable Care Act (ACA).

Pre-tax Income or Net Income Before Taxes means an aggregate excess of Revenues over Allowable Expenses.

Primary Care Physician or Primary Care Provider (PCP) means a physician or provider who has agreed with the MCO to provide a Medical Home to Members and who is responsible for providing initial and primary care to patients, maintaining the continuity of patient care, and initiating referral for care.

Program means a managed care program operated by HHSC. Depending on the context, the term may include one or more of the following: STAR, STAR+PLUS, STAR Health, CHIP, Children’s Medicaid Dental Services or CHIP Dental Services.

Proposal means the proposal submitted by the MCO in response to the RFP.

Provider or Network Provider means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Provider Agreement or Network Provider Agreement means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

Provider Materials means all written materials produced or authorized by the MCO or its Administrative Services Subcontractors concerning the MCO Program(s) that are distributed to Network Providers. Provider Materials include the MCO's Provider Manual, training materials regarding MCO Program requirements, and mass communications directed to or all a large group of Network Providers (e-mail or fax blasts). Provider Materials do not include written correspondence between the MCO or its Administrative Services Subcontractors and a provider regarding individual business matters.

Provider Network or Network means all Providers that have contracted with the MCO for the applicable MCO Program.
Proxy Claim Form means a form submitted by Providers to document services delivered to Members under a capitated arrangement. It is not a claim for payment.

Public Health Entity means a HHSC Public Health Region, a Local Health Department, or a Hospital District.

Public Information means that:

(1) Is collected, assembled, or maintained under a law or ordinance or in connection with the transaction of official business by a governmental body or for a governmental body; and

(2) The governmental body owns or has a right of access to.

Qualified and Disabled Working Individual (QDWI) means an individual whose only Medicaid benefit is payment of the Medicare Part A premium.

Qualified Medicare Beneficiary (QMB) means a Medicare beneficiary whose only Medicaid benefits are payment of Medicare premiums, deductibles, and coinsurance for individuals who are entitled to Medicare Part A, whose income does not exceed 100% of the federal poverty level, and whose resources do not exceed twice the resource limit of the SSI program.

Quality Improvement means a system to continuously examine, monitor and revise processes and systems that support and improve administrative and clinical functions.

Rate Cell means a Population Risk Group for which a Capitation Rate has been determined.

Rate Period 1 means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. For purposes of rate setting only, Rate Period 1 will be divided into three sub-periods: March 1, 2012 through August 31, 2012, September 1, 2012 to May 31, 2013, and June 1, 2013 to August 31, 2013.

Rate Period 2 means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

Readiness Review means the assurances made by a selected MCO and the examination conducted by HHSC, or its agents, of MCO’s ability, preparedness, and availability to fulfill its obligations under the Contract.

Real-Time Captioning (also known as CART, Communication Access Real-Time Translation) means a process by which a trained individual uses a shorthand machine, a computer, and real-time translation software to type and simultaneously translate spoken language into text on a computer screen. Real Time Captioning is provided for individuals who are deaf, have hearing impairments, or have unintelligible speech. It is usually used to interpret spoken English into text English but may be used to translate other spoken languages into text.

Request for Proposals or RFP means the procurement solicitation instrument issued by HHSC under which this Contract was awarded and all RFP addenda, corrections or modifications, if any.

Revenue means all revenue received by the MCO pursuant to this Contract, including retroactive adjustments made by HHSC. Revenue includes any funds earned on Medicaid or CHIP managed care funds such as investment income and earned interest. Revenue excludes any reinsurance recoveries, which shall be shown as a contra-cost, or reported offset to reinsurance expense. Revenues are reported at gross, and are not netted for any reinsurance premiums paid. See also the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

Risk means the potential for loss as a result of expenses and costs of the MCO exceeding payments made by HHSC under the Contract.

Routine Care means health care for covered preventive and medically necessary Health Care Services that are non-emergent or non-urgent.

Rural County or Non-Urban County means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

Rural Health Clinic (RHC) means an entity that meets all of the requirements for designation as a rural health clinic under 1861(aa)(1) of the Social Security Act and approved for participation in the Texas Medicaid Program.

Scope of Work means the description of Services and Deliverables specified in this Contract, the RFP, the MCO’s Proposal, and any attachments and modifications to these documents.

SDX means State Data Exchange.

Security Plan means a document that contains detailed management, operational, and technical information about a system, its security requirements, and the controls implemented to provide protection against risks and vulnerabilities.

SED means severe emotional disturbance as determined by a Local Mental Health Authority.

Service Area means the counties included in any HHSC-defined areas as applicable to each MCO Program.

Service Coordinator means a specialized care management service that is performed by a Service Coordinator and that includes but is not limited to:

(1) identification of needs, including physical health, mental health services and for STAR+PLUS Members, long term support services,

(2) development of a Service Plan to address those identified needs;

(3) assistance to ensure timely and a coordinated access to an array of providers and Covered Services;

(4) attention to addressing unique needs of Members; and

(5) coordination of Covered Services with Non-capitated Services, as necessary and appropriate.

Service Coordinator means the person with primary responsibility for providing service coordination and care management to STAR+PLUS Members.
Service Management is an administrative service in the STAR, and CHIP Programs performed by the MCO to facilitate development of a Service Plan and coordination of services among a Member’s PCP, specialty providers and non-medical providers to ensure Members with Special Health Care Needs and/or Members needing high-cost treatment have access to, and appropriately utilize, Medically Necessary Covered Services, Non-capitated Services, and other services and supports.

Service Plan (SP) means an individualized plan developed with and for Members with Special Health Care Needs, including persons with disabilities or chronic or complex conditions.

Services means the tasks, functions, and responsibilities assigned and delegated to the MCO under this Contract.

Significant Traditional Provider or STP means primary care providers, long term services and supports providers, and pharmacy providers identified by HHSC as having provided a significant level of care to Medicaid or CHIP clients. Disproportionate Share Hospitals (DSH) are also Medicaid STPs.

Skilled Nursing Facility Services (CHIP only) Services provided in a facility that provides nursing or rehabilitation services and Medical supplies and use of appliances and equipment furnished by the facility.

Software means all operating system and applications software used by the MCO to provide the Services under this Contract.

Specialty Hospital means any inpatient Hospital that is not a general Acute Care Hospital.

Specified Low-Income Medicare Beneficiary (SLMB) means a Medicare beneficiary whose only Medicaid benefit is payment of the Medicare Part B premium.

SPMI means severe and persistent mental illness as determined by the Local Mental Health Authority.

SSA means the Social Security Administration.

Stabilize means to provide such medical care as to assure within reasonable medical probability that no deterioration of the condition is likely to result from, or occur from, or occur during discharge, transfer, or admission of the Member.

STAR+PLUS or STAR+PLUS Program means the State of Texas Medicaid managed care program in which HHSC contracts with MCOs to provide, arrange, and coordinate preventive, primary, acute and Long-term Services and Supports Covered Services to adult persons with disabilities and elderly persons age 65 and over who qualify for Medicaid through the SSI program and/or the MAO program. Children birth through age 20 who qualify for Medicaid through the SSI program, may voluntarily participate in the STAR+PLUS program.

STAR+PLUS MCOs means contracted MCOs participating in the STAR+PLUS Program.

State Fiscal Year (SFY) means a 12-month period beginning on September 1 and ending on August 31 the following year.

Subcontract means any agreement between the MCO and another party to fulfill the requirements of the Contract.

Subcontractor means any individual or entity, including an Affiliate, that has entered into a Subcontract with MCO.

Subsidiary means an Affiliate controlled by such person or entity directly or indirectly through one (1) or more intermediaries.

Supplemental Security Income (SSI) means a Federal income supplement program funded by general tax revenues (not Social Security taxes) designed to help aged, blind and disabled people with little or no income by providing cash to meet basic needs for food, clothing and shelter.

T.A.C. means Texas Administrative Code.

TDD means telecommunication device for the deaf. It is interchangeable with the term Teletype machine or TTY.

TDI means the Texas Department of Insurance.

Team of Health Care Professionals means physicians and other professionals, such as a nurse care coordinator, nutritionist, social worker, behavioral health professional, or any professionals deemed appropriate by HHSC and approved by CMS. The team may be free-standing, virtual, or based at a Hospital, community health center, community mental health center, rural clinic, clinical practice or clinical group practice, academic health center, or any entity deemed appropriate by HHSC and approved by CMS.

Temporary Assistance to Needy Families (TANF) means the federally funded program that provides assistance to single parent families with children who meet the categorical requirements for aid. This program was formerly known as the Aid to Families with Dependent Children (AFDC) program.

Texas Health Steps is the name adopted by the State of Texas for the federally mandated Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program. It includes the State’s Comprehensive Care Program extension to EPSDT, which adds benefits to the federal EPSDT requirements contained in 42 U.S.C. §1396d(r), and defined and codified at 42 C.F.R. §§440.40 and 441.56-62. HHSC’s rules are contained in 25 T.A.C., Chapter 33 (relating to Early and Periodic Screening, Diagnosis and Treatment).

Texas Medicaid Bulletin means the bi-monthly update to the Texas Medicaid Provider Procedures Manual.

Texas Medicaid Provider Procedures Manual means the policy and procedures manual published by or on behalf of HHSC that contains policies and procedures required of all health care providers who participate in the Texas Medicaid program. The manual is published annually and is updated bi-monthly by the Texas Medicaid Bulletin.

Texas Public Information Act refers to the provisions of Chapter 552 of the Texas Government Code.

Third Party Liability (TPL) means the legal responsibility of another individual or entity to pay for all or part of the services provided to Members under the Contract (see 1 TAC §354.2301 et seq., relating to Third Party Resources).

Third Party Recovery (TPR) means the recovery of payments on behalf of a Member by HHSC or the MCO from an individual or entity with the legal responsibility to pay for the Covered Services.
Transfer means the movement of the Member from one (1) Acute Care Hospital or Long Term Care Hospital/facility and readmission to another Acute Care Hospital or Long Term Care Hospital/facility within 24 hours for continued treatment.

Transition Phase includes all activities the MCO is required to perform between the Contract Effective Date and the Operational Start Date for an MCO Program and all or part of a Service Area.

Turnover Phase includes all activities the MCO is required to perform in order to close out the Contract and/or transition Contract activities and operations to HHSC or a subsequent contractor.

Turnover Plan means the written plan developed by MCO, approved by HHSC, to be employed during the Turnover Phase.

Uniform Managed Care Manual (UMCM) means the manual published by or on behalf of HHSC that contains policies and procedures required of all MCOs participating in the HHSC Programs. The UMCM, as amended or modified, is incorporated by reference into the Contract.

URAC /American Accreditation Health Care Commission means the independent organization that accredits Utilization Review functions and offers a variety of other accreditation and certification programs for health care organizations.

Urban County means any county with 50,000 or more residents as reported by the Texas Association of Counties at: http://www.county.org/.

Urgent Behavioral Health Situation means a behavioral health condition that requires attention and assessment within 24 hours but which does not place the Member in immediate danger to himself or herself or others and the Member is able to cooperate with treatment.

Urgent Condition means a health condition including an Urgent Behavioral Health Situation that is not an emergency but is severe or painful enough to cause a prudent layperson, possessing the average knowledge of medicine, to believe that his or her condition requires medical treatment evaluation or treatment within 24 hours by the Member’s PCP or PCP designee to prevent serious deterioration of the Member’s condition or health.

Utilization Review means the system for retrospective, concurrent, or prospective review of the Medical Necessity and appropriateness of Health Care Services provided, being provided, or proposed to be provided to a Member. The term does not include elective requests for clarification of coverage.

Value-added Services means additional services for coverage beyond those specified in Attachments B-2, B-2.1, and B-2.2. Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improve health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

Waste means practices that are not cost-efficient.

Wrap-Around Services means services for Dual Eligible Members that are covered by Medicaid:
(1) when the Dual Eligible Member has exceeded the Medicare coverage limit; or
(2) that are not covered by Medicare.

Article 3. General Terms & Conditions

Section 3.01 Contract elements.
(a) Contract documentation. The Contract between the Parties will consist of the HHSC Managed Care Contract document and all attachments and amendments.
(b) Order of documents. In the event of any conflict or contradiction between or among the contract documents, the documents must control in the following order of precedence:
(1) The final executed HHSC Managed Care Contract document, and all amendments thereto;
(2) HHSC Managed Care Contract Attachment A – “Uniform Managed Care Contract Terms and Conditions,” and all amendments thereto;
(3) HHSC Managed Care Contract Attachment B – “Scope of Work/Performance Measures,” and all attachments and amendments thereto;
(4) The Uniform Managed Care Manual, and all attachments and amendments thereto; and
(5) HHSC Managed Care Contract Attachment C-1 – “MCO’s Proposal.”

Section 3.02 Term of the Contract.
The term of the Contract will begin on the Effective Date and will conclude on the Expiration Date. The Parties may renew the Contract for an additional period or periods, but the Contract Term may not exceed a total of eight (8) operational years. All reserved contract extensions beyond the Expiration Date will be subject to good faith negotiations between the Parties and mutual agreement to the extension(s).
Section 3.03 Funding.

This Contract is expressly conditioned on the availability of state and federal appropriated funds. MCO will have no right of action against HHSC in the event that HHSC is unable to perform its obligations under this Contract as a result of the suspension, termination, withdrawal, or failure of funding to HHSC or lack of sufficient funding of HHSC for any activities or functions contained within the scope of this Contract. If funds become unavailable, the provisions of Article 12, “Remedies and Disputes” will apply. HHSC will use all reasonable efforts to ensure that such funds are available, and will negotiate in good faith with MCO to resolve any MCO claims for payment that represent accepted Services or Deliverables that are pending at the time funds become unavailable. HHSC must make best efforts to provide reasonable written advance notice to MCO upon learning that funding for this Contract may be unavailable.

Section 3.04 Delegation of authority.

Whenever, by any provision of this Contract, any right, power, or duty is imposed or conferred on HHSC, the right, power, or duty so imposed or conferred is possessed and exercised by the Executive Commissioner unless any such right, power, or duty is specifically delegated to the duly appointed agents or employees of HHSC. The Commissioner will reduce any such delegation of authority to writing and provide a copy to MCO on request.

Section 3.05 No waiver of sovereign immunity.

The Parties expressly agree that no provision of this Contract is in any way intended to constitute a waiver by HHSC or the State of Texas of any immunities from suit or from liability that HHSC or the State of Texas may have by operation of law.

Section 3.06 Force Majeure.

Neither Party will be liable for any failure or delay in performing its obligations under the Contract if such failure or delay is due to a Force Majeure Event. The existence of such causes of delay or failure will extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. Each Party must inform the other in writing with proof of receipt within five (5) Business Days of the existence of a Force Majeure Event.

Section 3.07 Publicity.

(a) MCO may use the name of HHSC, the State of Texas, any HHS Agency, and the name of the HHSC MCO Program in any media release, public announcement, or public disclosure relating to the Contract or its subject matter only if, at least seven (7) calendar days prior to distributing the material, the MCO submits the information to HHSC for review and comment. If HHSC has not responded within seven (7) calendar days, the MCO may use the submitted information. HHSC reserves the right to object to and require changes to the publication if, at HHSC’s sole discretion, it determines that the publication does not accurately reflect the terms of the Contract or the MCO’s performance under the Contract.

(b) MCO will provide HHSC with one (1) electronic copy of any information described in Subsection 3.07(a) prior to public release. MCO will provide additional copies, including hard copies, at the request of HHSC.

(c) The requirements of Subsection 3.07(a) do not apply to:

(1) proposals or reports submitted to HHSC, an administrative agency of the State of Texas, or a governmental agency or unit of another state or the federal government;

(2) information concerning the Contract’s terms, subject matter, and estimated value:

(a) in any report to a governmental body to which the MCO is required by law to report such information, or

(b) that the MCO is otherwise required by law to disclose; and

(3) Member Materials (the MCO must comply with the Uniform Managed Care Manual’s provisions regarding the review and approval of Member Materials).

Section 3.08 Assignment.

(a) Assignment by MCO.

MCO must not assign all or any portion of its rights under or interests in the Contract or delegate any of its duties without prior written consent of HHSC. Any written request for assignment or delegation must be accompanied by written acceptance of the assignment or delegation by the assignee or delegation by the delegate. Except where otherwise agreed in writing by HHSC, assignment or delegation will not release MCO from its obligations pursuant to the Contract. An HHSC-approved Material Subcontract will not be considered to be an assignment or delegation for purposes of this section.
MCO understands and agrees HHSC may in one (1) or more transactions assign, pledge, transfer, or hypothecate the Contract. This assignment will only be made to another State agency or a non-State agency that is contracted to perform agency support.

(c) Assumption.
Each party to whom a transfer is made (an "Assignee") must assume all or any part of MCO’S or HHSC’s interests in the Contract, the product, and any documents executed with respect to the Contract.

Section 3.09 Cooperation with other vendors and prospective vendors.

HHSC may award supplemental contracts for work related to the Contract, or any portion thereof. MCO will reasonably cooperate with such other vendors, and will not commit or permit any act that may interfere with the performance of work by any other vendor.

Section 3.10 Renegotiation and reprocurement rights.

(a) Renegotiation of Contract terms.
Notwithstanding anything in the Contract to the contrary, HHSC may at any time during the term of the Contract exercise the option to notify MCO that HHSC has elected to renegotiate certain terms of the Contract. Upon MCO’s receipt of any notice pursuant to this Section, MCO and HHSC will undertake good faith negotiations of the subject terms of the Contract, and may execute an amendment to the Contract in accordance with Article 8.

(b) Reprocurement of the services or procurement of additional services.
Notwithstanding anything in the Contract to the contrary, whether or not HHSC has accepted or rejected MCO’S Services and/or Deliverables provided during any period of the Contract, HHSC may at any time issue requests for proposals or offers to other potential contractors for performance of any portion of the Scope of Work covered by the Contract or Scope of Work similar or comparable to the Scope of Work performed by MCO under the Contract.

(c) Termination rights upon reprocurement.
If HHSC elects to procure the Services or Deliverables or any portion of the Services or Deliverables from another vendor in accordance with this Section, HHSC will have the termination rights set forth in Article 12, “Remedies and Disputes.”

Section 3.11 RFP errors and omissions.

MCO will not take advantage of any errors and/or omissions in the RFP or the resulting Contract. MCO must promptly notify HHSC of any such errors and/or omissions that are discovered.

Section 3.12 Enforcement Costs.

In the event of any litigation, appeal, or other legal action to enforce any provision of the Contract, MCO agrees to pay all reasonable expenses of such action, if HHSC is the prevailing Party.

Section 3.13 Preferences under service contracts.

MCO is required in performing the Contract to purchase products and materials produced in the State of Texas when they are available at a price and time comparable to products and materials produced outside the State.

Section 3.14 Time of the essence.

In consideration of the need to ensure uninterrupted and continuous MCO Program performance, time is of the essence in the performance of the Scope of Work under the Contract.

Section 3.15 Notice

(a) Any notice or other legal communication required or permitted to be made or given by either Party pursuant to the Contract will be in writing and in English, and will be deemed to have been given:
(1) Three (3) Business Days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
(2) When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or
(3) When delivered if delivered personally or sent by express courier service.
Section 4.01 Qualifications, retention and replacement of MCO employees.

MCO agrees to maintain the organizational and administrative capacity and capabilities to carry out all duties and responsibilities under this Contract. The personnel MCO assigns to perform the duties and responsibilities under this Contract will be properly trained and qualified for the functions they are to perform. Notwithstanding transfer or turnover of personnel, MCO remains obligated to perform all duties and responsibilities under this Contract without degradation and in accordance with the terms of this Contract.

Section 4.02 MCO’s Key Personnel.

(a) Designation of Key Personnel.
MCO must designate key management and technical personnel who will be assigned to the Contract. For the purposes of this requirement, Key Personnel are those with management responsibility or principal technical responsibility for the following functional areas for each MCO Program included within the scope of the Contract:

(1) Member Services;
(2) Management Information Systems;
(3) Claims Processing,
(4) Provider Network Development and Management;
(5) Benefit Administration and Utilization and Care Management;
(6) Quality Improvement;
(7) Behavioral Health Services;
(8) Financial Functions;
(9) Reporting;
(10) Executive Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.03, “Executive Director”;
(11) Medical Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.04, “Medical Director”; and
(12) Management positions for STAR+PLUS Service Coordinators for STAR+PLUS MCOs as defined in Section 4.04.1, “STAR+PLUS Service Coordinator.”

(b) Support and Replacement of Key Personnel.
The MCO must maintain, throughout the Contract Term, the ability to supply its Key Personnel with the required resources necessary to meet Contract requirements and comply with applicable law. The MCO must ensure project continuity by timely replacement of Key Personnel, if necessary, with a sufficient number of persons having the requisite skills, experience and other qualifications. Regardless of specific personnel changes, the MCO must maintain the overall level of expertise, experience, and skill reflected in the Key MCO Personnel job descriptions and qualifications included in the MCO’s proposal.

(c) Notification of replacement of Key Personnel.
MCO must notify HHSC within 15 Business Days of any change in Key Personnel. Hiring or replacement of Key Personnel must conform to all Contract requirements. If HHSC determines that a satisfactory working relationship cannot be established between certain Key Personnel and HHSC, it will notify the MCO in writing. Upon receipt of HHSC’s notice, HHSC and MCO will attempt to resolve HHSC’s concerns on a mutually agreeable basis.

Section 4.03 Executive Director.

(a) The MCO must employ a qualified individual to serve as the Executive Director for its HHSC MCO Program(s). Such Executive Director must be employed full-time by the MCO, be primarily dedicated to HHSC MCO Program(s), and must hold a Senior Executive or Management position in the MCO’s organization, except that the MCO may propose an alternate structure for the Executive Director position, subject to HHSC’s prior written approval.

(b) The Executive Director must be authorized and empowered to represent the MCO regarding all matters pertaining to the Contract prior to such representation. The Executive Director must act as liaison between the MCO and the HHSC and must have responsibilities that include, but are not limited to, the following:

(1) ensuring the MCO’s compliance with the terms of the Contract, including securing and coordinating resources necessary for such compliance;
(2) receiving and responding to all inquiries and requests made by HHSC related to the Contract, in the timeframes and formats specified by HHSC. Where practicable, HHSC must consult with the MCO to establish timeframes and formats reasonably acceptable to the Parties;
(3) attending and participating in regular HHSC MCO Executive Director meetings or conference calls;
(4) attending and participating in regular HHSC Regional Advisory Committees (RACs) for managed care (the Executive Director may designate key personnel to attend a RAC if the Executive Director is unable to attend);
(5) making best efforts to promptly resolve any issues identified either by the MCO or HHSC that may arise and are related to the Contract;
(6) meeting with HHSC representative(s) on a periodic or as needed basis to review the MCO’s performance and resolve issues, and
(7) meeting with HHSC at the time and place requested by HHSC, if HHSC determines that the MCO is not in compliance with the requirements of the Contract.

Section 4.04 Medical Director.
(a) The MCO must have a qualified individual to serve as the Medical Director for its HHSC MCO Program(s). The Medical Director must be currently licensed in Texas under the Texas Medical Board as an M.D. or D.O. with no restrictions or other licensure limitations. The Medical Director must comply with the requirements of 28 T.A.C. §11.1606 and all applicable federal and state statutes and regulations.
(b) The Medical Director, or his or her designee, must be available by telephone 24 hours a day, seven (7) days a week, for Utilization Review decisions. The Medical Director, and his/her designee, must either possess expertise with Behavioral Health Services, or ready access to such expertise to ensure timely and appropriate medical decisions for Members, including after regular business hours.
(c) The Medical Director, or his or her designee, must be authorized and empowered to represent the MCO regarding clinical issues, Utilization Review and quality of care inquiries. The Medical Director, or his or her designee, must exercise independent medical judgment in all decisions relating to Medical Necessity. The MCO must ensure that its decisions relating to Medical Necessity are not adversely influenced by fiscal management decisions. HHSC may conduct reviews of decisions relating to Medical Necessity upon reasonable notice.
(d) For purposes of this section, the Medical Director’s designee must be:
   (1) a physician that meets the qualifications for a Medical Director, as described in subparts (a) through (c), above; or
   (2) for prior authorization determinations for outpatient pharmacy benefits, a Texas-licensed pharmacist working under the direction of the Medical Director, provided such delegation is included in the MCO’s TDI-approved utilization review plan.
(e) The Medical Director, or his or her physician designee, must make determinations regarding Utilization Review appeals, including appeals of prior authorization denials for outpatient pharmacy benefits.

Section 4.04.1 STAR+PLUS Service Coordinator
(a) STAR+PLUS MCOs must employ as Service Coordinators persons experienced in meeting the needs of people with disabilities, old and young, and vulnerable populations who have Chronic or Complex Conditions. A Service Coordinator must have an undergraduate and/or graduate degree in social work or a related field, or be a Registered Nurse, Licensed Vocational Nurse, Advanced Nurse Practitioner, or a Physician Assistant.
(b) The STAR+PLUS MCO must monitor the Service Coordinator’s workload and performance to ensure that he or she is able to perform all necessary Service Coordination functions for the STAR+PLUS Members in a timely manner.
(c) The Service Coordinator must be responsible for working with the Member or his or her representative, the PCP and other Providers to develop a seamless package of care in which primary, Acute Care, and Long-term Services and Supports service needs are met through a single, understandable, rational plan. Each Member’s Service Plan must also be well coordinated with the Member’s family and community support systems, including Independent Living Centers, Area Agencies on Aging and Mental Retardation Authorities. The Service Plan should be agreed to and signed by the Member or the Member’s representative to indicate agreement with the plan. The plan should promote consumer direction and self-determination and may include information for services outside the scope of Covered Services such as how to access affordable, integrated housing. For Dual Eligible Members, the STAR+PLUS MCO is responsible for meeting the Member’s Community Long-term Services and Supports needs.
(d) The STAR+PLUS MCO must empower its Service Coordinators to authorize the provision and delivery of Covered Services, including Community Long-term Services and Supports Covered Services.

Section 4.05 Responsibility for MCO personnel and Subcontractors.
(a) MCO’s employees and Subcontractors will not in any sense be considered employees of HHSC or the State of Texas, but will be considered for all purposes as the MCO’s employees or its Subcontractor’s employees, as applicable.
(b) Except as expressly provided in this Contract, neither MCO nor any of MCO’s employees or Subcontractors may act in any sense as agents or representatives of HHSC or the State of Texas. (c) MCO agrees that anyone employed by MCO to fulfill the terms of the Contract is an employee of MCO and remains under MCO’s sole direction and control. MCO assumes sole and full responsibility for its acts and the acts of its employees and Subcontractors.

(d) MCO agrees that any claim on behalf of any person arising out of employment or alleged employment by the MCO (including, but not limited to, claims of discrimination against MCO, its officers, or its agents) is the sole responsibility of MCO and not the responsibility of HHSC. MCO will indemnify and hold harmless the State from any and all claims asserted against the State arising out of such employment or alleged employment by the MCO. MCO understands that any person who alleges a claim arising out of employment or alleged employment by MCO will not be entitled to any compensation, rights, or benefits from HHSC (including, but not limited to, tenure rights, medical and hospital care, sick and annual/vacation leave, severance pay, or retirement benefits).

(e) MCO agrees to be responsible for the following in respect to its employees:

1. Damages incurred by MCO’s employees within the scope of their duties under the Contract; and
2. Determination of the hours to be worked and the duties to be performed by MCO’s employees.

(f) MCO agrees and will inform its employees and Subcontractor(s) that there is no right of subrogation, contribution, or indemnification against HHSC for any duty owed to them by MCO pursuant to this Contract or any judgment rendered against the MCO. HHSC’s liability to the MCO’s employees, agents and Subcontractors, if any, will be governed by the Texas Tort Claims Act, as amended or modified (TEX. CIV. PRACT. & REM. CODE §101.001 et seq.).

(g) MCO understands that HHSC does not assume liability for the actions of, or judgments rendered against, the MCO, its employees, agents or Subcontractors. MCO agrees that it has no right to indemnification or contribution from HHSC for any such judgments rendered against MCO or its Subcontractors.

Section 4.06 Cooperation with HHSC and state administrative agencies.

(a) Cooperation with Other MCOs.
MCO agrees to reasonably cooperate with and work with the other MCOs in the MCO Programs, Subcontractors, and third-party representatives as requested by HHSC. To the extent permitted by HHSC’s financial and personnel resources, HHSC agrees to reasonably cooperate with MCO and to use its best efforts to ensure that other HHSC contractors reasonably cooperate with the MCO.

(b) Cooperation with state and federal administrative agencies.
MCO must ensure that MCO personnel will cooperate with HHSC or other state or federal administrative agency personnel at no charge to HHSC for purposes relating to the administration of MCO Programs including, but not limited to the following purposes:

1. The investigation and prosecution of Fraud, Abuse, and Waste in the HHSC programs;
2. Audit, inspection, or other investigative purposes; and
3. Testimony in judicial or quasi-judicial proceedings relating to the Services and/or Deliverables under this Contract or other delivery of information to HHSC or other agencies’ investigators or legal staff.

Section 4.07 Conduct of MCO personnel and Subcontractors.

(a) While performing the Scope of Work, MCO’s personnel and Subcontractors must:

1. Comply with applicable state rules and regulations and HHSC’s requests regarding personal and professional conduct generally applicable to the service locations; and
2. Otherwise conduct themselves in a businesslike and professional manner.

(b) If HHSC determines in good faith that a particular employee or Subcontractor is not conducting himself or herself in accordance with this Contract, HHSC may provide MCO with notice and documentation concerning such conduct. Upon receipt of such notice, MCO must promptly investigate the matter and take appropriate action that may include:

1. Removing the employee or Subcontractor from the project;
2. Providing HHSC with written notice of such removal; and
3. Replacing the employee or Subcontractor with a similarly qualified individual acceptable to HHSC.

(c) Nothing in the Contract will prevent MCO, at the request of HHSC, from replacing any personnel who are not adequately performing their assigned responsibilities or who, in the reasonable opinion of HHSC’s Project Manager, after consultation with MCO, are unable to work effectively with the members of the HHSC’s staff. In such event, MCO will provide replacement personnel with equal or greater skills and qualifications as soon as reasonably practicable. Replacement of Key Personnel will be subject to HHSC review. The Parties will work together in the event of any such replacement so as not to disrupt the overall project schedule.
Section 4.08 Subcontractors.

(a) MCO remains fully responsible for the obligations, services, and functions performed by its Subcontractors to the same extent as if such obligations, services, and functions were performed by MCO’s employees, and for purposes of this Contract such work will be deemed work performed by MCO. HHSC reserves the right to require the replacement of any Subcontractor found by HHSC to be unacceptable and unable to meet the requirements of the Contract, and to object to the selection of a Subcontractor.

(b) MCO must:
(1) actively monitor the quality of care and services, as well as the quality of reporting data, provided under a Subcontract;
(2) provide HHSC with a copy of TDI filings of delegation agreements;
(3) unless otherwise provided in this Contract, provide HHSC with written notice no later than:
   (i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract;
   (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting;
   (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and
   (iv) 30 calendar days prior to the termination date of any other Material Subcontract.

HHSC may grant a written exception to these notice requirements if, in HHSC’s reasonable determination, the MCO has shown good cause for a shorter notice period.

(c) During the Contract Period, Readiness Reviews by HHSC or its designated agent may occur if:
   (1) a new Material Subcontractor is employed by MCO;
   (2) an existing Material Subcontractor provides services in a new Service Area;
   (3) an existing Material Subcontractor provides services for a new MCO Program;
   (4) an existing Material Subcontractor changes locations or changes its MIS and or operational functions;
   (5) an existing Material Subcontractor changes one (1) or more of its MIS subsystems, claims processing or operational functions; or
   (6) a Readiness Review is requested by HHSC.

The MCO must submit information required by HHSC for each proposed Material Subcontractor as indicated in Section 7, “Transition Phase Requirements.” Refer to Sections 8.1.1.2, “Additional Readiness Reviews and Monitoring Efforts,” and 8.1.18, “Management Information System Requirements” for additional information regarding MCO Readiness Reviews during the Contract Period.

(d) MCO must not disclose Confidential Information of HHSC or the State of Texas to a Subcontractor unless and until such Subcontractor has agreed in writing to protect the confidentiality of such Confidential Information in the manner required of MCO under this Contract.

(e) MCO must identify any Subcontractor that is a subsidiary or entity formed after the Effective Date of the Contract, whether or not an Affiliate of MCO. The MCO must substantiate the proposed Subcontractor’s ability to perform the subcontracted Services, and certify to HHSC that no loss of service will occur as a result of the performance of such Subcontractor. The MCO will be the sole point of contact with regard to contractual matters.

(f) Except as provided herein, all Subcontracts must be in writing and must provide HHSC the right to examine the Subcontract and all Subcontractor records relating to the Contract and the Subcontract. This requirement does not apply to agreements with utility or mail service providers.

(g) A Subcontract whereby MCO receives rebates, recoupments, discounts, payments, or other consideration from a Subcontractor (including without limitation Affiliates) pursuant to or related to the execution of this Contract must be in writing and must provide HHSC the right to examine the Subcontract and all records relating to such consideration.

(h) All Subcontracts described in subsections (f) and (g) must show the dollar amount or the value of any consideration that MCO pays to or receives from the Subcontractor.

(i) HMO must submit a copy of each Material Subcontract executed prior to the Effective Date of the Contract to HHSC no later than thirty (30) days after the Effective Date of the Contract. For Material Subcontracts executed or amended after the Effective Date of the Contract, MCO must submit a copy to HHSC no later than five (5) Business Days after execution or amendment.

(j) Network Provider Contracts must include the mandatory provisions included in Uniform Managed Care Manual Chapter 8.1, “Provider Contract Checklist.”

(k) HHSC reserves the right to reject any Subcontract or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.
Section 4.09 HHSC’s ability to contract with Subcontractors.

The MCO may not limit or restrict, through a covenant not to compete, employment contract or other contractual arrangement, HHSC’s ability to contract with Subcontractors or former employees of the MCO.

Section 4.10 MCO Agreements with Third Parties

(a) If the MCO intends to report compensation paid to a third party (including without limitation an Affiliate) as an Allowable Expense under this Contract, the compensation paid to the third party exceeds $200,000, or is reasonably anticipated to exceed $200,000, in a State Fiscal Year, then the MCO’s agreement with the third party must be in writing. The agreement must provide HHSC the right to examine the agreement and all records relating to the agreement.
(b) All agreements whereby the MCO or its Subcontractors receive discounts, incentives, rebates, fees, free goods, bundling arrangements, recoupments, retrocession, payments, or other consideration from a third party (including without limitation Affiliates) pursuant to or related to the execution of this Contract, must be in writing and must provide HHSC and the Office of Attorney General the right to examine the agreement and all records relating to such consideration.
(c) All agreements described in subsections (a) and (b) must show the dollar amount, the percentage of money, or the value of any consideration that MCO pays to or receives from the third party.
(d) MCO must submit a copy of each third party agreement described in subsections (a) and (b) to HHSC. If the third party agreement is entered into prior to the Effective Date of the Contract, MCO must submit a copy no later than thirty (30) days after the Effective Date of the Contract. If the third party agreement is executed after the Effective Date of the Contract, MCO must submit a copy no later than five (5) Business Days after execution.
(e) For third party agreements valued under $200,000 per State Fiscal Year that are reported as Allowable Expenses, the MCO must maintain financial records and data sufficient to verify the accuracy of such expenses in accordance with the requirements of Article 9, “Audit and Financial Compliance.”
(f) HHSC reserves the right to reject any third party agreement or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.
(g) Upon request, the MCO and its Subcontractors must provide all information described in Section 4.10 to HHSC and the Office of Attorney General at no cost.
(h) This section must not apply to Provider Contracts, or agreements with utility or mail service providers.
(i) MCO must comply with the requirements of Section 6505 of the PPACA, entitled “Prohibition on Payments to Institutions or Entities Located Outside of the United States.”
(j) Provider payment must comply with the requirements of Section 2702 of PPACA, entitled “Payment Adjustment for Health Acquired Conditions.”

Section 4.11 Prohibition Against Performance Outside the United States.

(a) Findings.

(1) HHSC finds the following:

(A) HHSC is responsible for administering several public programs that require the collection and maintenance of information relating to persons who apply for and receive services from HHSC programs. This information consists of, among other things, personal financial and medical information and information designated “Confidential Information” under state and federal law and this Agreement. Some of this information may, within the limits of the law and this Agreement, be shared from time to time with MCO or a subcontractor for purposes of performing the Services or providing the Deliverables under this Agreement.

(B) HHSC is legally responsible for maintaining the confidentiality and integrity of information relating to applicants and recipients of HHSC services and ensuring that any person or entity that receives such information—including MCO and any subcontractor—is similarly bound by these obligations.
(C) HHSC also is responsible for the development and implementation of computer software and hardware to support HHSC programs. These items are paid for, in whole or in part, with state and federal funds. The federal agencies that fund these items maintain a limited interest in the software and hardware so developed or acquired.

(D) Some of the software used or developed by HHSC may also be subject to statutory restrictions on the export of technology to foreign nations, including but not limited to the Export Administration Regulations, 15 C.F.R. Parts 730-774.

(2) In view of these obligations, and to ensure accountability, integrity, and the security of the information maintained by or for HHSC and the work performed on behalf of HHSC, HHSC DETERMINES that it is necessary and appropriate to require THAT:

(A) All work performed under this Agreement must be performed exclusively within the United States; and

(B) All information obtained by MCO or a subcontractor under this Agreement must be maintained within the United States.

(3) Further, HHSC finds it necessary and appropriate to forbid the performance of any work or the maintenance of any information relating or obtained pursuant to this Agreement to occur outside of the United States except as specifically authorized or approved by HHSC.

(b) Meaning of “within the United States” and “outside the United States.”

(1) As used in this Section 4.11, the term “within the United States” means any location inside the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(2) Conversely, the phrase “outside the United States” means any location that is not within the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(c) Maintenance of Confidential Information.

(1) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not allow any Confidential Information that MCO receives from or on behalf of HHSC to leave the United States by any means (physical or electronic) at any time, for any period of time, for any reason.

(2) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to have remote access to HHSC information, systems, or Deliverables from a location outside the United States.

(d) Performance of Work under Agreement.

(1) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must perform all services under the Agreement, including all tasks, functions, and responsibilities assigned and delegated to MCO under this Agreement, within the United States.

(A) This obligation includes, but is not limited to, all Services, including but not limited to information technology services, processing, transmission, storage, archiving, data center services, disaster recovery sites and services, customer support), medical, dental, laboratory and clinical services.

(B) All custom software prepared for performance of this Agreement, and all modifications of custom, third party, or vendor proprietary software, must be performed within the United States.

(2) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to perform work under this Agreement from a location outside the United States.

(e) Exceptions.
(1) COTS Software. The foregoing requirements will not preclude the acquisition or use of commercial off-the-shelf software that is developed outside the United States or hardware that is generically configured outside the United States.

(2) Foreign-made Products and Supplies. The foregoing requirements will not preclude MCO from acquiring, using, or reimbursing products or supplies that are manufactured outside the United States, provided such products or supplies are commercially available within the United States for acquisition or reimbursement by HHSC.

(3) HHSC Prior Approval. The foregoing requirements will not preclude MCO from performing work outside the United States that HHSC has approved in writing and that HHSC has confirmed will not involve the sharing of Confidential Information outside the United States.

(f) Disclosure.

MCO must disclose all Services and Deliverables under or related to this Agreement that MCO intends to perform or has performed outside the United States, whether directly or via subcontractors, vendors, agents, or service providers.

(g) Remedy.

(1) MCO’s violation of this Section 4.11 will constitute a material breach in accordance with Article 12. MCO will be liable to HHSC for all monetary damages, in the form of actual, consequential, direct, indirect, special and/or liquidated damages in accordance with this Agreement.

(2) HHSC may terminate the Agreement with notice to MCO at least one calendar day before the effective date of such termination.

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**Article 5. Member Eligibility & Enrollment**

**Section 5.01 Eligibility Determination**

The State or its designee will make eligibility determinations for each of the HHSC MCO Programs.

**Section 5.02 Member Enrollment & Disenrollment.**

(a) The HHSC Administrative Services Contractor will enroll and disenroll eligible individuals in the MCO Program. To enroll in an MCO, the Member's permanent residence must be located within the MCO's Service Area. The MCO is not allowed to induce or accept disenrollment from a Member. The MCO must refer the Member to the HHSC Administrative Services Contractor.

(b) HHSC makes no guarantees or representations to the MCO regarding the number of eligible Members who will ultimately be enrolled into the MCO or the length of time any such enrolling Members remain enrolled with the MCO. The MCO has no ownership interest in its Member base, and therefore cannot sell or transfer this base to another entity.

(c) The HHSC Administrative Services Contractor will electronically transmit to the MCO new Member information and change information applicable to active Members.

(d) As described in the following Sections, depending on the MCO Program, special conditions may also apply to enrollment and span of coverage for the MCO.

(e) A Medicaid MCO has a limited right to request a Member be disenrolled from MCO without the Member's consent. HHSC must approve any MCO request for disenrollment of a Member for cause. MCO must take reasonable measures to correct Member behavior prior to requesting disenrollment. Reasonable measures may include providing education and counseling regarding the offensive acts or behaviors. HHSC may permit disenrollment of a Member under the following circumstances:

1. Member misuses or loans Member's MCO membership card to another person to obtain services.
2. Member is disruptive, unruly, threatening or uncooperative to the extent that Member's membership seriously impairs MCO's or Provider's ability to provide services to Member or to obtain new Members, and Member's behavior is not caused by a physical or behavioral health condition.
3. Member steadfastly refuses to comply with managed care restrictions (e.g., repeatedly using emergency room in combination with refusing to allow MCO to treat the underlying medical condition).
(f) HHSC must notify the Member of HHSC’s decision to disenroll the Member if all reasonable measures have failed to remedy the problem.

(g) If the Member disagrees with the decision to disenroll the Member from MCO, HHSC must notify the Member of the availability of the Complaint procedure and, for Medicaid Members, HHSC’s Fair Hearing process.

(h) MCO cannot request a disenrollment based on adverse change in the member’s health status or utilization of services that are Medically Necessary for treatment of a member’s condition.

(i) Members taken into conservatorship by the Department of Family and Protective Services (DFPS) will be disenrolled from the MCO effective the date of conservatorship, and enrolled in the STAR Health Program unless otherwise determined by DFPS.

**Section 5.03 STAR enrollment for pregnant women and infants.**

(a) The HHSC Administrative Services Contractor will retroactively enroll some pregnant Members in a Medicaid MCO based on their date of eligibility.

(b) The HHSC Administrative Services Contractor will enroll newborns born to Medicaid eligible mothers who are enrolled in a STAR MCO in the same MCO for at least 90 days following the date of birth, unless the mother requests a plan change as a special exception. The HHSC Administrative Service Contractor will consider such requests on a case-by-case basis. The HHSC Administrative Services Contractor will retroactively, to date of birth, enroll newborns in the applicable STAR MCO.

**Section 5.03.1 Enrollment for infants born to pregnant women in STAR+PLUS.**

If a newborn is born to a Medicaid-eligible mother enrolled in a STAR+PLUS MCO, the HHSC Administrative Service Contractor will enroll the newborn into that MCO’s STAR MCO product, if one (1) exists. All rules related to STAR newborn enrollment will apply to the newborn. If the STAR+PLUS MCO does not have a STAR product but the newborn is eligible for STAR, the newborn will be enrolled in traditional Fee-for-Service Medicaid, and given the opportunity to select a STAR MCO.

**Section 5.04 CHIP eligibility and enrollment.**

(a) Term of coverage.

The HHSC Administrative Services Contractor determines CHIP eligibility on HHSC’s behalf. The HHSC Administrative Services Contractor will enroll and disenroll eligible individuals into and out of CHIP.

(b) Pregnant Members and Infants.

(1) The HHSC Administrative Contractor will refer pregnant CHIP Members, with the exception of Legal Permanent Residents and other legally qualified aliens barred from Medicaid due to federal eligibility restrictions, to Medicaid for eligibility determinations. Those CHIP Members who are determined to be Medicaid Eligible will be disenrolled from MCO’s CHIP plan. Medicaid coverage will be coordinated to begin after CHIP eligibility ends to avoid gaps in health care coverage.

(2) In the event the MCO remains unaware of a CHIP Member’s pregnancy until delivery, the facility and professional costs associated with the delivery will be covered by CHIP in accordance with Attachment B-1.1, “CHIP Covered Services.” This includes the post-delivery costs for the newborn’s care while in the facility, as described in Attachment B-1.1, “CHIP Covered Services.” The HHSC Administrative Services Contractor will set a pregnant CHIP mother’s eligibility expiration date at the later of (1) the end of the second month following the month of the pregnancy delivery or the pregnancy termination or (2) the Member’s original eligibility expiration date.

The Administrative Services Contractor will screen the newborn’s eligibility for Medicaid, and then CHIP (if the newborn is not eligible for Medicaid). If the newborn is eligible for CHIP, the Administrative Services Contractor will enroll the newborn in the mother’s CHIP plan prospectively, following standard cut-off rules. The newborn’s CHIP eligibility ends when the mother’s CHIP eligibility expires, as described above.

**Section 5.05 CHIP Perinatal eligibility, enrollment, and disenrollment**
(a) The HHSC Administrative Contractor will electronically transmit to the MCO new CHIP Perinate Member information based on the appropriate CHIP Perinate or CHIP Perinate Newborn Rate Cell. There is no waiting period for CHIP Perinatal Program Members.

(b) Once born, a CHIP Perinate who lives in a family with an income at or below 185% of the FPL will be deemed eligible for 12 months of continuous Medicaid coverage (beginning on the date of birth). A CHIP Perinate will continue to receive coverage through the CHIP Perinatal Program as a “CHIP Perinate Newborn” after birth if the child’s family income is above 185% to 200% FPL. A CHIP Perinate Newborn is eligible for 12 months continuous enrollment, beginning with the month of enrollment as a CHIP Perinate (month of enrollment as an unborn child plus 11 months). A CHIP Perinate Newborn will maintain coverage in his or her CHIP Perinatal MCO.

(c) HHSC’s Administrative Services Contractor will send an enrollment packet to the prospective CHIP Perinate Members’ households. If the household does not make a selection within 15 calendar days, the HHSC Administrative Services Contractor will notify the household that the prospective member has been assigned to a CHIP Perinatal MCO (“Default Enrollment”). When this occurs the household has 90 calendar days to select another CHIP Perinatal MCO for the Member.

(d) HHSC’s Administrative Services Contractor will assign prospective members to CHIP Perinatal MCOs in a Service Area in a rotational basis. Should HHSC implement one (1) or more administrative rules governing the Default Enrollment processes, such administrative rules will take precedence over the Default Enrollment process set forth herein.

(e) When a member of a household enrolls in the CHIP Perinatal Program, all traditional CHIP members in the household will be disenrolled from their current health plans and prospectively enrolled in the CHIP Perinatal Program Member’s health plan. All members of the household must remain in the same health plan until the later of: (1) the end of the CHIP Perinatal Program Member’s enrollment period, or (2) the end of the traditional CHIP members’ enrollment period.

(f) In the 10th month of the CHIP Perinate Newborn’s coverage, the family will receive a CHIP renewal form. The family must complete and submit the renewal form, which will be pre-populated to include the CHIP Perinate Newborn’s and the CHIP Program Members’ information. Once the Member’s CHIP Perinatal Program coverage expires, the Member will be added to his or her siblings’ existing CHIP program case.

Section 5.06 Span of Coverage

(a) Medicaid MCOs.

1. Open Enrollment.

   HHSC will conduct continuous open enrollment for Medicaid Eligibles and the MCO must accept all persons who choose to enroll as Members in the MCO or who are assigned as Members in the MCO by HHSC, without regard to the Member's health status or any other factor.

2. Enrollment of New Medicaid Eligibles.

   Persons who become eligible for Medicaid during an Inpatient Stay in a Hospital will not be enrolled in a Medicaid MCO until discharged from the Hospital, with the following exceptions: (1) Members retroactively enrolled in STAR in accordance with Section 5.03, “STAR Enrollment of Pregnant Women and Infants,” (2) Members prospectively enrolled in STAR or STAR+PLUS who are at or below 12 months of age, and (3) Members retroactively enrolled in STAR in accordance with Section 5.03.1, “Enrollment for infants born to pregnant women in STAR+PLUS.” Except as provided in the following table, if a Member is enrolled in a Medicaid MCO during an Inpatient Stay, the Medicaid MCO will be responsible for all Covered Services beginning on the Effective Date of Coverage. If a Member is enrolled during an Inpatient Stay under either of the above-referenced exceptions, responsibility for the Inpatient Stay services is assigned as follows:

<table>
<thead>
<tr>
<th>Responsibility for Inpatient Stay Services</th>
<th>Hospital Facility Charges</th>
<th>Professional Services Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Retroactively Enrolled in STAR per §5.03 or in STAR+PLUS per §5.03.1</td>
<td>MCO</td>
<td>MCO</td>
</tr>
<tr>
<td>Member ≤ 12 Months of Age Who Is Prospectively Enrolled in STAR or STAR+PLUS</td>
<td>Medicaid FFS</td>
<td>MCO</td>
</tr>
</tbody>
</table>
(3) Movement between STAR or STAR+PLUS MCOs.

Except as provided in Section 5.06(a)(8), a Member cannot change from a STAR or STAR+PLUS MCO to a different STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility.

(4) Movement from Medicaid Fee-for-Service to a STAR or STAR+PLUS MCO.

A Medicaid recipient can move from Medicaid Fee-for-Service into a STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential treatment facility, or residential detoxification facility. Except as provided in subpart (a)(2), responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the Medicaid Fee-for-Service program will continue to pay allowable facility charges until the earlier of the date of Discharge or loss of Medicaid eligibility; and (2) beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all other Covered Services.

Beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all covered services. The MCO may evaluate for medical necessity prior to the end of the authorized services period.

(5) Movement from a STAR MCO to the STAR Health MCO.

A Medicaid recipient can move from the STAR Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR MCO will continue to pay Hospital facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(6) Movement from a STAR+PLUS MCO to the STAR Health MCO.

A Medicaid recipient can move from the STAR+PLUS Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, (2) and the Medicaid FFS program will continue to pay Hospital facility charges for non-Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (3) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(7) Movement from STAR+PLUS to Medicaid Fee-for-Service.

A Medicaid recipient can move from the STAR+PLUS Program to FFS (if a child) during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for inpatient Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the effective date of FFS coverage, FFS will pay for all other Medicaid services.

(8) Movement from STAR to STAR+PLUS or Medicaid Fee-for-Service due to SSI Status.

When a STAR member in the Medicaid Rural Service Area becomes qualified for SSI, the member will remain in STAR (if an adult without Medicare), or may choose to stay in STAR or move to FFS (if a child). The process described in Section 5.06(c) will apply if a child member elects to move to FFS.

When a STAR member in another Service Area becomes qualified for SSI, the STAR member will move, in accordance with the processes described in Section 5.06(c): (1) to FFS or STAR+PLUS (if a child), or (2) to STAR+PLUS (if an adult).

If a move occurs during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility, responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the STAR MCO will continue to pay facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage for STAR+PLUS or the effective date of FFS coverage, the new entity will pay for all other Medicaid services.

(9) Responsibility for Costs Incurred After Loss of Medicaid Eligibility.

Medicaid MCOs are not responsible for services incurred on or after the effective date of loss of Medicaid eligibility.

(10) Reenrollment after Temporary Loss of Medicaid Eligibility.
Members who are disenrolled because they are temporarily ineligible for Medicaid will be automatically re-enrolled into the same MCO, if available. Temporary loss of eligibility is defined as a period of six (6) months or less.

(b) CHIP MCOs.

If a CHIP Program or CHIP Perinatal Program Member's Effective Date of Coverage occurs while the Member is confined in a Hospital, MCO is responsible for the Member's costs of Covered Services beginning on the Effective Date of Coverage. If a Member is disenrolled while the Member is confined in a Hospital, MCO's responsibility for the Member's costs of Covered Services terminates on the Date of Disenrollment.

(c) Effective Date of SSI Status.

In accordance with Section 8.2.13, SSI status is effective on the date the State's eligibility system identifies a STAR, CHIP, or CHIP Perinatal Program Member as Type Program 13 (TP 13). HHSC is responsible for updating the State's eligibility system within 45 days of official notice of the Member's Federal SSI status by the Social Security Administration (SSA). Once HHSC has updated the State's eligibility system to identify the STAR, CHIP, or CHIP Perinatal Program Member as TP13, following standard eligibility cut-off rules, HHSC will allow the Member to:

(1) prospectively move to Medicaid FFS (if the Member is a child in any part of the State);
(2) prospectively move to STAR+PLUS (if the Member is a child in a STAR+PLUS Service Area); or
(3) remain in STAR (if the Member is a child who is already enrolled in STAR in a Service Area not served by STAR+PLUS).

HHSC will not retroactively disenroll a Member from the STAR, CHIP, or CHIP Perinatal Programs.

Section 5.07 Verification of Member Eligibility.

Medicaid MCOs are prohibited from entering into an agreement to share information regarding their Members with an external vendor that provides verification of Medicaid recipients’ eligibility to Medicaid providers. All such external vendors must contract with the State and obtain eligibility information from the State.

Section 5.08 Modified Default Enrollment Process

Under the circumstances described in HHSC's administrative rules at 1 Tex. Admin. Code § 353.403 and 1 Tex. Admin. Code § 370.303, HHSC may implement a modified default enrollment process to equitably assign enrollees who have not selected an MCO. To the extent possible, HHSC will make assignments based on an enrollee's prior history with and geographic proximity to a PCP. HHSC will determine the length of the modified default enrollment period by considering factors such as MCO market share, viability, and Member Choice. HHSC reserves the right to extend the modified default period, or implement additional modified default periods as it determines necessary and with prior written notice to impacted MCOs.

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Article 6. Service Levels & Performance Measurement

Section 6.01 Performance measurement.

Satisfactory performance of this Contract will be measured by:
(a) Adherence to this Contract, including all representations and warranties;
(b) Delivery of the Services and Deliverables;
(c) Results of audits performed by HHSC or its representatives in accordance with Article 9, “Audit and Financial Compliance”;
(d) Timeliness, completeness, and accuracy of required reports; and
(e) Achievement of performance measures developed by MCO and HHSC and as modified from time to time by written agreement during the term of this Contract.

Article 7. Governing Law & Regulations
Section 7.01 Governing law and venue.

This Contract is governed by the laws of the State of Texas and interpreted in accordance with Texas law. Provided MCO first complies with the procedures set forth in Section 12.13, “Dispute Resolution,” proper venue for claims arising from this Contract will be in the State District Court of Travis County, Texas.

Section 7.02 MCO responsibility for compliance with laws and regulations.

(a) MCO must comply, to the satisfaction of HHSC, with all provisions set forth in this Contract, all provisions of state and federal laws, rules, regulations, federal waivers, policies and guidelines, and any court-ordered consent decrees, settlement agreements, or other court orders that govern the performance of the Scope of Work including, but not limited to, all applicable provisions of the following:

1. Titles XIX and XXI of the Social Security Act;
2. Chapters 62 and 63, Texas Health and Safety Code;
3. Chapters 531 and 533, Texas Government Code;
4. 42 C.F.R. Parts 417, 455, and 457, as applicable;
5. 45 C.F.R. Parts 74 and 92;
6. 48 C.F.R. Part 31, or OMB Circular A-122, based on whether the entity is for-profit or nonprofit;
7. 1 T.A.C. Part 15, Chapters 361, 370, 371, 391, and 392;
8. Consent Decree and Corrective Action Orders, Frew, et al. v. Janek, et al., (applies to Medicaid MCOs only);
10. Texas Human Resources Code Chapters 32 and 36;
11. Texas Penal Code Chapter 35A (Medicaid Fraud);
12. 1 T.A.C. Chapter 353;
13. 1 T.A.C. Chapter 354, Subchapters B, J, and F, with the exception of the following provisions in Subchapter F: 1 T.A.C. §354.1865, §354.1867, §354.1873, and Division 6, Pharmacy Claims; and §354.3047;
14. 1 T.A.C. Chapter 354, Subchapters I and K, as applicable;
15. The Patient Protection and Affordable Care Act (PPACA; Public Law 111-148);
16. The Health Care and Education Reconciliation Act of 2010 (HCERA; Public Law 111-152) 42 CFR Part 455;
17. The Immigration and Nationality Act (8 U.S.C § 1101 et seq.) and all subsequent immigration laws and amendments; and
18. all State and Federal tax laws, State and Federal employment laws, State and Federal regulatory requirements, and licensing provisions.

(b) The Parties acknowledge that the federal and/or state laws, rules, regulations, policies, or guidelines, and court-ordered consent decrees, settlement agreements, or other court orders that affect the performance of the Scope of Work may change from time to time or be added, judicially interpreted, or amended by competent authority. MCO acknowledges that the MCO Programs will be subject to continuous change during the term of the Contract and, except as provided in Section 8.02, MCO has provided for or will provide for adequate resources, at no additional charge to HHSC, to reasonably accommodate such changes. The Parties further acknowledge that MCO was selected, in part, because of its expertise, experience, and knowledge concerning applicable Federal and/or state laws, regulations, policies, or guidelines that affect the performance of the Scope of Work. In keeping with HHSC’s reliance on this knowledge and expertise, MCO is responsible for identifying the impact of changes in applicable Federal or state legislative enactments and regulations that affect the performance of the Scope of Work or the State's use of the Services and Deliverables. MCO must timely notify HHSC of such changes and must work with HHSC to identify the impact of such changes.

(c) HHSC will notify MCO of any changes in applicable law, regulation, policy, or guidelines that HHSC becomes aware of in the ordinary course of its business.

(d) MCO is responsible for any fines, penalties, or disallowances imposed on the State or MCO arising from any noncompliance with the laws and regulations relating to the delivery of the Services or Deliverables by the MCO, its Subcontractors or agents.

(e) MCO is responsible for ensuring each of its employees, agents or Subcontractors who provide Services under the Contract are properly licensed, certified, and/or have proper permits to perform any activity related to the Services.

(f) MCO warrants that the Services and Deliverables will comply with all applicable Federal, State, and County laws, regulations, codes, ordinances, guidelines, and policies. MCO will indemnify HHSC from and against any losses, liability, claims, damages, penalties, costs, fees, or expenses arising from or in connection with MCO's failure to comply with or violation of any such law, regulation, code, ordinance, or policy.

Section 7.03 TDI licensure/ANHC certification and solvency.
(a) Licensure
MCO must receive TDI approval to operate in all counties of the Service Areas included within the scope of the Contract.

(b) Solvency
MCO must maintain compliance with the Texas Insurance Code and rules promulgated and administered by the TDI requiring a fiscally sound operation. MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

1. continuation of benefits, until the time of discharge, to Members who are confined on the date of insolvency in a Hospital or other inpatient facility;
2. payment to unaffiliated health care providers and affiliated health care providers whose agreements do not contain member “hold harmless” clauses acceptable to TDI for required services rendered to Members for the duration of the Contract period for which HHSC has paid a Capitation Payment, and
3. continuation of benefits for the duration of the Contract period for which HHSC has paid a Capitation Payment.

Provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI.

Section 7.04 This Section Intentionally Left Blank

Section 7.05 Compliance with state and federal anti-discrimination laws.

(a) MCO agrees to comply with state and federal anti-discrimination laws, including without limitation:

1. Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq.);
2. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794);
4. Age Discrimination Act of 1975 (42 U.S.C. §§6101-6107);
5. Title IX of the Education Amendments of 1972 (20 U.S.C. §§1681-1688);
6. Food Stamp Act of 1977 (7 U.S.C. §200 et seq.); and
7. The HHS agency’s administrative rules, as set forth in the Texas Administrative Code, to the extent applicable to this Agreement.

MCO agrees to comply with all amendments to the above-referenced laws, and all requirements imposed by the regulations issued pursuant to these laws. These laws provide in part that no persons in the United States may, on the grounds of race, color, national origin, sex, age, disability, political beliefs, or religion, be excluded from participation in or denied any aid, care, service or other benefits provided by Federal or State funding, or otherwise be subjected to discrimination.

(b) MCO agrees to comply with Title VI of the Civil Rights Act of 1964, and its implementing regulations at 45 C.F.R. Part 80 or 7 C.F.R. Part 15, prohibiting a contractor from adopting and implementing policies and procedures that exclude or have the effect of excluding or limiting the participation of clients in its programs, benefits, or activities on the basis of national origin. Applicable state and federal civil rights laws require contractors to provide alternative methods for ensuring access to services for applicants and recipients who cannot express themselves fluently in English. MCO agrees to ensure that its policies do not have the effect of excluding or limiting the participation of persons in its programs, benefits, and activities on the basis of national origin.

MCO also agrees to take reasonable steps to provide services and information, both orally and in writing, in appropriate languages other than English, in order to ensure that persons with limited English proficiency are effectively informed and can have meaningful access to programs, benefits, and activities.

(c) MCO agrees to comply with Executive Order 13279, and its implementing regulations at 45 C.F.R. Part 87 or 7 C.F.R. Part 16. These provide in part that any organization that participates in programs funded by direct financial assistance from the United States Department of Agriculture or the United States Department of Health and Human Services must not, in providing services, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

(d) Upon request, MCO will provide HHSC Civil Rights Office with copies of all of the MCO’s civil rights policies and procedures.

(e) MCO must notify HHSC’s Civil Rights Office of any civil rights complaints received relating to its performance under this Agreement. This notice must be delivered no more than ten (10) calendar days after receipt of a complaint. Notice provided pursuant to this section must be directed to:

HHSC Civil Rights Office
701 W. 51st Street, Mail Code W206
Austin, Texas 78751
Phone Toll Free: (888) 388-6332
Phone: (512) 438-4313
TTY Toll Free: (877) 432-7232
Fax: (512) 438-5885.
Section 7.06 Environmental protection laws.

MCO must comply with the applicable provisions of federal environmental protection laws as described in this Section:

(a) Pro-Children Act of 1994. MCO must comply with the Pro-Children Act of 1994 (20 U.S.C. §6081 et seq.), as applicable, regarding the provision of a smoke-free workplace and promoting the non-use of all tobacco products.


(c) Clean Air Act and Water Pollution Control Act regulations. MCO must comply with any applicable provisions relating to required notification of facilities violating the requirements of Executive Order 11738 (“Providing for Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans”).

(d) State Clean Air Implementation Plan. MCO must comply with any applicable provisions requiring conformity of federal actions to State (Clean Air) Implementation Plans under §176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §740 et seq.).


Section 7.07 HIPAA.

(a) MCO must comply with applicable provisions of HIPAA. This includes, but is not limited to, the requirement that the MCO’s MIS system comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to HIPAA. MCO must comply with HIPAA EDI requirements.

(b) Additionally, MCO must comply with HIPAA notification requirements, including those set forth in the Health Information Technology for Economic and Clinical Health Act (HITECH Act) at 42 U.S.C. 17931 et seq. MCO must notify HHSC of all breaches or potential breaches of unsecured protected health information, as defined by the HITECH Act, without unreasonable delay and in no event later than 60 calendar days after discovery of the breach or potential breach. If, in HHSC’s determination, MCO has not provided notice in the manner or format prescribed by the HITECH Act, then HHSC may require the MCO to provide such notice.

Section 7.08 Historically Underutilized Business Participation Requirements

(a) Definitions. For purposes of this Section:

(1) “Historically Underutilized Business” or “HUB” means a minority or women-owned business as defined by Texas Government Code, Chapter 2161

(2) “HSP” means a HUB Subcontracting Plan.

(b) HUB Requirements. In accordance with Attachment B-1, Section 8.1.20.2, the MCO must submit an HSP for HHSC’s approval during the Transition Phase, and maintain the HSP thereafter.

(2) MCO must report to HHSC’s contract manager and HUB Office monthly, in the format required by Chapter 5.4.4.5 of the Uniform Managed Care Manual, its use of HUB subcontractors to fulfill the subcontracting opportunities identified in the HSP.

(3) MCO must obtain prior written approval from the HHSC HUB Office before making any changes to the HSP. The proposed changes must comply with HHSC’s good faith effort requirements relating to the development and submission of HSPs.

(4) HHSC will determine if the value of Subcontracts to HUBs meet or exceed the HUB subcontracting provisions specified in the MCO's HSP. If HHSC determines that the MCO's subcontracting activity does not demonstrate a good faith effort, the MCO may be subject to provisions in the Vendor Performance and Debarment Program (Title 34, Part 1, Chapter 20, Subchapter C, Rule §20.105), and subject to remedies for Breach.
Section 8.01 Mutual agreement.

This Contract may be amended at any time by mutual agreement of the Parties. The amendment must be in writing and signed by individuals with authority to bind the Parties.

Section 8.02 Changes in law or contract.

If Federal or State laws, rules, regulations, policies or guidelines are adopted, promulgated, judicially interpreted or changed, or if contracts are entered or changed, the effect of which is to alter the ability of either Party to fulfill its obligations under this Contract, the Parties will promptly negotiate in good faith appropriate modifications or alterations to the Contract. Such modifications or alterations must be in writing and signed by individuals with authority to bind the parties, equitably adjust the terms and conditions of this Contract, and must be limited to those provisions of this Contract affected by the change.

Section 8.03 Modifications as a remedy.

This Contract may be modified under the terms of Article 12, “Remedies and Disputes.”

Section 8.04 Modification Process.

(a) If HHSC seeks modifications to the Contract, HHSC’s notice to MCO will specify those modifications to the Scope of Work, the Contract pricing terms, or other Contract terms and conditions.

(b) MCO must respond to HHSC’s proposed modification within the timeframe specified by HHSC, generally within ten (10) Business Days of receipt. Upon receipt of MCO’s response to the proposed modifications, HHSC may enter into negotiations with MCO to arrive at mutually agreeable Contract amendments. In the event that HHSC determines that the Parties will be unable to reach agreement on mutually satisfactory contract modifications, then HHSC will provide written notice to MCO of its intent terminate the Contract, or not to extend the Contract beyond the current Contract Term.

Section 8.05 Modification of the Uniform Managed Care Manual.

(a) HHSC will provide MCO with at least ten (10) Business Days advance written notice before implementing a substantive and material change in the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). The Uniform Managed Care Manual, and all modifications thereto made during the Contract Term, are incorporated by reference into this Contract. HHSC will provide MCO with a reasonable amount of time to comment on such changes, generally at least five (5) Business Days. HHSC is not required to provide advance written notice of changes that are not material and substantive in nature, such as corrections of clerical errors or policy clarifications.

(b) The Parties agree to work in good faith to resolve disagreements concerning material and substantive changes to the Uniform Managed Care Manual. If the Parties are unable to resolve issues relating to material and substantive changes, then either Party may terminate the agreement in accordance with Article 12, “Remedies and Disputes.”

(c) Changes will be effective on the date specified in HHSC’s written notice, which will not be earlier than the MCO’s response deadline, and such changes will be incorporated into the Uniform Managed Care Manual. If the MCO has raised an objection to a material and substantive change to the Uniform Managed Care Manual and submitted a notice of termination in accordance with Section 12.04(c), HHSC will not enforce the policy change for the objecting MCO during the period of time between the receipt of the notice and the date of Contract termination.

Section 8.06 CMS approval of amendments

Amendments, modifications, and changes to the Contract are subject to the approval of the Centers for Medicare and Medicaid Services (“CMS.”)

Section 8.07 Required compliance with amendment and modification procedures.

No different or additional services, work, or products will be authorized or performed except as authorized by this Article. No waiver of any term, covenant, or condition of this Contract will be valid unless executed in compliance with this Article. MCO will not be entitled to payment for any services, work or products that are not authorized by a properly executed Contract amendment or modification.

Article 9. Audit & Financial Compliance
Section 9.01 Record retention and audit.

MCO agrees to maintain, and require its Subcontractors to maintain, records, books, documents, and information (collectively “records”) that are adequate to ensure that services are provided and payments are made in accordance with the requirements of this Contract, including applicable Federal and State requirements (e.g., 45 CFR §74.53). Such records must be retained by MCO or its Subcontractors for a period of five (5) years after the Contract Expiration Date or until the resolution of all litigation, claim, financial management review or audit pertaining to this Contract, whichever is longer.

Section 9.02 Access to records, books, and documents.

(a) Upon reasonable notice, MCO must provide, and cause its Subcontractors to provide, at no cost to the officials and entities identified in this Section prompt, reasonable, and adequate access to any records that are related to the scope of this Contract.

(b) MCO and its Subcontractors must provide the access described in this Section upon HHSC’s request. This request may be for, but is not limited to, the following purposes:

(1) Examinations;
(2) Audits;
(3) Investigations;
(4) Contract administration; or
(5) The making of copies, excerpts, or transcripts.

(c) The access required must be provided to the following officials and/or entities:

(1) The United States Department of Health and Human Services or its designee;
(2) The Comptroller General of the United States or its designee;
(3) MCO Program personnel from HHSC or its designee;
(4) The Office of Inspector General;
(5) The Medicaid Fraud Control Unit of the Texas Attorney General’s Office or its designee;
(6) Any independent verification and validation contractor, audit firm, or quality assurance contractor acting on behalf of HHSC;
(7) The Office of the State Auditor of Texas or its designee;
(8) A State or Federal law enforcement agency;
(9) A special or general investigating committee of the Texas Legislature or its designee; and
(10) Any other state or federal entity identified by HHSC, or any other entity engaged by HHSC.

(d) MCO agrees to provide the access described wherever MCO maintains such books, records, and supporting documentation. MCO further agrees to provide such access in reasonable comfort and to provide any furnishings, equipment, and other conveniences deemed reasonably necessary to fulfill the purposes described in this Section. MCO will require its Subcontractors to provide comparable access and accommodations.

(e) Upon request, the MCO must provide copies of the information described in this Section free of charge to HHSC and the entities described in subsection (c).

(f) In accordance with Texas Government Code §533.012(e), any information submitted to HHSC or the Texas Attorney General’s Office pursuant to Texas Government Code §533.012(a)(1) is confidential and is not subject to disclosure under the Texas Public Information Act.

Section 9.03 Audits of Services, Deliverables and inspections.

(a) Upon reasonable notice from HHSC, MCO will provide, and will cause its Subcontractors to provide, such auditors and inspectors as HHSC may from time to time designate, with access to:

(1) service locations, facilities, or installations;
(2) records; and
(3) Software and Equipment.

(b) The access described in this Section will be for the purpose of examining, auditing, or investigating:

(1) MCO’s capacity to bear the risk of potential financial losses;
(2) the Services and Deliverables provided;
(3) a determination of the amounts payable under this Contract;
(4) a determination of the allowability of costs reported under this Contract;
(5) an examination of Subcontract terms and/or transactions;
(6) an assessment of financial results under this Contract;
(7) detection of Fraud, Waste and/or Abuse; or
(8) other purposes HHSC deems necessary to perform its oversight function and/or enforce the provisions of this Contract.
Section 9.04 SAO Audit

The MCO understands that acceptance of funds under this Contract acts as acceptance of the authority of the State Auditor's Office (SAO), or any successor agency, to conduct an investigation in connection with those funds. The MCO further agrees to cooperate fully with the SAO or its successor in the conduct of the audit or investigation, including providing all records requested at no cost. The MCO will ensure that this clause concerning the authority to audit funds and the requirement to cooperate is included in any Subcontract, and in any third party agreements described in Section 4.10, "MCO Agreements with Third Parties."

Section 9.05 Response/compliance with audit or inspection findings.

(a) MCO must take action to ensure its or a Subcontractor’s compliance with or correction of any finding of noncompliance with any law, regulation, audit requirement, or generally accepted accounting principle relating to the Services and Deliverables or any other deficiency contained in any audit, review, or inspection conducted under this Article. This action will include MCO’s delivery to HHSC, for HHSC’S approval, a Corrective Action Plan that addresses deficiencies identified in any audit, review, or inspection within 30 calendar days of the close of the audit, review, or inspection.

(b) MCO must bear the expense of compliance with any finding of noncompliance under this Section that is:
   (1) Required by Texas or Federal law, regulation, rule, court order, or other audit requirement relating to MCO's business;
   (2) Performed by MCO as part of the Scope of Work; or
   (3) Necessary due to MCO's noncompliance with any law, regulation, rule, court order, or audit requirement imposed on MCO.

(c) As part of the Scope of Work, MCO must provide to HHSC upon request a copy of those portions of MCO's and its Subcontractors' internal audit reports relating to the Services and Deliverables provided to HHSC under the Contract.

Section 9.06 Notification of Legal and Other Proceedings, and Related Events.

The MCO must notify HHSC of all proceedings, reports, documents, actions, and events as specified in Uniform Managed Care Manual Chapter 5.8, "Report of Legal and Other Proceedings, and Related Events."

Article 10. Terms & Conditions of Payment

Section 10.01 Calculation of monthly Capitation Payment.

(a) This is a Risk-based contract. For each applicable MCO Program, HHSC will pay the MCO fixed monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Members by each applicable Member Rate Cell. In consideration of the Monthly Capitation Payments, the MCO agrees to provide the Services and Deliverables described in this Contract.

(b) The fixed monthly Capitation Rate consists of the following components:
(1) an amount for Health Care Services performed during the month;
(2) an amount for administering the MCO Program, and
(3) an amount for the MCO’s Risk margin.
Capitation Rates for each MCO Program may vary by Service Area and MCO. HHSC will employ or retain qualified actuaries to perform data analysis and calculate the Capitation Rates for each Rate Period.

e) MCO understands and expressly assumes the risks associated with the performance of the duties and responsibilities under this Contract, including the failure, termination or suspension of funding to HHSC, delays or denials of required approvals, and cost overruns not reasonably attributable to HHSC.

Section 10.02 Time and Manner of Payment.

(a) During the Contract Term and beginning after the Operational Start Date, HHSC will pay the monthly Capitation Payments by the 10th Business Day of each month.
(b) The MCO must accept Capitation Payments by direct deposit into the MCO’s account.
(c) HHSC may adjust the monthly Capitation Payment to the MCO in the case of an overpayment to the MCO; for Experience Rebate amounts due and unpaid, including any associated interest; and if monetary damages are assessed in accordance with Article 12, “Remedies and Disputes.”
(d) HHSC’s payment of monthly Capitation Payments is subject to availability of federal and state appropriations. If appropriations are not available to pay the full monthly Capitation Payment, HHSC may:
   (1) equitably adjust Capitation Payments for all participating MCOs, and reduce scope of service requirements as appropriate in accordance with Article 8, “Amendments and Modifications,” or
   (2) terminate the Contract in accordance with Article 12, “Remedies and Disputes.”

Section 10.03 Certification of Capitation Rates.

HHSC will employ or retain a qualified actuary to certify the actuarial soundness of the Capitation Rates, and all revisions or modifications thereto.

Section 10.04 Modification of Capitation Rates.

The Parties expressly understand and agree that the agreed Capitation Rates are subject to modification in accordance with Article 8, “Amendments and Modifications,” if changes in state or federal laws, rules, regulations, guidelines, policies, or court orders affect the rates or the actuarial soundness of the rates. HHSC will provide the MCO notice of a modification to the Capitation Rates at least 60 days prior to the effective date of the change, unless HHSC determines that circumstances warrant a shorter notice period. If the MCO does not accept the rate change, either Party may terminate the Contract in accordance with Article 12, “Remedies and Disputes.”

Section 10.05 STAR and STAR+PLUS Capitation Structure.

(a) STAR Rate Cells.
STAR Capitation Rates are defined on a per Member per month basis by Rate Cells and Service Areas. STAR Rate Cells are:
   (1) Under Age 1 Child;
   (2) Age 1-5 Child;
   (3) Age 6-14 Child;
   (4) Age 15-18 Child;
   (5) Age 19-20 Child;
   (6) TANF adults;
   (7) Pregnant women; and
   (8) SSI (applies to the Medicaid Rural Service Area only).
These Rate Cells are subject to change.
(b) STAR+PLUS Rate Cells.
STAR+PLUS Capitation Rates are defined on a per Member per month basis by Rate Cells. STAR+PLUS Rate Cells are based on client category as follows:
   (1) Medicaid Only Standard Rate
   (2) Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor
   (3) Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor
   (4) Dual Eligible Standard Rate
   (5) Dual Eligible HCBS STAR+PLUS Waiver Rate - Above Floor
   (6) Dual Eligible HCBS STAR+PLUS Waiver Rate - Below Floor
These Rate Cells are subject to change.

(c) STAR and STAR+PLUS Capitation Rate development:

(1) Capitation Rates for Service Areas with historical Medicaid MCO Program participation.

For Service Areas where HHSC operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will develop base Capitation Rates by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area (e.g., Capitation Rates for the STAR Program will be based on STAR Program historical Encounter Data and financial data for the Service Area). This analysis will apply to all MCOs in the Service Area, including MCOs that have no historical participation in the Medicaid MCO Program in Service Area. The analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. If the MCO participated in the Medicaid MCO Program in the Service Area prior to the Effective Date of this Contract, HHSC may modify the Service Area base Capitation Rates using diagnosis-based risk adjusters to yield the final Capitation Rates.

(2) Capitation Rates for Rate Periods 1 and 2 for Service Areas with no historical STAR Program participation.

For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for Rate Periods 1 and 2 by analyzing Fee-for-Service claims data for the Medicaid MCO Program and Service Area (e.g., Capitation Rates for the STAR Program will be based fee-for-service data in the Service Area). This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

(3) Capitation Rates for subsequent Rate Periods for Service Areas with no historical STAR Program participation.

For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for the Rate Periods following Rate Period 2 by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

(d) Acuity adjustment.

HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services.

Value-added Services will not be included in the rate-setting process.

(f) Delay in Increased STAR+PLUS Capitation Level for Certain Members Receiving Waiver Services.

Once a current STAR+PLUS MCO Member has been certified to receive STAR+PLUS Waiver (SPW) services, there is a two (2) month delay before the MCO will begin receiving the higher capitation payment.

Non-Waiver Members who qualify for STAR+PLUS based on eligibility for SPW services and Waiver recipients who transfer from another region will not be subject to this two (2) month delay in the increased capitation payment.

All SPW recipients will be registered into Service Authorization System Online (SASO). The Premium Payment System (PPS) will process data from the SASO system in establishing a Member's correct capitation payment.

Section 10.06 CHIP Capitation Rates Structure.

(a) CHIP Rate Cells.

CHIP Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Rate Cells are based on the Member’s age group as follows:

- (1) under age one (1);
- (2) ages one (1) through five (5);
- (3) ages six (6) through fourteen (14); and
- (4) ages fifteen (15) through eighteen (18).

(b) CHIP Perinatal Program Rate Cells.

CHIP Perinatal Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Perinatal Rate Cells are based on the Member’s birth status and household income as follows:

- (1) CHIP Perinate 0% to 185% of FPL;
- (2) CHIP Perinate Above 185% to 200% of FPL; and
- (3) CHIP Perinate Newborn Above 185% to 200% of FPL.

(c) CHIP and CHIP Perinatal Program Capitation Rate development:
HHSC will establish base Capitation Rates by analyzing Encounter Data and financial data for each Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. HHSC may modify the Service Area base Capitation Rate using diagnosis based risk adjusters to yield the final Capitation Rates.

(d) Acuity adjustment.
HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services.
Value-added Services will not be included in the rate-setting process.

Section 10.07 MCO input during rate setting process.

(a) In Service Areas with historical STAR or STAR+PLUS Program participation, MCO must provide certified Encounter Data and financial data as prescribed in *Uniform Managed Care Manual* Chapter 5.0, “Deliverable Matrix.” Such information may include, without limitation: claims lag information by Rate Cell, capitation expenses, and stop loss reinsurance expenses. HHSC may request clarification or for additional financial information from the MCO. HHSC will notify the MCO of the deadline for submitting a response, which will include a reasonable amount of time for response.

(b) HHSC will allow the MCO to review and comment on data used by HHSC to determine base Capitation Rates. In Service Areas with no historical STAR or STAR+PLUS Program participation, this will include Fee-for-Service data for Rate Periods 1 and 2. HHSC will notify the MCO of deadline for submitting comments, which will include a reasonable amount of time for response. HHSC will not consider comments received after the deadline in its rate analysis.

(c) During the rate setting process, HHSC will conduct at least two (2) meetings with the MCOs. HHSC may conduct the meetings in person, via teleconference, or by another method deemed appropriate by HHSC. Prior to the first meeting, HHSC will provide the MCO with proposed Capitation Rates. During the first meeting, HHSC will describe the process used to generate the proposed Capitation Rates, discuss major changes in the rate setting process, and receive input from the MCO. HHSC will notify the MCO of the deadline for submitting comments, which will include a reasonable amount of time to review and comment on the proposed Capitation Rates and rate setting process. After reviewing such comments, HHSC will conduct a second meeting to discuss the final Capitation Rates and changes resulting from MCO comments, if any.

Section 10.08 Adjustments to Capitation Payments.

(a) Recoupment.
HHSC may recoup a payment made to the MCO for a Member if:

1. the Member is enrolled into the MCO in error;
2. the Member moves outside the United States;
3. the Member dies before the first day of the month for which the payment was made; or
4. a Member’s eligibility status or program type is changed, corrected as a result of error, or is retroactively adjusted; or
5. payment has been denied by the CMS in accordance with the requirements in 42 C.F.R. §438.730.

(b) Appeal of recoupment.
The MCO may appeal the recoupment or adjustment of capitations in the above circumstances using the HHSC dispute resolution process set forth in *Section 12.13*, “Dispute Resolution.”

Section 10.09 Delivery Supplemental Payment for CHIP, CHIP Perinatal and STAR MCOs.

(a) The Delivery Supplemental Payment (DSP) is a function of the average delivery cost in each Service Area. Delivery costs include facility and professional charges.

(b) CHIP and STAR MCOs will receive a Delivery Supplemental Payment (DSP) from HHSC for each live or stillbirth by a Member. CHIP Perinatal MCOs will receive a DSP from HHSC for each live or stillbirth by a mother of a CHIP Perinatal Program Member in the above 185% to 200% FPL (measured at the time of enrollment in the CHIP Perinatal subprogram). CHIP Perinatal MCOs will not receive a DSP from HHSC for a live or stillbirth by the mother of a CHIP Perinatal Program Member in the 0% to 185% FPL. For STAR and CHIP and CHIP Perinatal Program MCOs, the one-time DSP payment is made in the amount identified in the *HHSC Managed Care Contract* document regardless of whether there is a single birth or there are multiple births at time of delivery. A delivery is the birth of a live born infant, regardless of the duration of the pregnancy, or a stillborn (fetal death) infant of twenty (20) weeks or more of gestation. A delivery does not include a spontaneous or induced abortion, regardless of the duration of the pregnancy.
(c) MCO must submit a monthly DSP Report as described in Section 8.1.20.2, “Reports” to the RFP, in the format prescribed in Uniform Managed Care Manual Chapter 5.3.9, “Disproportionate Share Hospital Report.”

(d) HHSC will pay the Delivery Supplemental Payment within twenty (20) Business Days after receipt of a complete and accurate report from the MCO.

(e) The MCO will not be entitled to Delivery Supplemental Payments for deliveries that are not reported to HHSC within 210 days after the date of delivery, or within thirty (30) days from the date of discharge from the Hospital for the stay related to the delivery, whichever is later.

(f) MCO must maintain complete claims and adjudication disposition documentation, including paid and denied amounts for each delivery. The MCO must submit the documentation to HHSC within five (5) Business Days after receiving a request for such information from HHSC.

Section 10.10 Experience Rebate

(a) MCO’s duty to pay.

(1) General.
   At the end of each FSR Reporting Period beginning with FSR Reporting Period 12/13, the MCO must pay an Experience Rebate if the MCO’s Net Income Before Taxes is greater than the percentage set forth below of the total Revenue for the period. The Experience Rebate is calculated in accordance with the tiered rebate method set forth below. The Net Income Before Taxes and the total Revenues are as measured by the FSR, as reviewed and confirmed by HHSC. The final amount used in the calculation of the percentage may be impacted by various factors herein, including the Loss Carry Forward, the Admin Cap, and/or the Reinsurance Cap.

(2) Basis of Consolidation.
   The percentages are calculated on a Consolidated Basis, and include the consolidated Net Income Before Taxes for all of the MCO’s and its Affiliates’ Texas HHSC Programs and Service Areas.

(b) Graduated Experience Rebate Sharing Method.

<table>
<thead>
<tr>
<th>Pre-tax Income as a % of Revenues</th>
<th>MCO Share</th>
<th>HHSC Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 3%</td>
<td>100%</td>
<td>—%</td>
</tr>
<tr>
<td>&gt; 3% and ≤ 5%</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>&gt; 5% and ≤ 7%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>&gt; 7% and ≤ 9%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>&gt; 9% and ≤ 12%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>&gt; 12%</td>
<td>—%</td>
<td>100%</td>
</tr>
</tbody>
</table>

HHSC and the MCO will share the consolidated Net Income Before Taxes for its HHSC Programs as follows, unless HHSC provides the MCO an Experience Rebate Reward in accordance with Section 6, “Premium Payment Incentives and Disincentives,” and Uniform Managed Care Manual Chapter 6.2, “Financial Incentive Methodology”:

(1) The MCO will retain all the Net Income Before Taxes that is equal to or less than 3% of the total Revenues received by the MCO;
(2) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 3% and less than or equal to 5% of the total Revenues received, with 80% to the MCO and 20% to HHSC.
(3) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 5% and less than or equal to 7% of the total Revenues received, with 60% to the MCO and 40% to HHSC.
(4) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 7% and less than or equal to 9% of the total Revenues received, with 40% to the MCO and 60% to HHSC.
(5) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 9% and less than or equal to 12% of the total Revenues received, with 20% to the MCO and 80% to HHSC.
(6) HHSC will be paid the entire portion of the Net Income Before Taxes that exceeds 12% of the total Revenues.

(c) Net income Before taxes.

(1) The MCO must compute the Net Income Before Taxes in accordance with applicable federal regulations and Uniform Managed Care Manual Chapter 6.1 “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and similar such instructions for other HHSC Programs. The Net Income Before Taxes will be confirmed by HHSC or its agent for the FSR Reporting Period relating to all Revenues and Allowable Expenses incurred pursuant to the Contract. HHSC reserves the right to modify the “Cost Principles for Expenses” and “FSR Instructions for Completion” found in the Uniform Managed Care Manual in accordance with Section 8.05, “Modification of the Uniform Managed Care Manual.”
(2) For purposes of calculating Net Income Before Taxes certain items are omitted from the calculation, as they are not Allowable Expenses; these include, but are not limited to:
   (i) the payment of an Experience Rebate;
   (ii) any interest expense associated with late or underpayment of the Experience Rebate;
   (iii) financial incentives, including without limitation the Quality Challenge Award described in Attachment B-1, Section 6.3.2.3; and
   (iv) financial disincentives, including without limitation: the Performance-based Capitation Rate described in Attachment B-1, Section 6.3.2.2; and the liquidated damages described in Attachment B-5.

See Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(3) Financial incentives will not be reduced by potential increased Experience Rebate payments. Financial disincentives will not be offset in whole or part by potential decreases in Experience Rebate payments.

(4) For FSR reporting purposes, financial incentives incurred must not be reported as an increase in Revenues or as an offset to costs, and any award of such will not increase reported income. Financial disincentives incurred must not be included as reported expenses, and must not reduce reported income. The reporting or recording of any of these incurred items will be done on a memo basis, which is below the income line, and will be listed as separate items.

(d) Carry forward of prior FSR Reporting Period losses.

(1) General.

Losses incurred on a Consolidated Basis for a given FSR Reporting Period may be carried forward to the next FSR Reporting Period, and applied as an offset against consolidated pre-tax net income for determination of any Experience Rebate due. Any such prior losses may be carried forward for the next two (2) contiguous FSR Reporting Periods.

In the case when a loss in a given FSR Reporting Period is carried forward and applied against profits in either or both of the next two (2) FSR Reporting Periods, the loss must first be applied against the first subsequent FSR Reporting Period such that the profit in the first subsequent FSR Reporting Period is reduced to a zero pre-tax income; any additional loss then remaining unapplied may be carried forward to any profit in the next subsequent FSR Reporting Period. In such case, the revised income in the third FSR Reporting Period would be equal to the cumulative income of the three (3) contiguous FSR Reporting Periods. In no case could the loss be carried forward to the fourth FSR Reporting Period or beyond.

Carrying forward of losses may be impacted by the Admin Cap; see Section 10.10.2 (f) below.

Losses incurred in the last or next-to-last FSR Reporting Period of a prior contiguous contract with HHSC may be carried forward up to two (2) FSR Reporting Periods into the first or potentially second FSR Reporting Period of this Contract, if such losses meet all other requirements of both the prior and current contracts.

(2) Basis of consolidation.

In order for a loss to be eligible for potential carry forward as an offset against future income, the MCO must have a negative Net Income Before Taxes for an FSR Reporting Period on a Consolidated Basis.

(e) Settlements for payment.

(1) There may be one (1) or more MCO payment(s) of the State share of the Experience Rebate on income generated for a given State Fiscal Year under the applicable Programs. The first scheduled payment (the “Primary Settlement”) will equal 100% of the State share of the Experience Rebate as derived from the FSR, and will be paid on the same day the 90-day FSR Report is submitted to HHSC.

The “Primary Settlement,” as utilized herein, refers strictly to what should be paid with the 90-day FSR, and does not refer to the first instance in which an MCO may tender a payment. For example, an MCO may submit a 90-day FSR indicating no Experience Rebate is due, but then submit a 334-day FSR with a higher income and a corresponding Experience Rebate payment. In such case, this initial payment would be subsequent to the Primary Settlement.
(2) The next scheduled payment will be an adjustment to the Primary Settlement, if required, and will be paid on the same day that the 334-day FSR Report is submitted to HHSC if the adjustment is a payment from the MCO to HHSC. Section 10.10(f) describes the interest expenses associated with any payment after the Primary Settlement.

An MCO may make non-scheduled payments at any time to reduce the accumulation of interest under Section 10.10(f). For any nonscheduled payments prior to the 334-day FSR, the MCO is not required to submit a revised FSR, but is required to submit an Experience Rebate calculation form and an adjusted summary page of the FSR. The FSR summary page is labeled “Summary Income Statements (Dollars), All Coverage Groups Combined (FSR, Part I).”

(3) HHSC or its agent may audit or review the FSRs. If HHSC determines that corrections to the FSRs are required, based on an HHSC audit/review or other documentation acceptable to HHSC, then HHSC will make final adjustments. Any payment resulting from an audit or final adjustment will be due from the MCO within 30 days of the earlier of:

(i) the date of the management representation letter resulting from the audit; or

(ii) the date of any invoice issued by HHSC.

Payment within this 30-day timeframe will not relieve the MCO of any interest payment obligation that may exist under Section 10.10(f).

(4) In the event that any Experience Rebates and/or corresponding interest payments owed to the State are not paid by the required due dates, then HHSC may offset such amounts from any future Capitation Payments, or collect such sums directly from the MCO. HHSC may adjust the Experience Rebate if HHSC determines the MCO has paid amounts for goods or services that are not reasonable, necessary, or allowable in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” “Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and the Federal Acquisition Regulations (FAR), or other applicable federal or state regulations. HHSC has final authority in auditing and determining the amount of the Experience Rebate.

(f) Interest on Experience Rebate.

(1) Interest on any Experience Rebate owed to HHSC will be charged beginning 35 days after the due date of the Primary Settlement, as described in Section 10.10(e)(1). Thus, any Experience Rebate due or paid on or after the Primary Settlement will accrue interest starting at 35 days after the due date for the 90-day FSR Report. For example, any Experience Rebate payment(s) made in conjunction with the 334-day FSR, or as a result of audit findings, will accrue interest back to 35 days after the due-date for submission of the 90-day FSR.

The MCO has the option of preparing an additional FSR based on 120 days of claims run-out (a “120-day FSR”). If a 120-day FSR, and an Experience Rebate payment based on it, are received by HHSC before the interest commencement date above, then such a payment would be counted as part of the Primary Settlement.

(2) If an audit or adjustment determines a downward revision of income after an interest payment has previously been required for the same State Fiscal Year, then HHSC will recalculate the interest and, if necessary, issue a full or partial refund or credit to the MCO.

(3) Any interest obligations that are incurred pursuant to Section 10.10 that are not timely paid will be subject to accumulation of interest as well, at the same rate as applicable to the underlying Experience Rebate.

(4) All interest assessed pursuant to Section 10.10 will continue to accrue until such point as a payment is received by HHSC, at which point interest on the amount received will stop accruing. If a balance remains at that point that is subject to interest, then the balance will continue to accrue interest. If interim payments are made, then any interest that may be due will only be charged on amounts for the time period during which they remained unpaid. By way of example only, if $100,000 is subject to interest commencing on a given day, and a payment is received for $75,000 45 days after the start of interest, then the $75,000 will be subject to 45 days of interest, and the $25,000 balance will continue to accrue interest until paid. The accrual of interest as defined under Section 10.10(f) will not stop during any period of dispute. If a dispute is resolved in the MCO’s favor, then interest will only be assessed on the revised unpaid amount.
(5) If the MCO incurs an interest obligation pursuant to Section 10.10 for an Experience Rebate payment HHSC will assess such interest at 12% per annum, compounded daily. If any interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

(6) Any such interest expense incurred pursuant to Section 10.10 is not an Allowable Expense for reporting purposes on the FSR.

**Section 10.10.1 This Section Intentionally Left Blank**

**Section 10.10.2 Administrative Expense Cap.**

(a) General requirement.

The calculation methodology of Experience Rebates described in Section 10.10 will be adjusted by an Administrative Expense Cap (“Admin Cap.”) The Admin Cap is a calculated maximum amount of administrative expense dollars (corresponding to a given FSR) that can be deducted from Revenues for purposes of determining income subject to the Experience Rebate. While Administrative Expenses may be limited by the Admin Cap to determine Experience Rebates, all valid Allowable Expenses will continue to be reported on the Financial Statistical Reports (FSRs). Thus, the Admin Cap does not impact FSR reporting, but may impact any associated Experience Rebate calculation.

The calculation of any corresponding Experience Rebate due will be subject to limitations on total deductible administrative expenses.

Such limitations will be calculated as follows:

(b) Calculation methodology.

HHSC will determine the administrative expense component of the applicable Capitation Rate structure for each Program prior to each applicable Rate Period. At the conclusion of an FSR Reporting Period, HHSC will apply that predetermined administrative expense component against the MCO’s actually incurred number of Member Months and aggregate premiums received (monthly Capitation Payments plus any Delivery Supplemental Payments), to determine the specific Admin Cap, in aggregate dollars, for a given MCO.

If rates are changed during the FSR Reporting Period, HHSC will use this same methodology of multiplying the predetermined HHSC rates for a given month against the ultimate actual number of member months or Revenues that occurred during that month, such that HHSC will apply each month’s actual results against the rates that were in effect for that month.

(c) Data sources.

In determining the amount of Experience Rebate payment to include in the Primary Settlement (or in conjunction with any subsequent payment or settlement), the MCO will need to make the appropriate calculation, in order to assess the impact, if any, of the Admin Cap.

1. The total premiums paid by HHSC (received by the MCO), and corresponding Member Months, will be taken from the relevant FSR (or audit report) for the FSR Reporting Period.

2. There are two (2) components of the administrative expense portion of the Capitation Rate structure:
   (i) the percentage rate to apply against the total premiums paid (the “percentage of premium” within the administrative expenses), and,
   (ii) the dollar rate per Member Month (the “fixed amount” within the administrative expenses).

These will be taken from the supporting details associated with the official notification of final Capitation Rates, as supplied by HHSC. This notification is sent to the MCOs during the annual rate setting process via email, labeled as “the final rate exhibits for your health plan.” The email has one (1) or more spreadsheet files attached, which are particular to the given MCO. The spreadsheet(s) show the fixed amount and percentage of premium components for the administrative component of the Capitation Rate.
(3) In cases where the administrative expense portion of the Capitation Rate refers to “the greater of (a) [one (1) set of factors], and (b) [another set of factors],” then the Admin Cap will be calculated each way, and the larger of the two (2) results will be the Admin Cap utilized for the determination of any Experience Rebates due.

(d) Separate calculations, by FSR.

Each MCO will have a separate Admin Cap for each Program and each Service Area in which it participates. This will require calculating a separate Admin Cap corresponding to each FSR (for annual, or complete period, versions of FSRs only). All administrative expenses reported on an FSR in excess of the calculated corresponding Admin Cap will be subtracted from the total Allowable Expense in the Experience Rebate calculation of income for that Program and Service Area, subject to any consolidation or offset that may apply, as described in Section 10.10.2(e).

By way of example only, HHSC will calculate the Admin Cap for an FSR Reporting Period as follows:

1. Multiply the predetermined administrative expense rate structure “fixed amount,” or dollar rate per Member Month (for example, $11.00), by the actual number of Member Months for the Program and Service Area during the Rate Period (for example, 70,000):
   - $11.00 x 70,000 = $770,000.

2. Multiply the predetermined percent of premiums in the administrative expense rate structure (for example, 5.75%), by the actual aggregate premiums earned for the Program and Service Area during the Rate Period (for example, $6,000,000).
   - 5.75% x $6,000,000 = $345,000.

3. Add the totals of items 1 and 2, plus applicable premium taxes and maintenance taxes (for example, $112,000), to determine the Admin Cap for the Program:
   - ($770,000 + $345,000) + $112,000 = $1,227,000.

In this example, $1,227,000 would be the Admin Cap for a single Program for an MCO in a particular FSR Reporting Period.

(e) Consolidation and offsets.

The Admin Cap will be first calculated individually by Program, and then totaled and applied on a Consolidated Basis. There will be one aggregate amount of dollars determined as the Admin Cap for each MCO, which will cover all of an MCO’s and its Affiliates’ Programs and Service Areas. This consolidated Admin Cap will be applied to the administrative expenses of the MCO on a Consolidated Basis. The net impact of the Admin Cap will be applied to the Experience Rebate calculation. Calculation details are provided in the applicable FSR Templates and FSR Instructions in the Uniform Managed Care Manual.

(f) Impact on Loss carry-forward.

For Experience Rebate calculation purposes, the calculation of any loss carry-forward, as described in Section 10.10(d), will be based on the allowable pre-tax loss as determined under the Admin Cap.

(g) MCOs entering a Service Delivery Area or Program.

If an MCO enters a new Service Area or offers a Program that it did not offer under a previous contract, it may be exempt from the Admin Cap for those Service Areas and Programs for a period of time to be determined by HHSC, up through the first FSR Reporting Period or portion thereof.

(h) Service Delivery Areas with only one (1) MCO in a Program.

In Service Areas operating with only one (1) MCO for a Program, HHSC may, at its sole discretion, revise the Admin Cap if its application would create an undue hardship on the MCO.

(i) Unforeseen events.
If, in HHSC’s sole discretion, it determines that unforeseen events have created significant hardships for one (1) or more MCOs, HHSC may revise or temporarily suspend the Admin Cap as it deems necessary.

**Section 10.10.3 Reinsurance Cap**

Beginning with FSR Reporting Period 12/13, the MCO is subject to the Reinsurance Cap. Reinsurance is reported on HHSC’s FSR report format as: 1) gross reinsurance premiums paid, and 2) reinsurance recoveries received. The premiums paid are treated as a part of medical expenses, and the recoveries received are treated as an offset to those medical expenses (also known as a contra-cost). The net of the gross premiums paid minus the recoveries received is called the net reinsurance cost. The net reinsurance cost, as measured in aggregate dollars over the FSR Reporting Period, divided by the number of member-months for that same period, is referred to as the net reinsurance cost per-member-per-month (PMPM).

The MCO will be limited to a maximum amount of net reinsurance cost PMPM for purposes of calculating the pre-tax net income that is subject to the Experience Rebate. This limitation does not impact an MCO’s ability to purchase or arrange for reinsurance. It only impacts what is factored into the Experience Rebate calculation. The maximum amount of allowed net reinsurance cost PMPM (Reinsurance Cap) varies by MCO Program, and is equal to 110% of the net reinsurance cost PMPM contained in the Capitation Rates for the Program during the FSR Reporting Period.

Regardless of the maximum amounts as represented by the Reinsurance Cap, all reinsurance reported on the FSR is subject to audit, and must comply with the UMCM Cost Principles.

**Section 10.11 Restriction on assignment of fees.**

During the term of the Contract, MCO may not, directly or indirectly, assign to any third party any beneficial or legal interest of the MCO in or to any payments to be made by HHSC pursuant to this Contract. This restriction does not apply to fees the MCO pays to Subcontractors for the performance of the Scope of Work.

**Section 10.12 Liability for taxes.**

HHSC is not responsible in any way for the payment of any Federal, state or local taxes related to or incurred in connection with the MCO’s performance of this Contract. MCO must pay and discharge any and all such taxes, including any penalties and interest. In addition, HHSC is exempt from Federal excise taxes, and will not pay any personal property taxes or income taxes levied on MCO or any taxes levied on employee wages.

**Section 10.13 Liability for employment-related charges and benefits.**

MCO will perform work under this Contract as an independent contractor and not as agent or representative of HHSC. MCO is solely and exclusively liable for payment of all employment-related charges incurred in connection with the performance of this Contract, including but not limited to salaries, benefits, employment taxes, workers compensation benefits, unemployment insurance and benefits, and other insurance or fringe benefits for Staff.

**Section 10.14 No additional consideration.**

(a) MCO will not be entitled to nor receive from HHSC any additional consideration, compensation, salary, wages, charges, fees, costs, or any other type of remuneration for Services and Deliverables provided under the Contract, except by properly authorized and executed Contract amendments.
(b) No other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services and Deliverables due under the Agreement.
(c) MCO will not be entitled by virtue of the Contract to consideration in the form of overtime, health insurance benefits, retirement benefits, disability retirement benefits, sick leave, vacation time, paid holidays, or other paid leaves of absence of any type or kind whatsoever.

**Section 10.15 Federal Disallowance**

If the federal government recoups money from the state for expenses and/or costs that are deemed unallowable by the federal government, the state has the right to, in turn, recoup payments made to the MCOs for these same expenses and/or costs, even if they had not been previously disallowed by the state and were incurred by the MCO, and any such expenses and/or costs would then be deemed unallowable by the state. If the state retroactively recoups money from the MCOs due to a federal
Section 10.16 Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products
The capitation rates do not include the costs of Medicaid wrap-around services for outpatient drugs and biological products for STAR+PLUS Members, as described in Attachment B-1, Section 8.2.13.1.

HHSC will make supplemental payments to the MCO for these Medicaid wrap-around services, based on encounter data received by HHSC’s Administrative Services Contractor during an encounter reporting period. The first supplemental payment will cover encounter data received from March 1, 2012, to February 28, 2013. Thereafter, supplemental payments will cover six-month encounter reporting periods. HHSC will make supplemental payments within a reasonable amount of time after the encounter reporting period, generally no later than 95 calendar days after HHSC’s Administrative Services Contractor has processed the encounter data. Supplemental payments will be limited to the actual amounts paid to pharmacy providers for these Medicaid wrap-around services, as represented in “Net Amount Due” field (Field 281) on the National Council for Prescription Drug Programs (NCPDP) encounter transaction. To be eligible for reimbursement, encounters must contain a Financial Arrangement Code “14” in the “Line of Business” field (Field 270) on the NCPDP encounter transaction.

Article 11. Disclosure & Confidentiality of Information

Section 11.01 Confidentiality.

(a) MCO and all Subcontractors, consultants, or agents may under the Contract must treat all information that is obtained through performance of the Services under the Contract, including, but not limited to, information relating to applicants or recipients of HHSC Programs, as Confidential Information to the extent that confidential treatment is provided under state and federal law, rules, and regulations.

(b) MCO is responsible for understanding the degree to which information obtained through performance of this Contract is confidential under State and Federal law, rules, and regulations.

(c) MCO and all Subcontractors, consultants, or agents may not use any information obtained through performance of this Contract in any manner except as is necessary for the proper discharge of obligations and securing of rights under the Contract.

(d) MCO must have a system in effect to protect all records and all other documents deemed confidential under this Contract that are maintained in connection with the activities funded under the Contract. Any disclosure or transfer of Confidential Information by MCO, including information required by HHSC, will be in accordance with applicable law. If the MCO receives a request for information deemed confidential under this Contract, the MCO will immediately notify HHSC of such request, and will make reasonable efforts to protect the information from public disclosure.

(e) In addition to the requirements expressly stated in this Section, MCO must comply with any policy, rule, or reasonable requirement of HHSC that relates to the safeguarding or disclosure of information relating to Members, MCO’s operations, or MCO’s performance of the Contract.

(f) In the event of the expiration of the Contract or termination of the Contract for any reason, all Confidential Information disclosed to and all copies thereof made by the MCOI must be returned to HHSC or, at HHSC’s option, erased or destroyed. MCO must provide HHSC certificates evidencing such destruction.

(g) The obligations in this Section must not restrict any disclosure by the MCO pursuant to any applicable law, or by order of any court or government agency, provided that the MCO must give prompt notice to HHSC of such order.

(h) With the exception of confidential Member information, Confidential Information must not be afforded the protection of the Contract if such data was:

    (1) Already known to the receiving Party without restrictions at the time of its disclosure by the furnishing Party;
    (2) Independently developed by the receiving Party without reference to the furnishing Party's Confidential Information;
    (3) Rightfully obtained by the other Party without restriction from a third party after its disclosure by the furnishing Party;
    (4) Publicly available other than through the fault or negligence of the other Party; or
    (5) Lawfully released without restriction to anyone.

Section 11.02 Disclosure of HHSC’s Confidential Information.

(a) MCO will immediately report to HHSC any and all unauthorized disclosures or uses of HHSC’s Confidential Information of which it or its Subcontractors, consultants, or agents is aware or has knowledge. MCO acknowledges that any publication or disclosure of HHSC’s Confidential Information to others may cause immediate and irreparable harm to HHSC and may
constitute a violation of State or federal laws. If MCO, its Subcontractors, consultants, or agents should publish or disclose such Confidential Information to others without authorization, HHSC will immediately be entitled to injunctive relief or any other remedies to which it is entitled under law or equity. HHSC will have the right to recover from MCO all damages and liabilities caused by or arising from MCO’s, its Subcontractors’, consultants’, or agents’ failure to protect HHSC’s Confidential Information. MCO will defend with counsel approved by HHSC, indemnify and hold harmless HHSC from all damages, costs, liabilities, and expenses caused by or arising from MCO’s or its Subcontractors’, consultants’ or agents’ failure to protect HHSC’s Confidential Information. HHSC will not unreasonably withhold approval of counsel selected by the MCO.

(b) MCO will require its Subcontractors, consultants, and agents to comply with the terms of this provision.

Section 11.03 Member Records

(a) MCO must comply with the requirements of state and federal laws, including the HIPAA requirements set forth in Section 7.07, regarding the transfer of Member Records.

(b) If at any time during the Contract Term this Contract is terminated, HHSC may require the transfer of Member Records, upon written notice to MCO, to another entity, as consistent with federal and state laws and applicable releases.

(c) The term “Member Record” for this Section means only those administrative, enrollment, case management and other such records maintained by MCO and is not intended to include patient records maintained by participating Network Providers.

Section 11.04 Requests for public information.

(a) When the MCO produces reports or other forms of information that the MCO believes consist of proprietary or otherwise confidential information, the MCO must clearly mark such information as confidential information or provide written notice to HHSC that it considers the information confidential.

(b) If HHSC receives a request, filed in accordance with the Texas Public Information Act (“Act,”) seeking information that has been identified by the MCO as proprietary or otherwise confidential, HHSC will deliver a copy of the request for public information to MCO, in accordance with the requirements of the Act.

(c) With respect to any information that is the subject of a request for disclosure, MCO is required to demonstrate to the Texas Office of Attorney General the specific reasons why the requested information is confidential or otherwise excepted from required public disclosure under law. MCO will provide HHSC with copies of all such communications.

Section 11.05 Privileged Work Product.

(a) MCO acknowledges that HHSC asserts that privileged work product may be prepared in anticipation of litigation and that MCO is performing the Services with respect to privileged work product as an agent of HHSC, and that all matters related thereto are protected from disclosure by the Texas Rules of Civil Procedure, Texas Rules of Evidence, Federal Rules of Civil Procedure, or Federal Rules of Evidence.

(b) HHSC will notify MCO of any privileged work product to which MCO has or may have access. After the MCO is notified or otherwise becomes aware that such documents, data, database, or communications are privileged work product, only MCO personnel, for whom such access is necessary for the purposes of providing the Services, may have access to privileged work product.

(c) If MCO receives notice of any judicial or other proceeding seeking to obtain access to HHSC’s privileged work product, MCO will:

   (1) Immediately notify HHSC; and
   (2) Use all reasonable efforts to resist providing such access.

(d) If MCO resists disclosure of HHSC’s privileged work product in accordance with this Section, HHSC will, to the extent authorized under Civil Practices and Remedies Code or other applicable State law, have the right and duty to:

   (1) Represent MCO in such resistance;
   (2) Retain counsel to represent MCO; or
   (3) Reimburse MCO for reasonable attorneys’ fees and expenses incurred in resisting such access.

(e) If a court of competent jurisdiction orders MCO to produce documents, disclose data, or otherwise breach the confidentiality obligations imposed in the Contract, or otherwise with respect to maintaining the confidentiality, proprietary nature, and secrecy of privileged work product, MCO will not be liable for breach of such obligation.

Section 11.06 Unauthorized acts.

Each Party agrees to:

(1) Notify the other Party promptly of any unauthorized possession, use, or knowledge, or attempt thereof, by any person or entity that may become known to it, of any HHSC Confidential Information or any information identified by the MCO as confidential or proprietary;
(2) Promptly furnish to the other Party full details of the unauthorized possession, use, or knowledge, or attempt thereof, and use reasonable efforts to assist the other Party in investigating or preventing the reoccurrence of any unauthorized possession, use, or knowledge, or attempt thereof, of Confidential Information;
(3) Cooperate with the other Party in any litigation and investigation against third Parties deemed necessary by such Party to protect its proprietary rights; and
(4) Promptly prevent a reoccurrence of any such unauthorized possession, use, or knowledge such information.

Section 11.07 Legal action.

Neither party may commence any legal action or proceeding in respect to any unauthorized possession, use, or knowledge, or attempt thereof by any person or entity of HHSC’s Confidential Information or information identified by the MCO as confidential or proprietary, which action or proceeding identifies the other Party’s information without such Party’s consent.

Section 11.08 Information Security

The HMO and all Subcontractors, consultants, or agents must comply with all applicable laws, rules, and regulations regarding information security, including without limitation the following:
(1) Health and Human Services Enterprise Information Security Standards and Guidelines;
(2) Title 1, Sections 202.1 and 202.3 through 202.28, Texas Administrative Code;
(3) The Health Insurance Portability and Accountability Act of 1996 (HIPAA); and
(4) The Health Information Technology for Economic and Clinical Health Act (HITECH Act).

Article 12. Remedies & Disputes

Section 12.01 Understanding and expectations.

The remedies described in this Section are directed to MCO’s timely and responsive performance of the Services and production of Deliverables, and the creation of a flexible and responsive relationship between the Parties. The MCO is expected to meet or exceed all HHSC objectives and standards, as set forth in the Contract. All areas of responsibility and all Contract requirements will be subject to performance evaluation by HHSC. Performance reviews may be conducted at the discretion of HHSC at any time and may relate to any responsibility and/or requirement. Any and all responsibilities and/or requirements not fulfilled may be subject to the remedies set forth in the Contract.

Section 12.02 Tailored remedies.

(a) Understanding of the Parties.

MCO agrees and understands that HHSC may pursue tailored contractual remedies for noncompliance with the Contract. At any time and at its discretion, HHSC may impose or pursue one (1) or more remedies for each item of noncompliance and will determine remedies on a case-by-case basis. HHSC’s pursuit or non-pursuit of a tailored remedy does not constitute a waiver of any other remedy that HHSC may have at law or equity.

(b) Notice and opportunity to cure for non-material breach.

(1) HHSC will notify MCO in writing of specific areas of MCO performance that fail to meet performance expectations, standards, or schedules set forth in the Contract, but that, in the determination of HHSC, do not result in a material deficiency or delay in the implementation or operation of the Services.
(2) MCO will, within five (5) Business Days (or another date approved by HHSC) of receipt of written notice of a non-material deficiency, provide the HHSC Project Manager a written response that:
(i) Explains the reasons for the deficiency, MCO’s plan to address or cure the deficiency, and the date and time by which the deficiency will be cured; or
(ii) If MCO disagrees with HHSC’s findings, its reasons for disagreeing with HHSC’s findings.
(3) MCO’s proposed cure of a non-material deficiency is subject to the approval of HHSC. MCO’s repeated commission of non-material deficiencies or repeated failure to resolve any such deficiencies may be regarded by HHSC as a material deficiency and entitle HHSC to pursue any other remedy provided in the Contract or any other appropriate remedy HHSC may have at law or equity.

(c) Corrective action plan.

(1) At its option, HHSC may require MCO to submit to HHSC a written plan (the “Corrective Action Plan”) to correct or resolve a material breach of this Contract, as determined by HHSC.
(2) The Corrective Action Plan must provide:
(i) A detailed explanation of the reasons for the cited deficiency;
(ii) MCO’s assessment or diagnosis of the cause; and
(3) The Corrective Action Plan must be submitted by the deadline set forth in HHSC’s request for a Corrective Action Plan. The Corrective Action Plan is subject to approval by HHSC, which will not unreasonably be withheld.

(4) HHSC will notify MCO in writing of HHSC’s final disposition of HHSC’s concerns. If HHSC accepts MCO’s proposed Corrective Action Plan, HHSC may:
(i) Condition such approval on completion of tasks in the order or priority that HHSC may reasonably prescribe;
(ii) Disapprove portions of MCO’s proposed Corrective Action Plan; or
(iii) Require additional or different corrective action(s).

Notwithstanding the submission and acceptance of a Corrective Action Plan, MCO remains responsible for achieving all written performance criteria.

(5) HHSC’s acceptance of a Corrective Action Plan under this Section will not:
(i) Excuse MCO’s prior substandard performance;
(ii) Relieve MCO of its duty to comply with performance standards; or
(iii) Prohibit HHSC from assessing additional tailored remedies or pursuing other appropriate remedies for continued substandard performance.

(d) Administrative remedies.

(1) At its discretion, HHSC may impose one (1) or more of the following remedies for each item of material noncompliance and will determine the scope and severity of the remedy on a case-by-case basis:
(i) Assess liquidated damages in accordance with Attachment B-3, “Liquidated Damages Matrix;”
(ii) Conduct accelerated monitoring of the MCO. Accelerated monitoring includes more frequent or more extensive monitoring by HHSC or its agent;
(iii) Require additional, more detailed, financial and/or programmatic reports to be submitted by MCO;
(iv) Require additional and/or more detailed financial and/or programmatic audits or other reviews of the MCO;
(v) Decline to renew or extend the Contract;
(vi) Appoint temporary management under the circumstances described in 42 C.F.R. §438.706;
(vii) Initiate disenrollment of a Member or Members;
(viii) Suspend enrollment of Members;
(ix) Withhold or recoup payment to MCO;
(x) Require forfeiture of all or part of the MCO’s bond; or
(xi) Terminate the Contract in accordance with Section 12.03, “Termination by HHSC.”

(2) For purposes of the Contract, an item of material noncompliance means a specific action of MCO that:
(i) Violates a material provision of the Contract;
(ii) Fails to meet an agreed measure of performance; or
(iii) Represents a failure of MCO to be reasonably responsive to a reasonable request of HHSC relating to the Scope of Work for information, assistance, or support within the timeframe specified by HHSC.

(3) HHSC will provide notice to MCO of the imposition of an administrative remedy in accordance with this Section, with the exception of accelerated monitoring, which may be unannounced. HHSC may require MCO to file a written response in accordance with this Section.

(4) The Parties agree that a State or Federal statute, rule, regulation, or Federal guideline will prevail over the provisions of this Section unless the statute, rule, regulation, or guidelines can be read together with this Section to give effect to both.

(e) Damages.

(1) HHSC will be entitled to monetary damages in the form of actual, consequential, direct, indirect, special, and/or liquidated damages resulting from Contractor’s Breach of this Agreement. In some cases, the actual damage to HHSC or State of Texas as a result of MCO’s failure to meet any aspect of the responsibilities of the Contract and/or to meet specific performance standards set forth in the Contract are difficult or impossible to determine with precise accuracy. Therefore, liquidated damages will be assessed in writing against and paid by the MCO in for failure to meet any aspect of the responsibilities of the Contract and/or to meet the specific performance standards identified by the HHSC in Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Liquidated damages will be assessed if HHSC determines such failure is the fault of the MCO (including the MCO’s Subcontractors, agents and/or consultants) and is not materially caused or contributed to by HHSC or its agents. If at any time HHSC determines the MCO has not met any aspect of the responsibilities of the Contract and/or the specific performance standards due to mitigating circumstances, HHSC reserves the right to waive all or part of the liquidated damages. All such waivers must be in writing, contain the reasons for the waiver, and be signed by the appropriate executive of HHSC.

(2) The liquidated damages prescribed in this Section are not intended to be in the nature of a penalty, but are intended to be reasonable estimates of HHSC’s projected financial loss and damage resulting from the MCO’s nonperformance,
including financial loss as a result of project delays. Accordingly, in the event MCO fails to perform in accordance with the Contract, HHSC may assess liquidated damages as provided in this Section.

(3) If MCO fails to perform any of the Services described in the Contract, HHSC may assess liquidated damages for each occurrence of a liquidated damages event, to the extent consistent with HHSC's tailored approach to remedies and Texas law.

(4) HHSC may elect to collect liquidated damages:
   (i) Through direct assessment and demand for payment delivered to MCO; or
   (ii) By deduction of amounts assessed as liquidated damages as set-off against payments then due to MCO or that become due at any time after assessment of the liquidated damages. HHSC will make deductions until the full amount payable by the MCO is collected by HHSC.

(f) Equitable Remedies
   (1) MCO acknowledges that, if MCO breaches (or attempts or threatens to breach) its material obligation under this Contract, HHSC may be irreparably harmed. In such a circumstance, HHSC may proceed directly to court to pursue equitable remedies.
   (2) If a court of competent jurisdiction finds that MCO breached (or attempted or threatened to breach) any such obligations, MCO agrees that without any additional findings of irreparable injury or other conditions to injunctive relief, it will not oppose the entry of an appropriate order compelling performance by MCO and restraining it from any further breaches (or attempted or threatened breaches).

(g) Suspension of Contract
   (1) HHSC may suspend performance of all or any part of the Contract if:
      (i) HHSC determines that MCO has committed a material breach of the Contract;
      (ii) HHSC has reason to believe that MCO has committed, or assisted in the commission of, Fraud, Abuse, Waste, malfeasance, misfeasance, or nonfeasance by any party concerning the Contract;
      (iii) HHSC determines that the MCO knew, or should have known, of Fraud, Abuse, Waste, malfeasance, or nonfeasance by any party concerning the Contract, and the MCO failed to take appropriate action; or
      (iv) HHSC determines that suspension of the Contract in whole or in part is in the best interests of the State of Texas or the HHSC Programs.
   (2) HHSC will notify MCO in writing of its intention to suspend the Contract in whole or in part. Such notice will:
      (i) Be delivered in writing to MCO;
      (ii) Include a concise description of the facts or matter leading to HHSC’s decision; and
      (iii) Unless HHSC is suspending the contract for convenience, request a Corrective Action Plan from MCO or describe actions that MCO may take to avoid the contemplated suspension of the Contract.

Section 12.03 Termination by HHSC.

This Contract will terminate upon the Expiration Date. In addition, prior to completion of the Contract Term, all or a part of this Contract may be terminated for any of the following reasons:

(a) Termination in the best interest of HHSC.
   HHSC may terminate the Contract without cause at any time when, in its sole discretion, HHSC determines that termination is in the best interests of the State of Texas. HHSC will provide reasonable advance written notice of the termination, as it deems appropriate under the circumstances. The termination will be effective on the date specified in HHSC’s notice of termination.

(b) Termination for cause.
   HHSC reserves the right to terminate this Contract, in whole or in part, upon the following conditions:
   (1) Assignment for the benefit of creditors, appointment of receiver, or inability to pay debts.
      HHSC may terminate this Contract at any time if MCO:
      (i) Makes an assignment for the benefit of its creditors;
      (ii) Admits in writing its inability to pay its debts generally as they become due; or
      (iii) Consents to the appointment of a receiver, trustee, or liquidator of MCO or of all or any part of its property.
   (2) Failure to adhere to laws, rules, ordinances, or orders.
      HHSC may terminate this Contract if a court of competent jurisdiction finds MCO failed to adhere to any laws, ordinances, rules, regulations or orders of any public authority having jurisdiction and such violation prevents or substantially impairs performance of MCO’s duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.
   (3) Breach of confidentiality.
      HHSC may terminate this Contract at any time if MCO breaches confidentiality laws with respect to the Services and Deliverables provided under this Contract.
   (4) Failure to maintain adequate personnel or resources.
HHSC may terminate this Contract if, after providing notice and an opportunity to correct, HHSC determines that MCO has failed to supply personnel or resources and such failure results in MCO’s inability to fulfill its duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

(5) Termination for gifts and gratuities.
   (i) HHSC may terminate this Contract at any time following the determination by a competent judicial or quasi-judicial authority and MCO’s exhaustion of all legal remedies that MCO, its employees, agents or representatives have either offered or given any thing of value to an officer or employee of HHSC or the State of Texas in violation of state law.
   (ii) MCO must include a similar provision in each of its Subcontracts and must enforce this provision against a Subcontractor who has offered or given any thing of value to any of the persons or entities described in this Section, whether or not the offer or gift was in MCO’s behalf.
   (iii) Termination of a Subcontract by MCO pursuant to this provision will not be a cause for termination of the Contract unless:
         (a) MCO fails to replace such terminated Subcontractor within a reasonable time; and
         (b) Such failure constitutes cause, as described in this Subsection 12.03(b).
   (iv) For purposes of this Section, a “thing of value” means any item of tangible or intangible property that has a monetary value of more than $50.00 and includes, but is not limited to, cash, food, lodging, entertainment, and charitable contributions. The term does not include contributions to holders of public office or candidates for public office that are paid and reported in accordance with state and/or federal law.

(6) Termination for non-appropriation of funds.
   Notwithstanding any other provision of this Contract, if funds for the continued fulfillment of this Contract by HHSC are at any time not forthcoming or are insufficient, through failure of any entity to appropriate funds or otherwise, then HHSC will have the right to terminate this Contract at no additional cost and with no penalty whatsoever by giving prior written notice documenting the lack of funding. HHSC will provide at least 30 days advance written notice of such termination. HHSC will use reasonable efforts to ensure appropriated funds are available.

(7) Judgment and execution.
   (i) HHSC may terminate the Contract at any time if judgment for the payment of money in excess of $500,000.00 that is not covered by insurance, is rendered by any court or governmental body against MCO, and MCO does not:
       (a) Discharge the judgment or provide for its discharge in accordance with the terms of the judgment;
       (b) Procure a stay of execution of the judgment within 30 days from the date of entry thereof; or
       (c) Perfect an appeal of such judgment and cause the execution of such judgment to be stayed during the appeal, providing such financial reserves as may be required under generally accepted accounting principles.
   (ii) If a writ or warrant of attachment or any similar process is issued by any court against all or any material portion of the property of MCO, and such writ or warrant of attachment or any similar process is not released or bonded within 30 days after its entry, HHSC may terminate the Contract in accordance with this Section.

(8) Termination for insolvency.
   (i) HHSC may terminate the Contract at any time if MCO:
       (a) Files for bankruptcy;
       (b) Becomes or is declared insolvent, or is the subject of any proceedings related to its liquidation, insolvency, or the appointment of a receiver or similar officer for it;
       (c) Makes an assignment for the benefit of all or substantially all of its creditors; or
       (d) Enters into a contract for the composition, extension, or readjustment of substantially all of its obligations.
   (ii) MCO agrees to pay for all reasonable expenses of HHSC including the cost of counsel, incident to:
       (a) The enforcement of payment of all obligations of the MCO by any action or participation in, or in connection with a case or proceeding under Chapters 7, 11, or 13 of the United States Bankruptcy Code, or any successor statute;
       (b) A case or proceeding involving a receiver or other similar officer duly appointed to handle the MCO's business; or
       (c) A case or proceeding in a State court initiated by HHSC when previous collection attempts have been unsuccessful.

(9) Termination for Criminal Conviction
   HHSC will have the right to terminate the Contract in whole or in part, or require the replacement of a Material Subcontractor, if the MCO or a Material Subcontractor is convicted of a criminal offense in a state or federal court:
   (i) Related to the delivery of an item or service;
(ii) Related to the neglect or abuse of patients in connection with the delivery of an item or service;
(iii) Consisting of a felony related to fraud, theft, embezzlement, breach of fiduciary responsibility, or other financial misconduct, or
(iv) resulting in a penalty or fine in the amount of $500,000 or more in a state or federal administrative proceeding.

(10) Termination for MCO’S material breach of the Contract.

HHSC will have the right to terminate the Contract in whole or in part if HHSC determines, at its sole discretion, that MCO has materially breached the Contract. HHSC will provide at least 30 days advance written notice of such termination, unless HHSC in its reasonable determination finds that a shorter notice period is warranted.

Section 12.04 Termination by MCO.

(a) Failure to pay.

MCO may terminate this Contract if HHSC fails to pay the MCO undisputed charges when due as required under this Contract. Retaining premium, recoupment, sanctions, or penalties that are allowed under this Contract or that result from the MCO’s failure to perform or the MCO’s default under the terms of this Contract is not cause for termination. Termination for failure to pay does not release HHSC from the obligation to pay undisputed charges for services provided prior to the termination date.

If HHSC fails to pay undisputed charges when due, then the MCO may submit a notice of intent to terminate for failure to pay in accordance with the requirements of Subsection 12.04(d). If HHSC pays all undisputed amounts then due within 30 days after receiving the notice of intent to terminate, the MCO cannot proceed with termination of the Contract under this Article.

(b) Change to HHSC Uniform Managed Care Manual.

MCO may terminate this agreement if the Parties are unable to resolve a dispute concerning a material and substantive change to the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). MCO must submit a notice of intent to terminate due to a material and substantive change in the Uniform Managed Care Manual no later than 30 days after the effective date of the policy change. HHSC will not enforce the policy change for the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(c) Change to Capitation Rate.

If HHSC proposes a modification to the Capitation Rate that is unacceptable to the MCO, the MCO may terminate the Contract. MCO must submit a written notice of intent to terminate due to a change in the Capitation Rate no later than 30 days after HHSC’s notice of the proposed change. HHSC will not enforce the rate change against the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(d) Notice of intent to terminate.

In order to terminate the Contract pursuant to this Section, MCO must give HHSC at least 90 days written notice of intent to terminate. The termination date will be calculated as the last day of the month following 90 days from the date the notice of intent to terminate is received by HHSC.

Section 12.05 Termination by mutual agreement.

This Contract may be terminated by mutual written agreement of the Parties.

Section 12.06 Effective date of termination.

Except as otherwise provided in this Contract, termination will be effective as of the date specified in the notice of termination.

Section 12.07 Extension of termination effective date.

The Parties may extend the effective date of termination one (1) or more times by mutual written agreement.

Section 12.08 Payment and other provisions at Contract termination.

(a) In the event of termination pursuant to this Article, HHSC will pay the Capitation Payment for Services and Deliverables rendered through the effective date of termination. All pertinent provisions of the Contract will form the basis of settlement.

(b) MCO must provide HHSC all reasonable access to records, facilities, and documentation as is required to efficiently and expeditiously close out the Services and Deliverables provided under this Contract.

(c) MCO must prepare a Turnover Plan, which is acceptable to and approved by HHSC. The Turnover Plan will be implemented during the time period between receipt of notice and the termination date, in accordance with Attachment B-1, RFP Section 9.
Section 12.09 Modification of Contract in the event of remedies.

HHSC may propose a modification of this Contract in response to the imposition of a remedy under this Article. Any modifications under this Section must be reasonable, limited to the matters causing the exercise of a remedy, in writing, and executed in accordance with Article 8, “Amendments and Modifications.” MCO must negotiate such proposed modifications in good faith.

Section 12.10 Turnover assistance.

Upon receipt of notice of termination of the Contract by HHSC, MCO will provide any turnover assistance reasonably necessary to enable HHSC or its designee to effectively close out the Contract and move the work to another vendor or to perform the work itself.

Section 12.11 Rights upon termination or expiration of Contract.

In the event that the Contract is terminated for any reason, or upon its expiration, HHSC will, at HHSC's discretion, retain ownership of any and all associated work products, Deliverables and/or documentation in whatever form that they exist.

Section 12.12 MCO responsibility for associated costs.

If HHSC terminates the Contract for Cause, the MCO will be responsible to HHSC for all reasonable costs incurred by HHSC, the State of Texas, or any of its administrative agencies to replace the MCO. These costs include, but are not limited to, the costs of procuring a substitute vendor and the cost of any claim or litigation that is reasonably attributable to MCO’s failure to perform any Service in accordance with the terms of the Contract.

Section 12.13 Dispute resolution.

(a) General agreement of the Parties.

The Parties mutually agree that the interests of fairness, efficiency, and good business practices are best served when the Parties employ all reasonable and informal means to resolve any dispute under this Contract. The Parties express their mutual commitment to using all reasonable and informal means of resolving disputes prior to invoking a remedy provided elsewhere in this Section.

(b) Duty to negotiate in good faith.

Any dispute that in the judgment of any Party to this Contract may materially or substantially affect the performance of any Party will be reduced to writing and delivered to the other Party. The Parties must then negotiate in good faith and use every reasonable effort to resolve such dispute and the Parties must not resort to any formal proceedings unless they have reasonably determined that a negotiated resolution is not possible. The resolution of any dispute disposed of by Contract between the Parties must be reduced to writing and delivered to all Parties within ten (10) Business Days.

(c) Claims for breach of Contract.

(1) General requirement. MCO’s claim for breach of this Contract will be resolved in accordance with the dispute resolution process established by HHSC in accordance with Chapter 2260, Texas Government Code.

(2) Negotiation of claims. The Parties expressly agree that the MCO’s claim for breach of this Contract that the Parties cannot resolve in the ordinary course of business or through the use of all reasonable and informal means will be submitted to the negotiation process provided in Chapter 2260, Subchapter B, Texas Government Code.

(i) To initiate the process, MCO must submit written notice to HHSC that specifically states that MCO invokes the provisions of Chapter 2260, Subchapter B, Texas Government Code. The notice must comply with the requirements of Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.

(ii) The Parties expressly agree that the MCO’s compliance with Chapter 2260, Subchapter B, Texas Government Code, will be a condition precedent to the filing of a contested case proceeding under Chapter 2260, Subchapter C, of the Texas Government Code.

(3) Contested case proceedings. The contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be MCO’s sole and exclusive process for seeking a remedy for any and all alleged breaches of contract by HHSC if the Parties are unable to resolve their disputes under Subsection (c)(2) of this Section.

The Parties expressly agree that compliance with the contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be a condition precedent to seeking consent to sue from the Texas Legislature under Chapter 107, Civil Practices & Remedies Code. Neither the execution of this Contract by HHSC nor any other conduct of any representative of HHSC relating to this Contract will be considered a waiver of HHSC’s sovereign immunity to suit.
(4) **HHSC rules.** The submission, processing and resolution of MCO’s claim is governed by the rules adopted by HHSC pursuant to Chapter 2260, Texas Government Code, found at Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.

(5) **MCO’s duty to perform.** Neither the occurrence of an event constituting an alleged breach of contract nor the pending status of any claim for breach of contract is grounds for the suspension of performance, in whole or in part, by MCO of any duty or obligation with respect to the performance of this Contract. Any changes to the Contract as a result of a dispute resolution will be implemented in accordance with **Article 8, “Amendments and Modifications.”**

### Section 12.14 Liability of MCO.

(a) MCO bears all risk of loss or damage to HHSC or the State due to:
   1. Defects in Services or Deliverables;
   2. Unfitness or obsolescence of Services or Deliverables; or
   3. The negligence or intentional misconduct of MCO or its employees, agents, consultants, Subcontractors, or representatives.

(b) MCO must, at the MCO’s own expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC and State employees, officers, directors, contractors and agents from and against any losses, liabilities, damages, penalties, costs, fees, and expenses from any claim or action for property damage, bodily injury or death, to the extent caused by or arising from the negligence or intentional misconduct of the MCO and its employees, officers, agents, consultants, or Subcontractors. HHSC will not unreasonably withhold approval of counsel selected by MCO.

(c) MCO will not be liable to HHSC for any loss, damages or liabilities attributable to or arising from the failure of HHSC or any state agency to perform a service or activity in connection with this Contract.

### Section 12.15 Pre-termination Process.

The following process will apply when HHSC terminates the Agreement for any reason set forth in Section 12.03(b), “Termination for Cause,” other than Subpart 6, “Termination for Non-appropriation of Funds.” HHSC will provide the MCO with reasonable advance written notice of the proposed termination, as it deems appropriate under the circumstances. The notice will include the reason for the proposed termination, the proposed effective date of the termination, and the time and place where the parties will meet regarding the proposed termination. During this meeting, the MCO may present written information explaining why HHSC should not affirm the proposed termination. HHSC’s Associate Commissioner for Medicaid and CHIP will consider the written information, if any, and will provide the MCO with a written notice of HHSC’s final decision affirming or reversing the termination. An affirming decision will include the effective date of termination.

The pre-termination process described herein will not limit or otherwise reduce the parties’ rights and responsibilities under Section 12.13, “Dispute Resolution;” however, HHSC’s final decision to terminate is binding and is not subject to review by the State Office of Administrative Hearings under Chapter 2260, Texas Government Code.

### Article 13. Assurances & Certifications

**Section 13.01 Proposal certifications.**

MCO acknowledges its continuing obligation to comply with the requirements of the certifications contained in its Proposal, and will immediately notify HHSC of any changes in circumstances affecting the certifications.

**Section 13.02 Conflicts of interest.**

(a) Representation.

MCO agrees to comply with applicable state and federal laws, rules, and regulations regarding conflicts of interest in the performance of its duties under this Contract. MCO warrants that it has no interest and will not acquire any direct or indirect interest that would conflict in any manner or degree with its performance under this Contract.

(b) General duty regarding conflicts of interest.

MCO will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain. MCO will operate with complete independence and objectivity without actual, potential or apparent conflict of interest with respect to the activities conducted under this Contract.

**Section 13.03 Organizational conflicts of interest.**
(a) Definition.
An organizational conflict of interest is a set of facts or circumstances, a relationship, or other situation under which an MCO or a Subcontractor has past, present, or currently planned personal or financial activities or interests that either directly or indirectly:

(1) Impairs or diminishes the MCO’s or Subcontractor’s ability to render impartial or objective assistance or advice to HHSC; or
(2) Provides the MCO or Subcontractor an unfair competitive advantage in future HHSC procurements (excluding the award of this Contract).

(b) Warranty.
 Except as otherwise disclosed and approved by HHSC prior to the Effective Date of the Contract, MCO warrants that, as of the Effective Date and to the best of its knowledge and belief, there are no relevant facts or circumstances that could give rise to an organizational conflict of interest affecting this Contract. MCO affirms that it has neither given, nor intends to give, at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, at any time during the procurement process or in connection with the procurement process except as allowed under relevant state and federal law.

(c) Continuing duty to disclose.

(1) MCO agrees that, if after the Effective Date, MCO discovers or is made aware of an organizational conflict of interest, MCO will immediately and fully disclose such interest in writing to the HHSC project manager. In addition, MCO must promptly disclose any relationship that might be perceived or represented as a conflict after its discovery by MCO or by HHSC as a potential conflict. HHSC reserves the right to make a final determination regarding the existence of conflicts of interest, and MCO agrees to abide by HHSC’s decision.

(2) The disclosure will include a description of the actions that MCO has taken or proposes to take to avoid or mitigate such conflicts.

(d) Remedy.
If HHSC determines that an organizational conflict of interest exists, HHSC may, at its discretion, terminate the Contract pursuant to Subsection 12.03(b)(9). If HHSC determines that MCO was aware of an organizational conflict of interest before the award of this Contract and did not disclose the conflict to the contracting officer, such nondisclosure will be considered a material breach of the Contract. Furthermore, such breach may be submitted to the Office of the Attorney General, Texas Ethics Commission, or appropriate State or Federal law enforcement officials for further action.

(e) Flow-down obligation.
MCO must include the provisions of this Section in all Subcontracts for work to be performed similar to the service provided by MCO, and the terms "Contract," "MCO," and "project manager" modified appropriately to preserve the state's rights.

Section 13.04 HHSC personnel recruitment prohibition.

MCO has not retained or promised to retain any person or company, or utilized or promised to utilize a consultant that participated in HHSC’s development of specific criteria of the RFP or who participated in the selection of the MCO for this Contract. Unless authorized in writing by HHSC, MCO will not recruit or employ any HHSC personnel who have worked on projects relating to the subject matter of this Contract, or who have had any influence on decisions affecting the subject matter of this Contract, for two (2) years following the completion of this Contract.

Section 13.05 Anti-kickback provision.

MCO certifies that it will comply with the Anti-Kickback Act of 1986, 41 U.S.C. §51-58 and Federal Acquisition Regulation 52.203-7, to the extent applicable.

Section 13.06 Debt or back taxes owed to State of Texas.

In accordance with Section 403.055 of the Texas Government Code, MCO agrees that any payments due to MCO under the Contract will be first applied toward any debt and/or back taxes MCO owes State of Texas. MCO further agrees that payments will be so applied until such debts and back taxes are paid in full.

Section 13.07 Outstanding debts and judgments.

MCO certifies that it is not presently indebted to the State of Texas, and that MCO is not subject to an outstanding judgment in a suit by State of Texas against MCO for collection of the balance. For purposes of this Section, an indebtedness is any amount
or sum of money that is due and owing to the State of Texas and is not currently under dispute. A false statement regarding MCO’s status will be treated as a material breach of this Contract and may be grounds for termination at the option of HHSC.

Article 14. Representations & Warranties

Section 14.01 Authorization.

(a) The execution, delivery and performance of this Contract has been duly authorized by MCO and no additional approval, authorization or consent of any governmental or regulatory agency is required to be obtained in order for MCO to enter into this Contract and perform its obligations under this Contract.

(b) MCO has obtained all licenses, certifications, permits, and authorizations necessary to perform the Services under this Contract and currently is in good standing with all regulatory agencies that regulate any or all aspects of MCO’s performance of this Contract. MCO will maintain all required certifications, licenses, permits, and authorizations during the term of this Contract.

Section 14.02 Ability to perform.

MCO warrants that it has the financial resources to fund the capital expenditures required under the Contract without advances by HHSC or assignment of any payments by HHSC to a financing source.

Section 14.03 Minimum Net Worth.

The MCO has, and will maintain throughout the life of this Contract, minimum net worth that complies with standards adopted by TDI. Minimum net worth means the excess total admitted assets over total liabilities, excluding liability for subordinated debt issued in compliance with Chapter 843 of the Texas Insurance Code.

Section 14.04 Insurer solvency.

(a) The MCO must be and remain in full compliance with all applicable state and federal solvency requirements for basic-service health maintenance organizations, including but not limited to, all reserve requirements, net worth standards, debt-to-equity ratios, or other debt limitations. In the event the MCO fails to maintain such compliance, HHSC, without limiting any other rights it may have by law or under the Contract, may terminate the Contract.

(b) If the MCO becomes aware of any impending changes to its financial or business structure that could adversely impact its compliance with the requirements of the Contract or its ability to pay its debts as they come due, the MCO must notify HHSC immediately in writing.

(c) The MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

1. continuation of Covered Services, until the time of discharge, to Members who are confined on the date of insolvency in a hospital or other inpatient facility;
2. payments to unaffiliated health care providers and affiliated healthcare providers whose Contracts do not contain Member “hold harmless” clauses acceptable to the TDI;
3. continuation of Covered Services for the duration of the Contract Period for which a capitation has been paid for a Member;
4. provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI and the Contract.

Should TDI determine that there is an immediate risk of insolvency or the MCO is unable to provide Covered Services to its Members, HHSC, without limiting any other rights it may have by law, or under the Contract, may terminate the Contract.

Section 14.05 Workmanship and performance.

(a) All Services and Deliverables provided under this Contract will be provided in a manner consistent with the standards of quality and integrity as outlined in the Contract.

(b) All Services and Deliverables must meet or exceed the required levels of performance specified in or pursuant to this Contract.

(c) MCO will perform the Services and provide the Deliverables in a workmanlike manner, in accordance with best practices and high professional standards used in well-managed operations performing services similar to the Services described in this Contract.
Section 14.06 Warranty of deliverables.

MCO warrants that Deliverables developed and delivered under this Contract will meet in all material respects the specifications as described in the Contract during the period following its acceptance by HHSC, through the term of the Contract, including any subsequently negotiated by MCO and HHSC. MCO will promptly repair or replace any such Deliverables not in compliance with this warranty at no charge to HHSC.

Section 14.07 Compliance with Contract.

MCO will not take any action substantially or materially inconsistent with any of the terms and conditions set forth in this Contract without the express written approval of HHSC.

Section 14.08 Technology Access

All technological solutions offered by the MCO must comply with the requirements of Texas Government Code § 531.0162. This includes providing technological solutions that meet federal accessibility standards for persons with disabilities, as applicable.

Section 14.09 Electronic & Information Resources Accessibility Standards

(a) Applicability
The following Electronic and Information Resources (EIR) requirements apply to the Contract because the MCO perform services that include EIR that: (i) HHSC employees are required or permitted to access; or (ii) members of the public are required or permitted to access. This Section does not apply to incidental uses of EIR in the performance of a Contract, unless the Parties agree that the EIR will become property of the State or will be used by the HHSC’s clients or recipients after completion of the Contract. Nothing in this section is intended to prescribe the use of particular designs or technologies or to prevent the use of alternative technologies, provided they result in substantially equivalent or greater access to and use of a Product.

(b) Definitions.
For purposes of this Section:

“Accessibility Standards” means the Electronic and Information Resources Accessibility Standards and the Web Site Accessibility Standards/Specifications.

“Electronic and Information Resources” means information resources, including information resources technologies, and any equipment or interconnected system of equipment that is used in the creation, conversion, duplication, or delivery of data or information. The term includes, but is not limited to, telephones and other telecommunications products, information kiosks, transaction machines, Internet websites, multimedia resources, and office equipment, including copy machines and fax machines.

“Electronic and Information Resources Accessibility Standards” means the accessibility standards for electronic and information resources contained in Volume 1 Texas Administrative Code Chapter 213.

“Web Site Accessibility Standards/ Specifications” means standards contained in Volume 1 Texas Administrative Code Chapter 206.

“Product” means information resources technology that is, or is related to, EIR.

(c) Accessibility Requirements.
Under Texas Government Code Chapter 2054, Subchapter M, and implementing rules of the Texas Department of Information Resources, HHSC must procure Products that comply with the Accessibility Standards when such Products are available in the commercial marketplace or when such Products are developed in response to a procurement solicitation. Accordingly, MCO must provide electronic and information resources and associated Product documentation and technical support that comply with the Accessibility Standards.

(d) Evaluation, Testing, and Monitoring.

(1) HHSC may review, test, evaluate and monitor MCO’s Products and associated documentation and technical support for compliance with the Accessibility Standards. Review, testing, evaluation and monitoring may be conducted before and after the award of a contract. Testing and monitoring may include user acceptance testing.

Neither (1) the review, testing (including acceptance testing), evaluation or monitoring of any Product, nor (2) the absence of such review, testing, evaluation or monitoring, will result in a waiver of the State’s right to contest the MCO’s assertion of compliance with the Accessibility Standards.

(2) MCO agrees to cooperate fully and provide HHSC and its representatives timely access to Products, records, and other items and information needed to conduct such review, evaluation, testing and monitoring.

(e) Representations and Warranties.
(1) MCO represents and warrants that: (i) as of the Effective Date of the Contract, the Products and associated documentation and technical support comply with the Accessibility Standards as they exist at the time of entering the Contract, unless and to the extent the Parties otherwise expressly agree in writing; and (ii) if the Products will be in the custody of the state or an HHS Agency’s client or recipient after the Contract expiration or termination, the Products will continue to comply with such Accessibility Standards after the expiration or termination of the Contract Term, unless HHSC and/or its clients or recipients, as applicable, use the Products in a manner that renders it noncompliant.

(2) In the event MCO should have known, becomes aware, or is notified that the Product and associated documentation and technical support do not comply with the Accessibility Standards, MCO represents and warrants that it will, in a timely manner and at no cost to HHSC, perform all necessary steps to satisfy the Accessibility Standards, including but not limited to remediation, replacement, and upgrading of the Product, or providing a suitable substitute.

(3) MCO acknowledges and agrees that these representations and warranties are essential inducements on which HHSC relies in awarding this Contract.

(4) MCO’s representations and warranties under this subsection will survive the termination or expiration of the Contract and will remain in full force and effect throughout the useful life of the Product.

(f) Remedies.

(1) Pursuant to Texas Government Code Sec. 2054.465, neither MCO nor any other person has cause of action against HHSC for a claim of a failure to comply with Texas Government Code Chapter 2054, Subchapter M, and rules of the Department of Information Resources.

(2) In the event of a breach of MCO’s representations and warranties, MCO will be liable for direct, consequential, indirect, special, and/or liquidated damages and any other remedies to which HHSC may be entitled under this Contract and other applicable law. This remedy is cumulative of any and all other remedies to which HHSC may be entitled under this Contract and other applicable law.

Article 15. Intellectual Property

Section 15.01 Infringement and misappropriation.

(a) MCO warrants that all Deliverables provided by MCO will not infringe or misappropriate any right of, and will be free of any claim of, any third person or entity based on copyright, patent, trade secret, or other intellectual property rights.

(b) MCO will, at its expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC, its employees, officers, directors, contractors, and agents from and against any losses, liabilities, damages, penalties, costs, and fees from any claim or action against HHSC that is based on a claim of breach of the warranty set forth in the preceding paragraph. HHSC will promptly notify MCO in writing of the claim, provide MCO a copy of all information received by HHSC with respect to the claim, and cooperate with MCO in defending or settling the claim. HHSC will not unreasonably withhold, delay or condition approval of counsel selected by the MCO.

(c) In case the Deliverables, or any one (1) or part thereof, is in such action held to constitute an infringement or misappropriation, or the use thereof is enjoined or restricted or if a proceeding appears to MCO to be likely to be brought, MCO will, at its own expense, either:

(1) Procure for HHSC the right to continue using the Deliverables; or

(2) Modify or replace the Deliverables to comply with the Specifications and to not violate any intellectual property rights.

Section 15.02 Exceptions.

MCO is not responsible for any claimed breaches of the warranties set forth in Section 15.01 to the extent caused by:

(a) Modifications made to the item in question by anyone other than MCO or its Subcontractors, or modifications made by HHSC or its contractors working at MCO’s direction or in accordance with the specifications; or

(b) The combination, operation, or use of the item with other items if MCO did not supply or approve for use with the item; or

(c) HHSC’s failure to use any new or corrected versions of the item made available by MCO.

Section 15.03 Ownership and Licenses

(a) Definitions.

For purposes of this Section 15.03, the following terms have the meanings set forth below:

(1) “Custom Software” means any software developed by the MCO: for HHSC; in connection with the Contract; and with funds received from HHSC. The term does not include MCO Proprietary Software or Third Party Software.
(2) “MCO Proprietary Software” means software: (i) developed by the MCO prior to the Effective Date of the Contract, or (ii) software developed by the MCO after the Effective Date of the Contract that is not developed for HHSC; in connection with the Contract; and with funds received from HHSC.

(3) “Third Party Software” means software that is: developed for general commercial use; available to the public; or not developed for HHSC. Third Party Software includes without limitation: commercial off-the-shelf software; operating system software; and application software, tools, and utilities.

(b) Deliverables.
The Parties agree that any Deliverable, including without limitation the Custom Software, will be the exclusive property of HHSC.

(c) Ownership rights.
(1) HHSC will own all right, title, and interest in and to its Confidential Information and the Deliverables provided by the MCO, including without limitation the Custom Software and associated documentation. For purposes of this Section 15.03, the Deliverables will not include MCO Proprietary Software or Third Party Software. MCO will take all actions necessary and transfer ownership of the Deliverables to HHSC, including, without limitation, the Custom Software and associated documentation prior to Contract termination.

(2) MCO will furnish such Deliverables, upon request of HHSC, in accordance with applicable State law. All Deliverables, in whole and in part, will be deemed works made for hire of HHSC for all purposes of copyright law, and copyright will belong solely to HHSC. To the extent that any such Deliverable does not qualify as a work for hire under applicable law, and to the extent that the Deliverable includes materials subject to copyright, patent, trade secret, or other proprietary right protection, MCO agrees to assign, and hereby assigns, all right, title, and interest in and to Deliverables, including without limitation all copyrights, inventions, patents, trade secrets, and other proprietary rights therein (including renewals thereof) to HHSC.

(3) MCO will, at the expense of HHSC, assist HHSC or its nominees to obtain copyrights, trademarks, or patents for all such Deliverables in the United States and any other countries. MCO agrees to execute all papers and to give all facts known to it necessary to secure United States or foreign country copyrights and patents, and to transfer or cause to transfer to HHSC all the right, title, and interest in and to such Deliverables. MCO also agrees not to assert any moral rights under applicable copyright law with regard to such Deliverables.

(d) License Rights
HHSC will have a royalty-free and non-exclusive license to access the MCO Proprietary Software and associated documentation during the term of the Contract. HHSC will also have ownership and unlimited rights to use, disclose, duplicate, or publish all information and data developed, derived, documented, or furnished by MCO under or resulting from the Contract. Such data will include all results, technical information, and materials developed for and/or obtained by HHSC from MCO in the performance of the Services hereunder, including but not limited to all reports, surveys, plans, charts, recordings (video and/or sound), pictures, drawings, analyses, graphic representations, computer printouts, notes and memoranda, and documents whether finished or unfinished, which result from or are prepared in connection with the Scope of Work performed as a result of the Contract.

(e) Proprietary Notices
MCO will reproduce and include HHSC’s copyright and other proprietary notices and product identifications provided by MCO on such copies, in whole or in part, or on any form of the Deliverables.

(f) State and Federal Governments
In accordance with 45 C.F.R. §95.617, all appropriate State and Federal agencies will have a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, translate, or otherwise use, and to authorize others to use for Federal Government purposes all materials, the Custom Software and modifications thereof, and associated documentation designed, developed, or installed with federal financial participation under the Contract, including but not limited to those materials covered by copyright, all software source and object code, instructions, files, and documentation.

Article 16. Liability

Section 16.01 Property damage.

(a) MCO will protect HHSC’s real and personal property from damage arising from MCO’s, its agent’s, employees.’ Consultants’, and Subcontractors’ performance of the Scope of Work, and MCO will be responsible for any loss, destruction, or damage to HHSC’s property that results from or is caused by MCO’s, its agents’, employees’, consultant’s, or Subcontractors’ negligent or wrongful acts or omissions. Upon the loss of, destruction of, or damage to any property of HHSC, MCO will notify the HHSC Project Manager thereof and, subject to direction from the Project Manager or her or his designee, will take all reasonable steps to protect that property from further damage.

(b) MCO agrees to observe and encourage its employees and agents to observe safety measures and proper operating procedures at HHSC sites at all times.
(c) MCO will distribute a policy statement to all of its employees and agents that directs the employee or agent to promptly report to HHSC or to MCO any special defect or unsafe condition encountered while on HHSC premises. MCO will promptly report to HHSC any special defect or an unsafe condition it encounters or otherwise learns about.

Section 16.02 Risk of Loss.

During the period Deliverables are in transit and in possession of MCO, its carriers or HHSC prior to being accepted by HHSC, MCO will bear the risk of loss or damage thereto, unless such loss or damage is caused by the negligence or intentional misconduct of HHSC. After HHSC accepts a Deliverable, the risk of loss or damage to the Deliverable will be borne by HHSC, except loss or damage attributable to the negligence or intentional misconduct of MCO’s agents, employees, consultants, or Subcontractors.

Section 16.03 Limitation of HHSC’s Liability.

HHSC WILL NOT BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHER LEGAL THEORY. THIS WILL APPLY REGARDLESS OF THE CAUSE OF ACTION AND EVEN IF HHSC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

HHSC’S LIABILITY TO MCO UNDER THE CONTRACT WILL NOT EXCEED THE TOTAL CHARGES TO BE PAID BY HHSC TO MCO UNDER THE CONTRACT, INCLUDING CHANGE ORDER PRICES AGREED TO BY THE PARTIES OR OTHERWISE ADJUDICATED.

MCO’s remedies are governed by the provisions in Article 12.

Article 17. Insurance & Bonding

Section 17.01 Insurance Coverage.

(a) Statutory and General Coverage
MCO will maintain, at the MCO’s expense, the following insurance coverage:

(1) Business Automobile Liability Insurance for all owned, non-owned, and hired vehicles for bodily injury and property damage;
(2) Comprehensive General Liability Insurance of at least $1,000,000.00 per occurrence and $5,000,000.00 in the aggregate (including Bodily Injury coverage of $100,000.00 per each occurrence and Property Damage Coverage of $25,000.00 per occurrence); and
(3) If MCO’s current Comprehensive General Liability insurance coverage does not meet the above stated requirements, MCO will obtain Umbrella Liability Insurance to compensate for the difference in the coverage amounts. If Umbrella Liability Insurance is provided, it must follow the form of the primary coverage.

(b) Professional Liability Coverage.

(1) MCO must maintain, or cause its Network Providers to maintain, Professional Liability Insurance for each Network Provider of $100,000.00 per occurrence and $300,000.00 in the aggregate, or the limits required by the hospital at which the Network Provider has admitting privileges.
(2) MCO must maintain an Excess Professional Liability (Errors and Omissions) Insurance Policy for the greater of $3,000,000.00 or an amount (rounded to the nearest $100,000.00) that represents the number of Members enrolled in the MCO in the first month of the applicable State Fiscal Year multiplied by $150.00, not to exceed $10,000,000.00.

(c) General Requirements for All Insurance Coverage

(1) Except as provided herein, all exceptions to the Contract’s insurance requirements must be approved in writing by HHSC. HHSC’s written approval is not required in the following situations:

(i) An MCO or a Network Provider is not required to obtain the insurance coverage described in Section 17.01 if the MCO or Network Provider qualifies as a state governmental unit or municipality under the Texas Tort Claims Act, and is required to comply with, and subject to the provisions of, the Texas Tort Claims Act.
(ii) An MCO may waive the Professional Liability Insurance requirement described in Section 17.01(b)(1) for a Network Provider of Community-based Long-term Services and Supports. An MCO may not waive this requirement if the Network Provider provides other Covered Services in addition to Community-based Long Term Services and Supports, or if a Texas licensing entity requires the Network Provider to carry such Professional Liability coverage. An MCO that waives the Professional Liability Insurance requirement for a Network Provider pursuant to this provision is not required to obtain such coverage on behalf of the Network Provider.

(2) MCO or the Network Provider is responsible for any and all deductibles stated in the insurance policies.
(3) Insurance coverage must be issued by insurance companies authorized to conduct business in the State of Texas.
(4) With the exception of Professional Liability Insurance maintained by Network Providers, all insurance coverage must name HHSC as an additional insured. In addition, with the exception of Professional Liability Insurance maintained by Network Providers and Business Automobile Liability Insurance, all insurance coverage must name HHSC as a loss payee.
(5) Insurance coverage kept by the MCO must be maintained in full force at all times during the Term of the Contract, and until HHSC’s final acceptance of all Services and Deliverables. Failure to maintain such insurance coverage will constitute a material breach of this Contract.
(6) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must have extended reporting periods of two (2) years. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, the Contract Effective Date.

(d) Proof of Insurance Coverage

(1) Except as provided in Section 17.01(d)(2), the MCO must furnish the HHSC Project Manager original Certificates of Insurance evidencing the required insurance coverage on or before the Effective Date of the Contract. If insurance coverage is renewed during the Term of the Contract, the MCO must furnish the HHSC Project Manager renewal certificates of insurance, or such similar evidence, within five (5) Business Days of renewal. The failure of HHSC to obtain such evidence from MCO will not be deemed to be a waiver by HHSC and MCO will remain under continuing obligation to maintain and provide proof of insurance coverage.
(2) The MCO is not required to furnish the HHSC Project Manager proof of Professional Liability Insurance maintained by Network Providers on or before the Effective Date of the Contract, but must provide such information upon HHSC’s request during the Term of the Contract.

Section 17.02 Performance Bond.

(a) The MCO must obtain a performance bond with a one (1) year term. The performance bond must be renewable and renewal must occur no later than the first day of each subsequent State Fiscal Year. The performance bond must continue to be in effect for one (1) year following the expiration of the final renewal period. MCO must obtain and maintain the performance bonds in the form prescribed by HHSC and approved by TDI, naming HHSC as Obligee, securing MCO’s faithful performance of the terms and conditions of this Contract. The performance bonds must comply with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. At least one (1) performance bond must be issued. The amount of the performance bond(s) should total $100,000.00 for each MCO Program within each Service Area that the MCO covers under this Contract. Performance bonds must be issued by a surety licensed by TDI, and specify cash payment as the sole remedy. MCO must deliver each renewal prior to the first day of the State Fiscal Year.
(b) Since the CHIP Perinatal Program is a subprogram of the CHIP Program, neither a separate performance bond for the CHIP Perinatal Program nor a combined performance bond for the CHIP and CHIP Perinatal Programs is required. The same bond that the MCO obtains for its CHIP Program within a particular Service Area also will cover the MCO’s CHIP Perinatal Program in that same Service Area.

Section 17.03 TDI Fidelity Bond

The MCO will secure and maintain throughout the life of the Contract a fidelity bond in compliance with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. The MCO must promptly provide HHSC with copies of the bond and any amendments or renewals thereto.
<table>
<thead>
<tr>
<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Sections 1 – 5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 1.3 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC. Section 1.8.1 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, &quot;Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 1.6.1 is modified to replace reference to the 1915(b) waiver with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.6.2 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.8 is modified to reference the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC”s administrative rules for identification of eligible populations. Section 1.8.1 STAR Program Eligibility is deleted in its entirety. Section 1.8.2 STAR+PLUS Eligibility is deleted in its entirety. Section 1.8.3 CHIP Program Eligibility is deleted in its entirety.</td>
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<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
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<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.</td>
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<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Section 2.1 is modified to clarify that HHSC uses two dashboards. Section 4.3.7.2 is modified to correct the name to which the acronym HEDIS refers.</td>
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</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
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1. Introduction

1.1 Point-of-Contact

The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission  
Enterprise Contracts and Procurement Services  
4405 North Lamar Blvd  
Austin, Texas 78756-3422  
ATT: Alice Hanna, Purchaser  
(512) 206-5277  
alice.hanna@hhsc.state.tx.us

All communications relating to this RFP must be directed to the HHSC contact person named above. All communications between Respondents and other HHSC staff members concerning this RFP are strictly prohibited. Failure to comply with these requirements may result in proposal disqualification.
### 1.2 Procurement Schedule

The following table documents the critical pre-award events for the procurement. All dates are subject to change at HHSC’s discretion.

<table>
<thead>
<tr>
<th>Event</th>
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<td>Draft RFP Release Date</td>
<td>November 5, 2010</td>
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<tr>
<td>Draft RFP Respondent Comments Due</td>
<td>December 6, 2010</td>
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<tr>
<td>RFP Release Date</td>
<td>April 8, 2011</td>
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<tr>
<td>Vendor Conference</td>
<td>April 18, 2011 1:00pm CDT</td>
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<tr>
<td>Respondent Questions Due</td>
<td>April 19, 2011</td>
</tr>
<tr>
<td>Letters Claiming Mandatory Contract Status Due</td>
<td>April 28, 2011</td>
</tr>
<tr>
<td>HHSC Posts Responses to Respondent Questions</td>
<td>April 29, 2011</td>
</tr>
<tr>
<td>Proposals Due</td>
<td>May 23, 2011</td>
</tr>
<tr>
<td>Deadline for Proposal Withdrawal</td>
<td>May 23, 2011</td>
</tr>
<tr>
<td>Respondent Demonstrations/Oral Presentations (HHSC option)</td>
<td>HHSC will not be holding presentations</td>
</tr>
<tr>
<td>Tentative Award Announcement</td>
<td>August 1, 2011</td>
</tr>
<tr>
<td>Anticipated Contract Start Date</td>
<td>September 1, 2011</td>
</tr>
<tr>
<td>Operational Start Date</td>
<td>March 1, 2012</td>
</tr>
</tbody>
</table>

### 1.3 Purpose

The State of Texas, by and through the Texas Health and Human Services Commission (HHSC), is soliciting competitive proposals for managed care services for recipients who participate in the following managed care programs:

- Medicaid State of Texas Access Reform Program (STAR);
- Medicaid STAR+PLUS Program;
- Children’s Health Insurance Program (CHIP), including the CHIP Perinatal subprogram.

In order to ensure that recipients have a choice of health plans in all MCO Programs, HHSC will select at least two (2) managed care organizations (MCOs) per MCO Program and Service Area. Through this Request for Proposals (RFP), HHSC is expanding both the scope of services and the geographical areas covered by its current managed care programs. New features include:

- Expansion of STAR into two (2) new regions, the Hidalgo Service Area and Medicaid Rural Service Area (MRSA).
- Expansion of STAR+PLUS into the El Paso and Lubbock Service Areas, as well as the new Hidalgo Service Area.
- Adjustments to the Service Area boundaries for STAR, STAR+PLUS and CHIP Service Areas, so that the Service Areas are consistent for all Programs.
- The addition of prescription drug benefits to the managed care structure. The prescription drug benefit will no longer be carved-out of managed care and paid through HHSC’s Vendor Drug Program. Medicaid and CHIP MCOs will be responsible for recruiting and maintaining pharmacy providers and paying for pharmacy benefits.
- The addition of inpatient facility services to the managed care structure for STAR+PLUS.
- For Dual Eligible Members in the STAR+PLUS Program, the addition of Medicaid Wrap Services to the scope of Covered Services at a date determined by HHSC.
Attachments B-5, 5.1, and 5.2 include maps of the planned STAR, STAR+PLUS and CHIP Service Areas.

1.4 Mission Statement

HHSC’s mission is to create a customer-focused, innovative, and adaptable managed care system that provides the highest quality of care to clients while at the same time ensures access to services. Through this procurement, HHSC seeks to accomplish its mission by contracting for measurable results that improve Member access and satisfaction; maximize program efficiency, effectiveness, and responsiveness; and limit operational costs.

1.5 Mission Objectives

To accomplish the HHSC’s mission, HHSC will prioritize desired outcomes and benefits for the managed care programs, and will focus its monitoring efforts on the MCOs’ ability to provide satisfactory results in the following areas.

1. Network adequacy and access to care

All Members must have timely access to quality of care through a Network of Providers designed to meet the needs of the population served. The MCO will be held accountable for creating and maintaining a Network capable of delivering all Covered Services to Members. The MCO must provide Members with access to qualified Network Providers within the travel distance and waiting time for appointment standards defined in this RFP.

2. Quality

HHSC is accountable to Texans for ensuring that all Members receive quality services in the most efficient and effective manner possible. Accordingly, the MCO will be responsible for providing high quality services in a professional and ethical manner. HHSC expects the MCO to implement new and creative approaches that ensure quality services, cost-effective service delivery, and careful stewardship of public resources.

3. Timeliness of claim payment

The MCO’s ability to ensure that Network Providers receive timely and fair payment for services rendered is a key component of their success in the STAR, STAR+PLUS, and CHIP programs. The MCO must have the ability to timely comply with HHSC’s claims adjudication requirements, as set forth in the Uniform Managed Care Manual. Therefore, HHSC will require strict adherence to claims adjudication standards during the term of the Contract. HHSC also encourages MCOs to provide a no-cost alternative for providers to allow billing without the use of a clearinghouse, and to include attendant care payments as part of the regular claims payment process.

4. Timeliness with which prenatal care is initiated

STAR Program data has revealed that 83% of pregnant women received prenatal care in the first trimester or within 42 days of enrollment. While this rate approximates the Medicaid managed care national average, HHSC believes that the high prevalence of births in the STAR population warrants efforts to improve timeliness of prenatal care initiation.

5. Behavioral health services

Members must have timely access to Medically Necessary Behavioral Health Services, such as mental health counseling and treatment, as well as timely and appropriate follow-up care.

6. Delivery of health care to diverse populations

Member populations in Texas are as diverse as those of any state in the nation. Health Care Services must be delivered without regard to racial or ethnic factors. HHSC expects the MCO to implement intervention strategies to avoid disparities in the delivery of Health Care Services to diverse populations and provide services in a culturally competent manner as described in Section 8.1.5.8 of the RFP.
7. Disease management requirements

The MCO must provide a comprehensive disease management program or coverage for Disease Management (DM) services for asthma, diabetes, and other chronic diseases identified by the MCO, based upon an evaluation of the prevalence of the diseases within the MCO's membership. Please refer to the Uniform Managed Care Manual, Chapter 9.1 “Disease Management,” for additional DM requirements.

8. Service Coordination

The integration of Acute Care services and Community-based Long-Term Services and Supports is an essential feature of STAR+PLUS. A STAR+PLUS MCO must demonstrate that there are sufficient levels of qualified and competent personnel devoted to Service Coordination to meet the everyday needs of STAR+PLUS Members, including Dual Eligibles.

9. Continuity Of Care

HHSC expects that established Member/Provider relationships, existing treatment protocols, and ongoing care plans will not be impacted significantly by this procurement. Transition to the MCO must be as seamless as possible for Members and their Providers.

1.6 Overview of the HHSC MCO Programs

House Bill 7 from the 72nd Regular Session of the Texas Legislature mandated the establishment of Medicaid managed care pilot projects that utilized proven approaches for delivering comprehensive health care. In 1991, the Texas Department of Health created the Bureau of Managed Care. Since that time, Texas has administered a comprehensive set of managed care programs to serve low income Texans. These programs, as presently constituted and administered by HHSC, include the STAR, STAR+PLUS, and CHIP Programs as described in this section.

1.6.1 STAR

STAR is currently HHSC’s primary managed care program for Medicaid Eligibles and operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. It grew out of a pilot project in Travis County in 1993.

STAR is currently available in Bexar, Dallas, El Paso, Harris, Nueces, Jefferson, Lubbock, Tarrant, and Travis regions. Total STAR enrollment as of August 1, 2010 was 1,452,531.

All non-STAG counties in Texas (primarily rural areas) are currently served by the Medicaid Primary Care Case Management Program (PCCM). Total PCCM enrollment as of August 1, 2010 was 840,172. As a result of this procurement, PCCM will be replaced by STAR in the Hidalgo Service Area and the Medicaid Rural Service Area (MRSA). Note, however, that in the Hidalgo Service Area, HHSC will secure legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR Program. Refer to the Procurement Library for current and projected STAR enrollment by Service Area.

1.6.2 STAR+PLUS

STAR+PLUS is a Texas Medicaid program integrating the delivery of Acute Care services and Community-based Long-Term Services and Supports to aged, blind, and disabled (ABD) Medicaid recipients through a managed care system. STAR+PLUS began as a Medicaid pilot project in Harris County in 1998. The STAR+PLUS program operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. The waivers allow the state to provide home and community-based services for Supplemental Security Income (SSI) eligible and SSI-related Medicaid clients, and to mandate managed care participation for SSI/SSI-related eligible clients who are 21 years of age and older. Enrollment in STAR+PLUS is voluntary for clients who are 20 years of age and younger.

As of August 1, 2010, STAR+PLUS MCOs served 169,873 Members in the Bexar, Harris, Nueces, and Travis Service Areas. Through this procurement, HHSC intends to expand STAR+PLUS to the El Paso, Hidalgo, and Lubbock Service Areas (see Attachment B-5.2 STAR+PLUS Service Area Map). As in STAR, HHSC will seek legislative direction before including
Cameron, Hidalgo, and Maverick Counties in the STAR+PLUS Hidalgo Service Area. Refer to the Procurement Library for current and projected STAR+PLUS enrollment by Service Area.

Section 1.6.2 modified by Version 2.3

1.6.3 CHIP

CHIP is HHSC’s program to help Texas families obtain affordable coverage for their uninsured children (from birth through the month of their 19th birthday). In 1999, the 76th Texas Legislature authorized the state’s participation in the federal CHIP program. The principal objective of the state legislation was to provide primary and preventative health care to low-income, uninsured children of Texas, including Children with Special Health Care Needs (CSHCN) who were not served by or eligible for other state-assisted health insurance programs.

HHSC began operating CHIP in 2000. CHIP Members are currently covered through two (2) types of managed care entities – health maintenance organizations (HMOs) licensed by the Texas Department of Insurance (TDI) and exclusive provider organizations (EPOs) with TDI-approved exclusive provider benefit plans (EPBPs). HMOs serve CHIP Members in eight (8), primarily urban Service Areas. EPOs serve the remaining CHIP Members, who reside primarily in the 174-county rural service area (the CHIP RSA). As of September 1, 2010, 523,895 children were enrolled in CHIP. Of these, 400,243 were enrolled in HMOs. The balance of the CHIP enrollment is in the EPOs serving the CHIP RSA. Refer to the Procurement Library for current and projected CHIP enrollment by Service Area.

The CHIP Perinatal Program, a subprogram of CHIP, is for unborn children of women who are not eligible for Medicaid. The 2006-07 General Appropriations Act (Article II, Health and Human Services Commission, Rider 70, S.B. 1, 79th Legislature, Regular Session, 2005) authorized HHSC to expend funds to provide unborn children with health benefit coverage under CHIP. The result was the CHIP Perinatal Program, which began in January 2007. This benefit allows pregnant women who are ineligible for Medicaid due to income (whose income is greater than 185 percent and up to 200 percent of FPL) or immigration status (and whose income is below 200 percent of FPL) to receive prenatal care for their unborn children. Upon delivery, newborns in families with incomes at or below 185 percent of the Federal Poverty Level (FPL) move from the CHIP Perinatal Program to Medicaid, where they receive 12-months of continuous Medicaid coverage. CHIP Perinatal newborns in families with incomes above 185 percent FPL up to and including 200 percent FPL remain in the CHIP Perinatal Program and receive CHIP benefits for a 12-month coverage period, beginning on the date of enrollment as an unborn child. CHIP Perinatal Program Members are exempt from the 90-day waiting period, the asset test, and all cost-sharing that applies to traditional CHIP Members, including enrollment fees and co-pays, for the duration of their coverage period. As of September 1, 2010, 33,860 CHIP Perinates (unborn children) and 19,076 CHIP Perinate Newborns were enrolled in this subprogram.

Throughout this RFP, references to “CHIP” apply to both the traditional CHIP Program and the CHIP Perinatal subprogram unless the context indicates otherwise.

1.7 Other HHSC Managed Care Programs

The following managed care options are not included in the scope of this procurement:

CHIP Rural Service Area (RSA): 174 primarily-rural counties.

Medicaid and CHIP Dental Programs: The Medicaid State Plan encourages eligible individuals to improve and maintain good oral health by providing access to comprehensive dental care. The CHIP Dental Program is a statewide program that provides services such as routine check-ups, cleanings, X-rays, sealants, fillings, tooth removal, crowns/caps and root canals for all CHIP children. HHSC has issued a managed care procurement with an anticipated operational start date of March 1, 2012 for both the Medicaid and CHIP Dental Programs.

STAR+PLUS Program in the Dallas and Tarrant Service Areas: Effective February 1, 2011, STAR+PLUS began serve approximately 78,000 Medicaid clients in the Dallas and Tarrant Service Areas.
STAR Health Program: On April 1, 2008, HHSC launched the STAR Health program as the first comprehensive health and medical network for children who are in the state’s foster care system. The goal is to give children health care services that are coordinated, comprehensive, easy to find, and uninterrupted when the child moves.

NorthSTAR: NorthSTAR is an integrated behavioral health delivery system for Medicaid Eligibles in the Dallas Service Area. It is an initiative of the Texas Department of Mental Health and Mental Retardation and the Texas Commission on Alcohol and Drug Abuse. Behavioral Health Services are provided by a licensed behavioral health organization. Due to the presence of NorthSTAR in the Dallas Service Area, MCOs in the Service Area will not be required to provide Behavioral Health Services to STAR Members.

1.8 Eligible Populations for HHSC MCO Programs

The Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC's administrative rules identify the populations that are eligible for STAR and STAR+PLUS, and the CHIP State Plan identifies the populations eligible for CHIP.

Federal law requires a choice of Medicaid managed care health plans in any given Service Area. For the STAR Program, during the period after which the Medicaid eligibility determination has been made, but prior to enrollment in the MCO, Medicaid Eligibles, with the exception of certain newborns and pregnant women will be enrolled under the traditional fee-for-service Medicaid program (see Article 5 of Attachment A, Uniform Managed Care Contract Terms and Conditions of the RFP). All such Medicaid Eligibles will remain in the fee-for-service Medicaid program until enrolled in or assigned to a STAR or STAR+PLUS MCO, as applicable. For the CHIP MCO Program, there is no benefit coverage for CHIP-eligible children prior to enrollment in a CHIP MCO.

1.9 Authorization

The Texas Legislature has designated HHSC as the single state agency to administer the Medicaid and CHIP Programs in the State of Texas. HHSC has authority to contract with MCOs to carry out the duties and functions of the Medicaid Managed Care Program under Title XIX of the Social Security Act; §12.011 and §12.02, Texas Health and Safety Code; and Chapter 533, Texas Government Code. HHSC has the authority to contract with MCOs to carry out the duties of the CHIP Managed Care Program under Title XXI of the Social Security Act, and Chapter 62, Texas Health and Safety Code.

Contracts awarded under this RFP are subject to all necessary federal and state approvals, including, but not limited to, Centers for Medicare and Medicaid Services (CMS) approval.

1.10 Eligible Respondents

Except as provided herein, eligible Respondents include insurers that are licensed by the TDI as HMOs in accordance with Chapter 843 of the Texas Insurance Code, or a certified Approved Non-Profit Health Corporation (ANHC), formed in compliance with Chapter 844 of the Texas Insurance Code.

For the STAR and STAR+PLUS Hidalgo Service Area, eligible respondents include HMOs, ANHCs, and EPOs with TDI-approved EPBPs. Note that under current state law, HHSC is precluded from providing services to Medicaid recipients through an HMO model in the following three (3) counties in the Hidalgo Service Area: Cameron, Hidalgo, and Maverick. HHSC will not implement any form of capitated managed care in these three (3) counties in the Hidalgo Service Area without guidance from the Texas Legislature. Respondents who are interested in bidding on the Hidalgo Service Area should nevertheless pursue one or more forms of TDI approval appropriate to these counties.

For the Medicaid Rural Service Area for STAR, eligible respondents include HMOs, ANHCs, EPOs with TDI-approved EPBPs. Note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may seek TDI approval in one (1) or more of these areas, but should note that HHSC will more favorably evaluate responses that propose to serve all three (3) areas. Should HHSC determine that it is in the state’s best interest to subdivide the Medicaid Rural Service Area for purposes of award, the Medicaid Rural Service Area will still be treated as one (1) Service Area for rate-setting purposes.

Throughout this RFP, the term “MCO” is used to refer to HMOs, ANHCs, and EPOs.
A Respondent that has submitted its application for licensure as an HMO, for certification as an ANHC, or for approval of an EPBP prior to the Proposal due date is also eligible to respond to this RFP; however, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract (see Section 1.2, “Procurement Schedule”). Failure to receive the required approval within 60 days after HHSC executes the Contract will result in the cancellation of the award.

For more information on the reasons for HHSC’s disqualification of Respondents, see Section 3.3.2, “Conflicts of Interest,” and Section 3.3.3, “Former Employees of a State Agency.”

1.11 Term of Contract

The Initial Contract Period will begin on the Contract’s Effective Date (generally the date HHSC signs the contract) and will continue through August 31, 2015 (the “Initial Contract Period”). HHSC may, at its option, extend the Contract for an additional period or periods, not to exceed a total of eight (8) operational years. All reserved Contract extensions beyond the Initial Contract Period will be subject to good faith negotiation between the parties.

1.12 Development of Contracts

HHSC intends to execute one (1) Contract per MCO, which will include all awarded MCO Programs and Service Areas. For reference only, HHSC has included a copy of the standard Managed Care Contract in the Procurement Library. The Managed Care Contract identifies an MCO’s awarded MCO Programs and Service Areas, and identifies all documents that will become part of the agreement, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

1.13 Medicaid and CHIP Service Areas

In this RFP, HHSC distinguishes areas of Texas by MCO Program Service Areas. If a Respondent proposes to participate in an HHSC MCO Program Service Area, the Respondent must propose to serve all counties in the HHSC-defined Service Area, with the following exception. As described above, Respondents may chose to serve all or part of the STAR Medicaid Rural Service Area. Maps and tables depicting the Service Area configuration for each of the MCO Programs can be found in Attachments B-5, 5.1, and 5.2. The tables indicate the counties included in each of the designated Service Areas. The following chart summarizes the MCO Program options included in the scope of this procurement, by Service Area.

<table>
<thead>
<tr>
<th>Service Areas</th>
<th>STAR</th>
<th>STAR+PLUS</th>
<th>CHIP MCO</th>
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<tbody>
<tr>
<td>Bexar</td>
<td>✓</td>
<td></td>
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</tr>
<tr>
<td>Dallas</td>
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<td></td>
</tr>
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<td>El Paso</td>
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<td>✓</td>
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<tr>
<td>Harris</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>Hidalgo</td>
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<td></td>
</tr>
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<td>Jefferson</td>
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<td>✓</td>
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<tr>
<td>Lubbock</td>
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<tr>
<td>Travis</td>
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As described above, HHSC intends to expand the STAR Program to include the Hidalgo Service Area and Medicaid RSA, and the STAR+PLUS MCO Program to include the El Paso, Hidalgo, and Lubbock Service Areas. HHSC reserves the right to
change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.

2. Procurement Strategy and Approach

HHSC seeks to contract with at least two (2) MCOs for each MCO Program and Service Areas to provide for client choice. It is possible that a Service Area could have more than two (2) MCOs. HHSC reserves the right to enter into Contracts with more than two (2) MCOs in any Service Area based on:

- the number of managed care Eligibles in the Service Area compared to the combined capacity of qualified MCO Respondents, and
- statutory requirements, such as HHSC’s consideration of Proposals from an MCO owned or operated by a hospital district.

Section 2155.144, Texas Government Code obligates HHSC to purchase goods and services on the basis of best value. HHSC rules define “best value” as the optimum combination of economy and quality that is the result of fair, efficient, and practical procurement decision-making and that achieves health and human services procurement objectives (see 1 TAC §391.31). HHSC will evaluate proposals using the best value criteria set forth in Section 5 of this RFP.

2.1 HHSC Model Management Strategy

HHSC will use two Performance Indicator Dashboards (one for administrative and financial measures and another for quality measures). The Performance Indicator Dashboards are included in the Uniform Managed Care Manual. The Performance IndicatorDashboards are not all-inclusive sets of performance measures; HHSC will measure other aspects of the MCO's performance as well. Rather, the Performance Indicator Dashboards assemble performance indicators that assess many of the most important dimensions of the MCO's performance, and includes measures that, when publicly shared, will also serve to incentivize excellence.

As described in Section 8.1.1.1, "Performance Evaluation," after Rate Year 1 HHSC will also collaborate with each MCO to establish an annual series of performance improvement projects. The MCO will be committed to making its best efforts to achieve the established goals.

HHSC may establish some or all of the annual performance improvement projects. HHSC and each MCO will negotiate any remaining projects or goals. These projects will be highly specified and measurable. The projects will reflect areas that present significant opportunities for performance improvement. Once finalized and approved by HHSC, the projects will become part of each MCO's annual plan for its Quality Assurance and Performance Improvement (QAPI) Program, as defined in Section 8.1.7, "Quality Assessment and Performance Improvement," and will be incorporated by reference into the Contract.

HHSC recognizes the importance of applying a variety of financial and non-financial incentives and disincentives for demonstrated MCO performance. It is HHSC's objective to recognize and reward both excellence in performance and improvement in performance within existing state and federal financial constraints. It is likely that this approach will be modified over time based on several variables, including accumulated experience by HHSC and the MCO, changes in the status of state finances, and changes in each MCO's performance levels. Section 6.3, "Performance Incentives and Disincentives," describes the incentive and disincentive approach in additional detail.

The incentives and disincentives will be linked to some of the measures in the Performance Indicator Dashboard. The MCO's performance relative to the annual performance improvement projects may be used by HHSC to identify and reward excellence and improvement by the MCO in subsequent years.

Finally, HHSC plans to improve methods for sharing information regarding the Texas Medicaid and CHIP Programs with all of the MCOs through HHSC-sponsored workgroups and other initiatives.

2.2 Performance Measures and Associated Remedies
The MCO must provide all services and deliverables under the Contract at an acceptable quality level and in a manner consistent with acceptable industry standard, custom, and practice. Failure to do so may result in HHSC’s assessment of contractual remedies, including liquidated damages, as set forth in Attachment B-4, “Deliverables/Liquidated Damages Matrix.”

3. General Instructions and Requirements

3.1 Strategic Elements

3.1.1 Contract Elements

The term “Contract” means the contract awarded as a result of this RFP and all exhibits thereto. At a minimum, the following documents will be incorporated into the contract: this RFP and all attachments and exhibits; any modifications, addendum or amendments issued in conjunction with this RFP; HHSC’s “Uniform Managed Care Contract Terms and Conditions;” and the MCO’s Proposal.

Respondents are responsible for reviewing all parts of the Contract, including the “Uniform Managed Care Contract Terms and Conditions,” and noting any exceptions, reservations, and limitations on the Respondent Information and Disclosures Form.

3.1.2 HHSC’s Basic Philosophy: Contracting for Results

HHSC’s fundamental commitment is to contract for results. HHSC defines a successful result as the generation of defined, measurable, and beneficial outcomes that satisfy the Contract requirements and support HHSC’s missions and objectives. This RFP describes what is required of the MCO in terms of services, deliverables, performance measures, and outcomes, and unless otherwise noted in the RFP, places the responsibility for how they are accomplished on the MCO.

3.2 External Factors

External factors may affect the project, including budgetary and resource constraints. Any contract resulting from the RFP is subject to the availability of state and federal funds. As of the issuance of this RFP, HHSC anticipates that budgeted funds will be available to reasonably fulfill the project requirements. If, however, funds are not available, HHSC reserves the right to withdraw the RFP or terminate the resulting contract without penalty.

3.3 Legal and Regulatory Constraints

3.3.1 Delegation of Authority

State and federal laws generally limit HHSC’s ability to delegate certain decisions and functions to a vendor, including, but not limited to: (1) policy-making authority, and (2) final decision-making authority on the acceptance or rejection of contracted services.

3.3.2 Conflicts of Interest

A conflict of interest is a set of facts or circumstances in which either a Respondent or anyone acting on its behalf in connection with this procurement has past, present, or currently planned personal, professional, or financial interests or obligations that, in HHSC’s determination, would actually or apparently conflict or interfere with the Respondent’s contractual obligations to HHSC. A conflict of interest would include circumstances in which a party’s personal, professional, or financial interests or obligations may directly or indirectly:
• make it difficult or impossible to fulfill its contractual obligations to HHSC in a manner that is consistent with the best interests of the State of Texas;
• impair, diminish, or interfere with that party’s ability to render impartial or objective assistance or advice to HHSC; and/or
• provide the party with an unfair competitive advantage in future HHSC procurements.

Neither the Respondent nor any other person or entity acting on its behalf, including, but not limited to subcontractors, employees, agents, and representatives, may have a conflict of interest with respect to this procurement. Before submitting a proposal, Respondents should carefully review Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for additional information concerning conflicts of interests.

A Respondent must certify that it does not have personal or business interests that present a conflict of interest with respect to this RFP and resulting contract (see the Required Certifications form). Additionally, if applicable, the Respondent must disclose all potential conflicts of interest. The Respondent must describe the measures it will take to ensure that there will be no actual conflict of interest and that its fairness, independence, and objectivity will be maintained (see the Respondent Information and Disclosures Form). HHSC will determine to what extent, if any, a potential conflict of interest can be mitigated and managed during the term of the Contract. Failure to identify potential conflicts of interest may result in HHSC’s disqualification of a proposal or termination of the Contract.

3.3.3 Former Employees of a State Agency

Respondents must comply with Texas and federal laws and regulations relating to the hiring of former state employees (see e.g., Texas Government Code §572.054 and 45 C.F.R. §74.43). Such “revolving door” provisions generally restrict former agency heads from communicating with or appearing before the agency on certain matters for two (2) years after leaving the agency. The revolving door provisions also restrict some former employees from representing clients on matters that the employee participated in during state service or matters that were in the employees’ official responsibility.

As a result of such laws and regulations, a Respondent must certify that it has complied with all applicable laws and regulations regarding former state employees (see the Required Certifications Form). Furthermore, a Respondent must disclose any relevant past state employment of the Respondent’s or its subcontractors’ employees and agents in the Respondent Information and Disclosure Form.

3.4 HHSC Amendments and Announcements Regarding this RFP

HHSC will post all official communication regarding this RFP on its website, including the notice of tentative award. HHSC reserves the right to revise the RFP at any time. Any changes, amendments, or clarifications will be made in the form of written responses to Respondents’ questions, amendments, or addendum issued by HHSC on its website. Respondents should check the website frequently for notice of matters affecting the RFP. To access the website, go to the “HHSC Contracting Opportunities” page and enter a search for this procurement.

3.5 RFP Cancellation/Partial Award/Non-Award

HHSC reserves the right to cancel this RFP, to make a partial award, or to make no award if it determines that such action is in the best interest of the State of Texas.

3.6 Right to Reject Proposals or Portions of Proposals

HHSC may, in its discretion, reject any and all proposals or portions thereof.

3.7 Costs Incurred
Respondents understand that issuance of this RFP in no way constitutes a commitment by HHSC to award a contract or to pay any costs incurred by a Respondent in the preparation of a response to this RFP. HHSC is not liable for any costs incurred by a Respondent prior to issuance of or entering into a formal agreement, contract, or purchase order. Costs of developing proposals, preparing for or participating in oral presentations and site visits, or any other similar expenses incurred by a Respondent are entirely the responsibility of the Respondent, and will not be reimbursed in any manner by the State of Texas.

3.8 Protest Procedures

Texas Administrative Code, Title 1, Part 15, Chapter 392, Subchapter C outlines HHSC’s Respondent protest procedures.

3.9 Vendor Conference

HHSC will hold a vendor conference according to the time and date in Section 1.2, “Procurement Schedule” in the Lone Star Conference Room located at 11209 Metric Blvd, Building H, Austin, Texas. Vendor conference attendance is strongly recommended, but is not required.

Respondents may email questions for the conference to the HHSC Point of Contact (see Section 1.1) no later than five (5) days before the conference. HHSC will also give Respondents the opportunity to submit written questions at the conference. All questions should reference the appropriate RFP page and section number. HHSC will attempt to respond to questions at the vendor conference, but responses are not official until posted in final form on the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

3.10 Questions and Comments

All questions and comments regarding this RFP should be sent to the HHSC Point of Contact (see Section 1.1). Questions should reference the appropriate RFP page and section number, and must be submitted by the deadline set forth in Section 1.2. HHSC will not respond to questions received after the deadline. HHSC’s responses to Respondent questions will be posted to the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

Respondents must notify HHSC of any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in the RFP by the deadline for submitting questions and comments. If a Respondent fails to notify HHSC of these issues, it will submit a proposal at its own risk, and if awarded a contract:

- (1) must have waived any claim of error or ambiguity in the RFP or resulting contract;
- (2) must not contest HHSC’s interpretation of such provision(s); and
- (3) must not be entitled to additional compensation, relief, or time by reason of the ambiguity, error, or its later correction.

3.11 Modification or Withdrawal of Proposal

Prior to the proposal submission deadline set forth in Section 1.2, a Respondent may: (1) withdraw its proposal by submitting a written request to the HHSC Point of Contact, or (2) modify its proposal by submitting a written amendment to the HHSC Point of Contact. HHSC may request proposal modifications at any time.

HHSC reserves the right to waive minor informalities in a proposal and award a contract that is in the best interest of the State of Texas. A “minor informality” is an omission or error that, in HHSC’s determination, if waived or modified when evaluating proposals, would not give a Respondent an unfair advantage over other Respondents or result in a material change in the proposal or RFP requirements. When HHSC determines that a proposal contains a minor informality, it may at its discretion provide the Respondent with the opportunity to correct.

3.12 News Releases
Prior to tentative award, a Respondent may not issue a press release or provide any information for public consumption regarding its participation in the procurement. After tentative award, a Respondent must receive prior written approval from HHSC before issuing a press release or providing information for public consumption regarding its participation in the procurement. Requests should be directed to the HHSC Point of Contact identified in Section 1.1.

Section 3.12 does not preclude business communications necessary for a Respondent to develop a proposal, or required reporting to shareholders or governmental authorities.

3.13 Incomplete Proposals

HHSC may reject without further consideration a proposal that does not include a complete, comprehensive, or total solution as requested by this RFP.

3.14 State Use of Proposal Information

HHSC reserves the right to use any and all ideas and information presented in a proposal. A Respondent may not object to HHSC’s use of such information.

3.15 Property of HHSC

Except as otherwise provided in this RFP or the resulting Contract, all products produced by a Respondent, including without limitations the proposal, all plans, designs, software, and other contract deliverables, become the sole property of HHSC. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 15 for additional information concerning intellectual property rights.

3.16 Copyright Restriction

HHSC will not consider any proposal that is copyrighted by the Respondent, in whole or part.

3.17 Additional Information

By submitting a proposal, the Respondent grants HHSC the right to obtain information from any lawful source regarding the Respondent’s and its directors’, officers’, and employees’:

(1) past business history, practices, and conduct;
(2) ability to supply the goods and services; and
(3) ability to comply with Contract requirements.

By submitting a proposal, a Respondent generally releases from liability and waives all claims against any party providing HHSC information about the Respondent. HHSC may take such information into consideration in evaluating proposals.

3.18 Multiple Responses

A Respondent may only submit one (1) proposal as a prime contractor. If a Respondent submits more than one (1) proposal, HHSC may reject one or more of the submissions. This requirement does not limit a subcontractor’s ability to collaborate with one (1) or more Respondents submitting proposals.

A Respondent may not entice or require a subcontractor to enter into an exclusive subcontract for the purpose of this procurement. Any subcontract entered into by a Respondent with a third party to meet a requirement of this RFP must not include any provision that would prevent or bar that subcontractor from entering into a comparable contractual relationship.
with another Respondent submitting a proposal under this procurement. This prohibition against exclusive subcontracts does not apply to professional services that solely pertain to development of the proposal, including gathering of competitive intelligence.

3.19 No Joint Proposals

HHSC will not consider joint or collaborative proposals that require it to contract with more than one (1) Respondent.

3.20 Use of Subcontractors

Subcontractors providing services under the Contract must meet the same requirements and level of experience as required of the Respondent. No subcontract under the Contract must relieve the Respondent of the responsibility for ensuring the requested services are provided. Respondents planning to subcontract all or a portion of the work to be performed must identify the proposed subcontractors and describe the subcontracted functions in their proposals.

3.21 Texas Public Information Act

Proposals will be subject to the Texas Public Information Act (the Act), located in Chapter 552 of the Texas Government Code, and may be disclosed to the public upon request. By submitting a proposal, the Respondent acknowledges that all information and ideas presented in the proposal are public information and subject to disclosure under the Texas Public Information Act, with the limited exception of Social Security Numbers and certain non-public financial reports or information submitted in response to RFP Sections 4.2.3.3 and 4.2.3.4.

If the Respondent asserts that financial reports or information provided in response to RFP Sections 4.2.3.3 and 4.2.3.4 contains trade secret or other confidential information, it must be clearly marked such information in boldface type and include the words “confidential” or “trade secret” at top of the page. Furthermore, the Respondent must identify the financial reports or information, and provide an explanation of why the reports or information are excepted from public disclosure, on the Respondent Information and Disclosures form.

HHSC will process any request from a member of the public in accordance with the procedures outlined in the Act. Respondents should consult the Texas Attorney General’s website (www.oag.state.tx.us) for information concerning the Act’s application to applications and potential exceptions to disclosure.

3.22 Inducements

HHSC submits this RFP setting forth certain information regarding the objectives of the Contract and HHSC’s desire to mitigate risk throughout the life of the Contract by use of expert MCO services.

Therefore, HHSC will consider all representations contained in a Respondent’s proposal, oral or written presentations, correspondence, discussions, and negotiations as representations of the Respondent’s expertise. HHSC accepts these representations as inducements to contract.

3.23 Definition of Terms

Defined terms must have the meaning stated as described in the Attachment A, “Uniform Managed Care Contract Terms and Conditions,” unless the context clearly indicates otherwise. Defined terms are capitalized throughout this RFP. For example, the word “Provider,” when capitalized, refers to Network provider. When the word “provider” is not capitalized, the connotation is all providers, whether Network or Out-of-Network.
4. Submission Requirements

To be considered for award, the Respondent must address all applicable RFP specifications to HHSC’s satisfaction. If requested by HHSC, the Respondent must provide HHSC with information necessary to validate any statements made in its Proposal. This includes, but may not be limited to, granting permission or access for HHSC to verify information with third parties, whether identified by the Respondent or HHSC. If any requested information is not provided within the timeframe allotted, HHSC may reject the Proposal.

Respondents must prepare and submit proposals in accordance with the provisions of this section. Proposals received that do not follow these instructions may be evaluated as non-responsive and may not be considered for award.

4.1 General Instructions

For Respondents bidding on more than one MCO Program, i.e., STAR, STAR+PLUS, or CHIP Program, HHSC has attempted to minimize the need for Respondents to submit multiple copies of the same information.

Each bid for participation in the STAR Program, the STAR+PLUS Program, and/or the CHIP Program must include the following two (2) components:

1. Business Specifications; and
2. General Programmatic Proposal.

Respondents proposing to participate in multiple MCO Programs do not need to submit multiple copies of the Business Specifications or the General Programmatic Proposal. However, these Respondents will need to carefully read each submission requirement to ensure that they provide specific information for each MCO Program bid and Service Area, as applicable, when completing any element of their Proposals.

All Proposal information must be submitted on 8½ x 11 inch, white bond paper, three (3)-hole punched, and placed in sturdy three (3) ring binders. Text must be no smaller than 11-point font, single-spaced. Figures may not incorporate text smaller than 8-pt font. All pages must have one-inch margins and page numbering must be sequential per section. Where practical, pages should be double-sided. Each binder must be clearly labeled with the title of this RFP, the Respondent’s legal name, and the title of the document contained in the binder, e.g., Business Proposal or Programmatic Proposal.

Proposals must be organized and numbered in a manner that facilitates reference to this RFP and its requirements. Respondents must respond to each item in the order it appears in the RFP. The response must include headings and numbering to match the corresponding section of the RFP. Respondents may place attachments and appendices in a separate section if the RFP provides that such attachments are not included in the section’s specified page limits.

4.1.1 Economy of Presentation

Unnecessarily elaborate Proposals beyond those sufficient to provide a complete and effective response to this RFP are not desired and may be construed as an indication of the Respondent’s lack of ability to provide efficient work products.

The Respondent must adhere to page limits where specified. Page limits are listed in parentheses at the end of the title of the section. A three (3) page limit, for example, means that the response should not be in excess of three (3) one-sided pages that meet the size, font, and margin requirements specified in the General Instructions in Section 4.1 above.

Some page limits are identical regardless of the number of MCO Programs in which a Respondent is proposing to participate. If a page limit is listed but does not include the phrase “per MCO Program,” the page limit applies to the entire response regardless of the number of MCO Programs bid. In these cases, the page limit will be indicated as a set number, e.g., “3 pages.”

In some cases, additional pages are provided for Respondents proposing to serve more than one MCO Program. For example, “3 pages plus 1 additional page per additional MCO Program” indicates that a Respondent proposing to serve one (1) MCO Program has a three (3) page limit, a Respondent proposing to serve two (2) MCO Programs has a four (4) page limit, and a Respondent proposing to serve all three (3) MCO Programs has a five (5) page limit. This page limit approach is designed to
give Respondents submitting a Proposal for multiple MCO Programs sufficient space to respond to the submission requirement when submission responses differ across MCO Programs. Respondents proposing to serve multiple programs should have similar or identical approaches across MCO Programs where administrative efficiencies are possible and appropriate. Respondents must clearly indicate differences, if any, in their response to each submission requirement for each applicable MCO Program.

In other cases, additional pages may be provided based on certain aspects of the Respondent’s Proposal or organization, such as the number of organizational charts submitted reflecting arrangements with Material Subcontractors, or the number of Key Contract Personnel included in the Proposal for Respondents proposing to serve more than one MCO Program.

Finally, some page limits are by MCO Program, e.g., two (2) pages per MCO Program means that a Respondent proposing to serve all three (3) MCO Programs would have a six (6) page limit for that requirement.

If the Respondent chooses to repeat the RFP question in its Proposal, the question text will be included in the page limit.

In responding to questions in Section 4.2 (“Business Proposal”) and Section 4.3 (“Programmatic Proposal”) for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement, and up to one (1) page may be used to describe each Action Plan. These pages are outside of the page limit instructions for the specific submission requirement.

HHSC reserves the right not to review information provided in excess of the page limits. Respondents need not feel compelled to submit unnecessary text in order to reach the page limits.

Attachments required by the RFP, such as certain policies and procedures, are not counted in calculating the Respondent’s page limits. Respondents must not submit information or attachments that are not explicitly requested in the RFP. Elaborate artwork, expensive paper and bindings, and expensive visual or other presentation aids are neither necessary nor desired.

**4.1.2 Number of Copies and Packaging**

Respondents must submit one (1) hardbound original and eight (8) hardbound copies of the Proposal. The original must be clearly labeled “Original” on the outside of the binder. In addition to the hardbound original and copies, Respondents must submit 22 electronic copies of each Proposal component. At the Respondent’s option, it may produce only electronic copies of certain attachments and appendices. This exception applies to attachments and appendices that exceed ten (10) pages, such as GeoAccess tables, Significant Traditional Provider (STP) files, TDI filings, and other financial documents. The exception does not apply to the attachments referenced in Section 4.2, Section 5, “HUB Subcontracting Plan,” or Section 6, “Certifications and Other Required Forms,” which must be included in both the hardbound and electronic copies of the Proposal. If the Respondent produces only an electronic copy of an attachment or appendix, the hardbound Proposals should refer the reader to the electronic Proposal for the required information.

For the electronic copies, the Proposal, attachments, financial documents, signed forms, pamphlets, and all other documents included in the proposal hardcopy must be submitted on CDs compatible with Microsoft Office 2000 files. PDF files should be prepared in a format that allows for OCR text recognition. **HHSC will not accept Proposals by facsimile or e-mail.**

**4.1.3 Due Date, Time, and Location**

Submit all copies of the Proposal to HHSC’s Enterprise Contracts and Procurement Services (ECPS) no later than 2:00 p.m. Central Time (CT) according to the timeline in Section 1.2, “Procurement Schedule.” All submissions will be date and time stamped when received by ECPS. The clock in the ECPS office is the official timepiece for determining compliance with the deadlines in this procurement. HHSC reserves the right to reject late submissions. It is the Respondent’s responsibility to appropriately mark and deliver the Proposal to HHSC by the specified date and time. The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission
Enterprise Contracts and Procurement Services
4405 North Lamar Blvd
Austin, Texas 78756-3422
4.2 Part 1 – Business Proposal

The Business Proposal must include the following:

- Section 1 – Executive Summary
- Section 2 – Respondent Identification and Information
- Section 3 – Corporate Background and Experience
- Section 4 – Material Subcontractor Information
- Section 5 – HUB Subcontracting Plan
- Section 6 – Certifications and Other Required Forms

4.2.1 Section 1 – Executive Summary

(2 pages, excluding Table 1)

In this section, condense and highlight the content of the Business Proposal to provide HHSC with a broad understanding of the respondent’s approach to meeting the RFP’s business requirements. The summary must demonstrate an understanding of HHSC’s goals and objectives for this procurement. Please identify the Respondent’s proposed MCO Program(s) and the Service Areas. The Respondent should complete Table 1 by placing an “X” in all Service Areas and MCO Programs bid. (The Service Areas are described in the Attachments B-5, 5.1, 5.2, and 5.3. A Respondent may elect to bid on some, all, or none of the Service Areas.) Respondents should note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may bid on one (1) or more of these areas; however, HHSC will more favorably evaluate responses that propose to serve all three (3) areas.

Table 1: Proposed MCO Programs and Service Areas

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Proposal for STAR</th>
<th>Proposal for STAR+PLUS</th>
<th>Proposal for CHIP</th>
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<td>Bexar</td>
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<td>Lubbock</td>
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<td>Medicaid RSA (Entire Service Area)</td>
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<td>West Texas</td>
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4.2.2 Section 2 – Respondent Identification and Information

(no page limit)
Submit the following information:

1. Respondent identification and basic information.
   
a. The Respondent’s legal name, trade name, *dba*, acronym, and any other name under which the Respondent does business.
   
b. The physical address, mailing address, and telephone number of the Respondent’s headquarters office.

2. TDI Authority. A copy of the MCO’s licensure, certification, or approval to operate as an HMO, ANHC, or EPBP. If the Respondent has not received TDI approval, then submit a copy of the application filed with TDI. In accordance with RFP Section 7.2.9, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract.

3. Authorized Counties. Indicate whether the Respondent is currently authorized by TDI to operate as an MCO in each county in the Service Area with a “Yes-MCO,” “No MCO,” or “Partial MCO.” If the Respondent is not authorized to conduct business as an MCO in all or part of a county, it should list those areas in Column C.

   For each county listed in Column C, the Respondent must document that it applied to TDI for such approval prior to the submission of a Proposal for this RFP. The Respondent must indicate the date that it applied for such approval and the status of its application to get TDI approval in the relevant counties in this section of its submission to HHSC.

   Table 2: TDI Authority in Proposed Service Area

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<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
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<tbody>
<tr>
<td>Service Area</td>
<td>TDI Authority/Status of Approval</td>
<td>Counties/Partial Counties without TDI Authority</td>
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<td>Travis</td>
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</table>

4. Texas Comptroller Certificate. A current Certificate of Good Standing issued by the Texas Comptroller of Public Accounts, or an explanation for why this form is not applicable to the Respondent.
5. Respondent Legal Status and Ownership.

a. The type of ownership of the Respondent by its ultimate parent:

• wholly-owned subsidiary of a publicly-traded corporation;
• wholly-owned subsidiary of a private (closely-held) stock corporation;
• subsidiary or component of a non-profit foundation;
• subsidiary or component of a governmental entity such as a County Hospital District;
• independently-owned member of an alliance or cooperative network;
• joint venture (describe ultimate owners)
• stand-alone privately-owned corporation (no parents or subsidiaries); or
• other (describe).

b. The legal status of the Respondent and its parent (any/all that may apply):

   (i.) Respondent is a corporation, partnership, sole proprietor, or other (describe);
   • Respondent is for-profit, or non-profit;
   • the Respondent’s ultimate parent is for-profit, or non-profit;
   • the Respondent’s ultimate parent is privately-owned, listed on a stock exchange, a component of government, or other (describe).

c. The legal name of the Respondent’s ultimate parent (e.g., the name of a publicly-traded corporation, or a County Hospital District, etc.).

d. The name and address of any other sponsoring corporation, or others (excluding the Respondent’s parent) who provide financial support to the Respondent, and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

6. Hospital District/Non-Profit Corporation. Section 5 of the RFP requires Respondents who believe they qualify for mandatory STAR or STAR+PLUS contracts under Texas Government Code §533.004 to submit notice to HHSC no later than April 28, 2011, explaining the basis for this belief for each proposed Service Area. Please indicate whether the Respondent provided such notice to HHSC.

7. The name and address of any health professional that has at least a five percent (5%) financial interest in the Respondent, and the type of financial interest.

8. The full names and titles of the Respondent’s officers and directors.

9. The state in which the Respondent is incorporated, and the state(s) in which the Respondent is licensed to do business as an MCO. The Respondent must also indicate the state where it is commercially domiciled, if outside Texas.

10. The Respondent’s federal taxpayer identification number.

11. If any change of ownership of the Respondent’s company or its parent is anticipated during the 12 months following the Proposal Due Date, the Respondent must describe the circumstances of such change and indicate when the change is likely to occur.
12. Whether the Respondent or its parent (including other managed care subsidiaries of the parent) had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues and the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem(s) that may have led to the termination or non-renewal.

13. Whether the Respondent has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation status, and if it has or is, indicate:

- its current NCQA or URAC accreditation status;
- if NCQA or URAC accredited, its accreditation term effective dates; and
- if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Contractor.

14. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Respondent, including any that the Respondent may have contracted to be run by another entity. If the Respondent has a parent, then also provide the same for the parent, and any parent(s) of the parent. If none exist, provide a clear and definitive statement to that effect.

4.2.3 Section 3 – Corporate Background and Experience

(no page limit)

1. Provide the following information on all publicly-funded managed care contracts (if the Respondent does not have publicly-funded managed care contracts, it may include information on privately-funded managed care contracts). Include information for all current contracts, as well as work performed in the past three (3) years:

   a. client name and address;

   b. name, telephone, and e-mail address of the person HHSC could contact as a reference that can speak to the Respondent’s performance;

   c. contract size: average monthly covered lives and annual revenues;

   d. whether payments under the contract were capitated or non-capitated;

   e. contract start date and duration;

   f. whether work was performed as a prime contractor or subcontractor; and

   g. a general and brief description of the scope of services provided by the Respondent; including the covered population and services (e.g., Medicaid, CHIP, state-funded program).

2. With respect to the Respondent and its parent (and including other managed care subsidiaries of the parent), briefly describe any regulatory actions, sanctions, and/or fines imposed by any federal or Texas regulatory entity, or a regulatory entity in another state, within the last three (3) years. Include a description of any letters of deficiencies, corrective actions, findings of non-compliance, and/or sanctions. Please indicate which of these actions or fines, if any, were related to Medicaid or CHIP programs. HHSC may, at its option, contact these clients or regulatory agencies and any other individual or organization whether or not identified by the Respondent.

Respondents should not include letters of support or endorsement from any individual, organization, agency, interest group, or other identified entity in this section or other parts of the Proposal.
When evaluating proposals, HHSC may consider a current or past contractor's performance under an agreement with an HHS agency in Texas, including but not limited to any corrective actions or liquidated damages imposed by HHSC or another HHS agency.

4.2.3.1 Organizational Chart

(1 page narrative for each organizational chart, excluding organizational chart itself)

Respondents should submit the following:

1. an organizational chart (Chart A), showing the corporate structure and lines of responsibility and authority in the administration of the Respondent’s business as a health plan;

2. an organizational chart (Chart B) showing the Texas organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level. If Chart A represents the entire organizational structure, label the submission as Charts A and B;

3. an organizational chart (Chart C) showing the Management Information System (MIS) staff organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level;

4. if the Respondent is proposing to use one or more Material Subcontractors, the Respondent must include an organizational chart demonstrating how the Material Subcontractor(s) will be managed within the Respondent’s Texas organizational structure, including the primary individuals at the Respondent’s organization and at each Material Subcontractor organization responsible for overseeing such Material Subcontract. This information may be included in Chart B, or in a separate organizational chart(s); and

5. submit a brief narrative explaining the organizational charts submitted, and highlighting the key functional responsibilities and reporting requirements of each organizational unit relating to the Respondent’s proposed management of the MCO Program(s), including its management of any proposed Material Subcontractors.

4.2.3.2 Résumés

(1 page per Key Personnel, excluding résumés)

Identify and describe the Respondent’s and its Subcontractor’s proposed labor skill set, years of experience, and provide résumés of all proposed key personnel. Résumés must demonstrate experience germane to the position proposed. Résumés should include work on projects cited under the respondent’s corporate experience, and the specific functions performed on such projects. Each résumé should include at least three (3) references from recent projects, if the projects were performed for unaffiliated parties. References may not be the Respondent’s or Subcontractor’s employees.

Key personnel include: Executive Director (as defined in Attachment A, Article 4), Medical Director (as defined in Attachment A, Article 4), Member Services Manager, Service Coordination Manager (STAR+PLUS only), Management Information Systems Manager, Claims Processing Manager, Provider Network Development Manager, Benefit Administration and Utilization Management Manager, Quality Improvement Manager, Behavioral Health Services Manager, Financial Functions Manager, and Reporting Manager.

STAR+PLUS Service Coordinators. Please refer to Section 8.3.2.1 for a description of Service Coordinator responsibilities. In addition to the Service Coordinator Manager, please submit the following for each Service Coordinator function:

1. a job description and qualifications; and

2. the anticipated maximum caseload for each Service Coordinator (number of Members per Service Coordinator) and the assumptions the Respondent used in developing the maximum caseload estimate.

4.2.3.3 Financial Capacity
Submit the following financial documents to demonstrate the Respondent’s financial solvency, and its capacity to comply with Section 6, “Premium Payment, Incentives, and Disincentives,” and Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Contract Terms and Conditions”:

1. Audited Financial Statements covering the two (2) most recent years of the Respondent’s financial results. These statements must include the independent auditor’s report (audit opinion letter to the Board or shareholders), the notes to the financial statements, any written description(s) of legal issues or contingencies, and any management discussion or analysis.

Make sure that the name and address of the firm that audits the Respondent is shown. State the date of the most-recent audit, and whether the Respondent is audited annually or otherwise. State definitively if there has, or has not, been any of the following:

- a “going concern” statement was issued by any auditor in the last three (3) years;
- a qualified opinion was issued by any auditor in the last three (3) years;
- a change of audit firms in the last three (3) years; and
- any significant delay (two (2) months or more) in completing the current audit.

2. The most recent quarterly and annual financial statements filed with the TDI, and if the Respondent is domiciled in another state, the financial statements filed with the state insurance department in its state of domicile. The annual financial statement must include all schedules, attachments, supplements, management discussion, analysis and actuarial opinions.

3. The most recent financial examination report issued by TDI, and also by any state insurance department in states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If any submitted financial examination report is two (2) or more years old, or if Respondent has never had a financial examination report issued, submit the anticipated approximate date of the next issuance of a TDI or state department of insurance financial examination report.

4. The most recent Form B Registration Statement disclosure filed by Respondent with TDI, and any similar form filed with any state insurance department in other states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If Respondent is exempt from the TDI Form B filing requirement, demonstrate this and explain the nature of the exemption.

5. Other related documents, as applicable:
   a. SEC Form 10-K and 10-Q. If Respondent is a publicly-traded (stock-exchange-listed) corporation, then submit the most recent United States Securities and Exchange Commission (SEC) Form 10K Annual Report, and the most-recent 10-Q Quarterly report.
   b. IRS Form 990. If the Respondent is a non-profit entity, then submit the most recent annual Internal Revenue Service (IRS) Form 990 filing, complete with any and all attachments or schedules. If Respondent is a non-profit entity that is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.
   c. If the Respondent is a non-profit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the most recent annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for Respondent, including all attachments, schedules, and supplements.
   d. Bond or debt rating analysis. If Respondent has been, in the last three (3) years, the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most-recent detailed report from each rating entity that has produced such a report.
e. Annual Report. If Respondent produces any written “annual report” or similar item that is in addition to the above-referenced documents, submit the most recent version. This might be a yearly report or letter to shareholders, the community, regulators, lenders, customers, employees, the Respondent’s owner, or other constituents.

f. If the Respondent has issued any press releases in the 12 months prior to the submission due date, wherein the press release mentions or discusses financial results, acquisitions, divestitures, new facilities, closures, layoffs, significant contract awards or losses, penalties/fines/sanctions, expansion, new or departing officers or directors, litigation, change of ownership, or other very similar issues, provide a copy of each such press release. HHSC does not wish to receive other types of press releases that are primarily promotional in nature.

With respect to items 5(a) through (e) above, Respondent must also submit a schedule that shows for each of the five (5) categories: whether there is any applicable filing or report; the name(s) of the entity that does the filing or report; and the regular or estimated filing/distribution date(s).

At a minimum, the financial statements and reports submitted hereunder must include:

1. balance sheet;
2. statement of income and expense;
3. statement of cash flows;
4. statement of changes in financial position (capital & surplus; equity);
5. independent auditor’s letter of opinion;
6. description of organization and operation, including ownership, markets served, type of entity, number of locations and employees, and, dollar amount and type of any Respondent business outside of that with HHSC; and
7. disclosure of any material contingencies, and any current, recent past, or known potential material litigation, regulatory proceedings, legal matters, or similar issues.

The Respondent must include key non-financial metrics and descriptions, such as facilities, number of covered lives, area of geographic coverage, years in business, material changes in business situation, key risks and prospective issues, etc.

4.2.3.4 Financial Report of Parent Organization and Corporate Guarantee

(no page limit)

If another corporation or entity either substantially or wholly owns the Respondent, submit the most recent detailed financial reports (as required above in Section 4.2.3.3) for the parent organization. If there are one (1) or more intermediate owners between the Respondent and the ultimate owner, this additional requirement is applicable only to the ultimate owner.

The Respondent must also include a statement that the parent organization will unconditionally guarantee performance by the Respondent of each and every obligation, warranty, covenant, term and condition of the Contract. This guarantee is not required for Respondents owned by political subdivisions of the State (i.e., hospital districts).

If HHSC determines that an entity does not have sufficient financial resources to guarantee the Respondent’s performance, HHSC may require the Respondent to obtain another acceptable financial instrument or resource from such entity, or to obtain an acceptable guarantee from another entity with sufficient financial resources to guarantee performance.

4.2.3.5 Bonding

The Respondent must submit a statement that, if selected as a Contractor, the Respondent agrees to:
1. secure and maintain throughout the life of the Contract, fidelity bonds required by the Texas Department of Insurance in compliance with §843.402, Texas Insurance Code; and

2. secure and maintain throughout the life of the Contract, a performance bond in accordance with the Attachment A, “Uniform Managed Care Contract Terms and Conditions” and 28 T.A.C. §11.1805.

4.2.4 Section 4 – Material Subcontractor Information

(no page limit)

See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for contractual definition of Material Subcontractor. Organize this information by Material Subcontractor, and list them in descending order of estimated annual payments. For each Material Subcontractor, the MCO must provide:

1. The Material Subcontractor’s legal name, trade name, acronym, d.b.a., and any other name under which the Material Subcontractor does business.

2. The Respondent’s estimated annual payments to the Material Subcontractor, by MCO Program.

3. The physical address, mailing address, and telephone number of the Material Subcontractor’s headquarters office, and the name of its Chief Executive Officer.

4. Whether the Material Subcontractor is an Affiliate of the Respondent or an unrelated third party (see the “Uniform Managed Care Contract Terms and Conditions” for the definition of “Affiliate.”)

5. If the Material Subcontractor is an Affiliate, then provide:

   a. the name of the Material Subcontractor’s parent organization, and the Material Subcontractor’s relationship to the Respondent;

   b. the proportion, if any, of the Material Subcontractor’s total revenues that are received from non-Affiliates. If the Material Subcontractor has significant revenues from non-Affiliates, then also indicate the portion, if any, of those external (non-Affiliate) revenues that are for services similar to those that the Respondent would procure under the proposed Subcontract;

   c. a description of the proposed method of pricing under the Subcontract;

   d. indicate if the Respondent presently procures, or has ever procured, similar services from a non-Affiliate;

   e. the number of employees (staff and management) who are dedicated full-time to the Affiliate’s business;

   f. whether the Affiliate’s office facilities are completely separate from the Respondent and the Respondent’s parent. If not, identify the approximate number of square feet of office space that are dedicated solely to the Affiliate’s business;

   g. attach an organization chart for the Affiliate, showing head count, Key Personnel names, titles, and locations; and

   h. indicate if the staff and management of the Affiliate are directly employed by the Affiliate itself, or are they actually, from a technical legal perspective, employed by a different legal entity (such as a parent corporation). What corporation’s name shows up on the employee’s W2 form?

6. A description of each Material Subcontractor’s corporate background and experience, including its estimated annual revenues from unaffiliated parties, number of employees, location(s), and identification of three (3) major clients.
7. A signed letter of commitment from each Material Subcontractor that states the Material Subcontractor’s willingness to enter into a Subcontractor agreement with the Respondent, and a statement of work for activities to be subcontracted. Letters of Commitment must be provided on the Material Subcontractor’s official company letterhead, signed by an official with the authority to bind the company for the subcontracted work. The Letter of Commitment must state, if applicable, the company’s certified HUB status.

8. The type of ownership [e.g., wholly-owned subsidiary of a publicly-traded corporation; wholly-owned subsidiary of a private (closely-held) stock corporation; subsidiary or component of a non-profit foundation; subsidiary or component of a governmental entity such as a County Hospital District; independently-owned member of an alliance or cooperative network; joint venture (describe owners); etc.] Indicate the name of the ultimate owner (e.g., the name of a publicly-traded corporation or a County Hospital District).

9. Indicate status (any/all that may apply): sole proprietor, partnership, corporation, for-profit, non-profit, privately owned, and/or listed on a stock exchange. If a Subsidiary or Affiliate, name of the direct and ultimate parent organization.

10. The name and address of any sponsoring corporation or others who provide financial support to the Material Subcontractor and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

11. The name and address of any health professional that has at least a five percent (5%) financial interest in the Material Subcontractor and the type of financial interest.

12. The state in which the Material Subcontractor is incorporated, commercially domiciled, and the state(s) in which the organization is licensed to do business.

13. The Material Subcontractor’s federal taxpayer identification number.

14. Whether the Material Subcontractor had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues, the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem that may have lead to the termination.

15. Whether the Material Subcontractor has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation or certification status, and if it has or is, indicate:
   - its current NCQA or URAC accreditation or certification status;
   - if NCQA or URAC accredited or certified, its accreditation or certification term effective dates; and
   - if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Material Subcontractor.

16. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Material Subcontractor, including any websites run by another entity on the Material Subcontractor’s behalf. If the Material Subcontractor has a parent, then also provide the same for the parent organization, and any parent(s) of the parent organization. If none exist, provide a clear and definitive statement to this effect.

4.2.5 Section 5 – Historically Underutilized Business (HUB) Participation

In accordance with Texas Government Code §2162.252, a proposal that does not contain a HUB Subcontracting Plan (HSP) is non-responsive and will be rejected without further evaluation. In addition, if HHSC determines that the HSP was not developed in good faith, it will reject the proposal for failing to comply with material RFP specifications.

4.2.5.1 Introduction

HHSC is committed to promoting full and equal business opportunities for businesses in state contracting in accordance with the goals specified in the State of Texas Disparity Study. HHSC encourages the use of HUBs through race, ethnic and gender-
neutral means. HHSC has adopted administrative rules relating to HUBs, and a policy on the Utilization of HUBs, which is located on HHSC’s website.

Pursuant to Texas Government Code §2161.181 and §2161.182, and HHSC’s HUB policy and rules, HHSC is required to make a good faith effort to increase HUB participation in its contracts. HHSC may accomplish the goal of increased HUB participation by contracting directly with HUBs or indirectly through subcontracting opportunities.

4.2.5.2 HHSC’s Administrative Rules

HHSC has adopted the Comptroller of Public Accounts’ (CPA) HUB rules as its own. HHSC’s rules are located in Title 1, Part 15, Chapter 392, Subchapter J of the Texas Administrative Code, and the CPA rules are located in Title 34, Part 1, Chapter 20, Subchapter C. If there are any discrepancies between HHSC’s administrative rules and this RFP, the rules will take priority.

4.2.5.3 HUB Participation Goal

The CPA has established statewide HUB participation goals for different categories of contracts in 34 T.A.C. §20.13. In order to meet or exceed the HUB participation goals, HHSC encourages outreach to certified HUBs. Contractors must make a good faith effort to include certified HUBs in the procurement process.

This contract is classified as an “All Other Services” contract under the CPA rule, and therefore has a HUB Annual Procurement Utilization Goal of 33% per fiscal year. This goal applies to MCO Administrative Services, as defined below.

4.2.5.4 Required HUB Subcontracting Plan

HHSC has determined that subcontracting opportunities are probable for this RFP for MCO Administrative Services. MCO Administrative Services are those services or functions other than the direct delivery of medical Covered Services necessary to manage the delivery of and payment for such services. MCO Administrative Services include but are not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, Management Information System (MIS) operation and reporting. The Respondent must submit an HSP (see the Procurement Library) with its proposal for such MCO Administrative Services. The HSP is required whether or not a Respondent intends to subcontract.

HSP requirements will not apply to Subcontracts with Network Providers (providers who contract directly with the MCO to deliver medical Covered Services to Members). A Respondent therefore should not include Network Providers’ participation in its HSP submissions.

In conjunction with the HSP, a Respondent must indicate whether it is a Texas certified HUB. Being a certified HUB does not exempt a respondent from completing the HSP requirement.

During the good faith effort evaluation, HHSC may, at its discretion, allow clarifications or request additional information to support the Respondent’s good faith effort development of the HSP.

4.2.5.5 CPA Centralized Master Bidders List

Respondents may search for HUB subcontractors in the CPA’s Centralized Master Bidders List (CMBL) HUB Directory, which is located on the CPA’s website at http://www2.cpa.state.tx.us/cmb/cmbhub.html. For this procurement, HHSC has identified the following class and item codes for potential subcontracting opportunities:

NIGP Commodity Codes:

- 948-07: Administration Services, Health
- 958-56: Health Care Management Services (Including Managed Care Services)
- 915-49: High Volume, Telephone Call Answering Services (See 915-05 for Low Volume Services)
Respondents are not required to use, nor limited to using, the class and item codes identified above, and may identify other areas for subcontracting.

HHSC does not endorse, recommend nor attest to the capabilities of any company or individual listed on the CPA’s CMBL. The list of certified HUBs is subject to change, so Respondents are encouraged to refer to the CMBL often to find the most current listing of HUBs.

4.2.5.6 HUB Subcontracting Procedures – If a Respondent Intends to Subcontract

An HSP must demonstrate that the Respondent made a good faith effort to comply with HHSC’s HUB policies and procedures. The following subparts outline the items that HHSC will review in determining whether an HSP meets the good faith effort standard. A Respondent that intends to subcontract must complete the HSP to document its good faith efforts.

For step-by-step audio/video instructions on how to complete the HSP, you may also visit the CPA’s website at: http://www.cpa.state.tx.us/procurement/prog/hub/hub-subcontracting-plan/.

1. Identify Subcontracting Areas and Divide Them into Reasonable Lots

A Respondent should first identify each area of the MCO Administrative Service work it intends to subcontract. Then, to maximize HUB participation, it should divide the MCO Administrative Service work into reasonable lots or portions, to the extent consistent with prudent industry practices.

2. Notify Potential HUB Subcontractors

Respondents must notify three (3) or more certified HUBs of each subcontracting opportunity. For example, if a Respondent intends to subcontract two (2) areas of MCO Administrative Service work, then for each class/item code, the Respondent must notify at least three (3) vendors who provide that type of work.

Respondents must provide written notice to potential HUB subcontractors prior to submitting proposals. The notice must include:

1. a description of the scope of work to be subcontracted;
2. information regarding the location to review project plans or specifications;
3. information about bonding and insurance requirements;
4. required qualifications and other contract requirements; and
5. a description of how the subcontractor can contact the Respondent.

Respondents must give potential HUB subcontractors a reasonable amount of time to respond to the notice, generally no less than five (5) working days from receipt. In rare situations, HHSC will allow a shorter notification period if the Respondent demonstrates: (1) circumstances warranting a shorter notification period, and (2) potential subcontractors still had sufficient time to complete their responses.

Respondents must use the CMBL, the HUB Directory, and Internet resources when searching for HUB subcontractors. Respondents may rely on the services of contractor groups; local, state and federal business assistance offices; and other organizations that provide assistance in identifying qualified applicants for the HUB program. Respondents also must provide written notice to minority or women trade organizations or development centers, which can disseminate notice of subcontracting opportunities to their members/participants. A list of minority and women trade organizations is located on HHSC’s website under the Minority and Women Organization link.

3. Written Justification of the Selection Process
A Respondent must provide written justification of its selection process if it chooses a non-HUB subcontractor. The justification should demonstrate that the Respondent negotiated in good faith with qualified HUB bidders, and did not reject qualified HUBs who were the best value responsive bidders.

4.2.5.7 Alternatives to Good Faith Effort Requirements (Applies Only to Mentor Protégé and Professional Services Contracts)

HHSC will accept a Mentor Protégé Agreement that has been entered into by a Respondent (mentor) and a certified HUB (protégé) in accordance with Texas Government Code §2161.065.

Participation in the Mentor Protégé Program, along with the submission of a protégé as a subcontractor in an HSP, constitutes a good faith effort for the particular area subcontracted to the protégé. If a Respondent proposes to subcontract with a protégé, it does not need to provide notice to three (3) vendors for that subcontracted area. To demonstrate that a Respondent meets the good faith requirement for mentor/protégé arrangements, the HSP should:

1. include a fully executed copy of the Mentor Protégé Agreement, which must be registered with the CPA prior to submission to HHSC; and
2. identify areas of the HSP that will be performed by the protégé.

4.2.5.8 HUB Subcontracting Procedures – If a Respondent Does Not Intend to Subcontract

If the Respondent plans to complete all MCO Administrative Service requirements with its own equipment, supplies, materials and/or employees, it is still required to complete an HSP. The Respondent must complete the “Self Performance Justification” portion of the HSP, and attest that it does not intend to subcontract for any administrative goods or services, including the class and item codes identified in Section 4.2.5.5. In addition, the Respondent must identify the sections of the proposal that describe how it will complete the Scope of Work using its own resources or provide a statement explaining how it will complete the Scope of Work using its own resources. The Respondent must provide the following information regarding self-performance if requested by HHSC:

1. evidence of sufficient Respondent staffing to meet the RFP requirements;
2. monthly payroll records showing the Respondent staff fully dedicated to the contract; and
3. documentation proving employment of qualified personnel holding the necessary licenses and certificates required to perform the Scope of Work.

4.2.5.9 Post-award HSP Requirements

After contract award, HHSC will coordinate a post-award meeting with the successful Respondents to discuss HSP reporting requirements. The MCO must maintain business records documenting compliance with the HSP, and must submit monthly reports to HHSC by completing the HUB “Prime Contractor Progress Assessment Report.” This monthly report is required as a condition for payment. In addition, the MCO must allow periodic onsite reviews of the MCO’s headquarters or work site where services are to be performed if requested by HHSC.

Once accepted, the finalized HSP will become part of the Contract with the successful Respondents. The Uniform Managed Care Manual outlines the procedures for changing the HSP, as well as the HSP compliance and reporting requirements. All changes to the approved HSP require prior HHSC approval. In general, if the MCO decides to subcontract any part of the Contract after the award, it must follow the good faith effort procedures outlined in Section 4.2.5.6 e.g., divide work into reasonable lots, notify at least three (3) vendors per subcontracted area, provide written justification of the selection process, participate in the Mentor Protégé Program, or for professional services contracts meet the 20% goal). For this reason, HHSC encourages Respondents to identify, as part of their HSP, multiple subcontractors who are able to perform the work in each area the Respondent plans to subcontract. Selecting additional subcontractors may help the selected MCO make changes to its original HSP, when needed, and will allow HHSC to approve any necessary changes expeditiously.
Failure to meet the HSP and post-award requirements will constitute a breach of contract, and will be subject to remedial actions. HHSC may also report noncompliance to the CPA in accordance with the CPA’s respondent performance (see 34 T.A.C. §20.108) and debarment program (see 34 T.A.C. §20.105).

4.2.6 Section 6 – Certifications and Other Required Forms

Respondents must submit the following required forms with their proposals:

1. Child Support Certification;
2. Debarment, Suspension, Ineligibility, and Voluntary Exclusion of Covered Contracts;
3. Federal Lobbying Certification;
4. Nondisclosure Statement;
5. Required Certifications; and
6. Respondent Information and Disclosures.

The required forms are located on HHSC’s website, under the “Business Opportunities” link. HHSC encourages Respondents to carefully review all of these forms and submit questions regarding their completion prior to the deadline for submitting questions (see Section 1.2, “Procurement Schedule”).

Respondents should note that the “Respondent Information and Disclosures” form asks Respondents to provide information on certain litigation matters. In addition to the information required on this form, Respondents must provide all of the information described in Uniform Managed Care Manual Chapter 5.8, “Report of Legal and Other Proceedings.” Respondents may include this supplemental information on the “Respondent Information and Disclosures” form, or under a separate submission.

4.3 Part 2 – Programmatic Proposal

Respondents must provide a detailed description of the proposed programmatic solution, which must support all business activities and requirements described in the RFP. The Programmatic Proposal must reflect a clear understanding of the nature of the work undertaken.

Respondents should carefully read the submission requirement instructions for specific questions in this section. For each applicable programmatic submission requirement, the Respondent must indicate, in addition to the information requested in each subsection, the following information if applicable to the Respondent and its Proposal:

**Material Subcontractor:** If the Respondent plans to provide the service or perform the function through a Material Subcontractor, the Respondent must detail the services and/or function to be subcontracted, and how the Respondent and the Material Subcontractor will coordinate such service or function. Respondents should describe any prior working relationships with the Material Subcontractor.

**Action Plan:** This requirement applies to any Respondent who is not currently: (1) providing services or performing functions relating to a specific RFP submission requirement as a current vendor in STAR, STAR+PLUS, and/or CHIP, or (2) meeting the Operations Phase Requirements in Section 8 relating to a specific submission requirement for STAR, STAR+PLUS, and/or CHIP. In the Action Plan, the Respondent must, for each such submission requirement: (1) submit a description of its current comparable experience and abilities, if any; (2) describe how the Respondent will meet the Contract responsibilities, including assigned resources for completing such activities; and (3) and a timeline for completing such activities.

In responding to questions for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement and up to one (1) page may be used to describe each Action Plan. These pages are not included in the page limit instructions for the specific submission requirement.
HHSC understands that some Respondents may not have current experience providing managed care services to STAR, STAR+PLUS, and/or CHIP members in Texas. In responding to questions relating to experience, Respondents should clearly indicate if their experience is in Texas, and if their experience is with STAR, STAR+PLUS, CHIP, or other comparable populations of managed care members. For Respondents proposing to serve STAR+PLUS members, the Proposal should describe the Respondent’s experience with elderly and disabled populations, including persons eligible for Medicare.

The Programmatic Proposal must include a detailed description of the following program components, at a minimum:

1. Section 1 – Proposed Programs, Service Area, and Capacity
2. Section 2 – Experience Providing Covered Services
3. Section 3 – Value-added Services
4. Section 4 – Access to Care
5. Section 5 – Provider Network Provisions
6. Section 6 – Member Services
7. Section 7 – Quality Assessment and Performance Improvement
8. Section 8 – Utilization Management
9. Section 9 – Early Childhood Intervention (ECI)
10. Section 10 – Services for People with Special Health Care Needs
11. Section 11 – Care Management/Service Coordination
12. Section 12 – Disease Management (DM)/Health Home Services
13. Section 13 – Behavioral Health Services and Network
14. Section 14 – Management Information Systems Requirements
15. Section 15 – Fraud and Abuse
16. Section 16 – Pharmacy Services
17. Section 17 – Transition Plan
18. Section 18 – Additional Requirements Regarding Dual Eligibles

4.3.1 Section 1 – Proposed Programs, Service Area, and Capacity

(3 pages, excluding tables)

The Respondent shall:

1. complete the MCO Program Proposed Service Area and Capacity table found in the Procurement Library, which must include for each proposed Service Area indicated in Table 1 of the Respondent’s Executive Summary, an estimate of the number of HHSC MCO Members the Bidder has the capacity to serve in each MCO Program bid on the Operational Start Date;
2. describe the calculations and assumptions used to arrive at these Service Area capacity projections. In developing these projections, the Respondent should consider the capacity of its Network, including its PCP Network, its Behavioral Health Services Network, its specialty care Network, its Pharmacy Network, and for STAR+PLUS, its home and community-based services Network. Respondents should specify:

• the anticipated STAR, STAR+PLUS, or CHIP Program enrollment, as applicable;
• the expected utilization of services, taking into consideration the characteristics and health care needs of specific populations represented in the particular HHSC MCO Program;
• the numbers and types (in terms of training, experience, and specialization) of providers required to furnish the Covered Services;
• the numbers of Network Providers and providers with signed contracts, LOAs, or LOIs who are not accepting new patients, by MCO Program;
• the geographic location of providers and HHSC MCO members, considering travel time, the means of transportation ordinarily used by HHSC MCO members, and whether the location provides physical access for members with disabilities; and
• generally describe anticipated Service Area capacity changes, if any, for each of the proposed Service Areas over the Initial Contract Period; and

3. generally describe methods that the MCO will use to ensure access to all Covered Services upon potential population growth due to changes in law, including growth resulting from the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010.

4.3.2 Section 2 – Experience Providing Covered Services

(3 pages, plus 1 additional page for each additional MCO Program bid, if any.)

Covered Services are described in Section 8.1.2, “Covered Services;” Section 8.2.2, “Provisions Related to Covered Services for Medicaid Members;” and Attachment B-1, “STAR Covered Services,” Attachment B-1.1, “CHIP Covered Services,” and Attachment B-1.2, “STAR+PLUS Covered Services.”

For all MCO Programs bid, the Respondent must:

1. briefly describe the Respondent’s experience providing, on a capitated basis, Acute Care services, including Behavioral Health Services, equivalent or comparable to Covered Services included in the MCO Programs bid (STAR Covered Services are described in Attachment B-1, CHIP Covered Services are described in Attachment B-1.1, and STAR+PLUS Covered Services are described in Attachment B-1.2). The description should indicate:
   a. the extent to which the Respondent has experience providing such Acute Care services for a managed care population(s) comparable to the population in the MCO Programs bid; and
   b. the Respondent’s experience providing such Acute Care services in Texas, and in the Respondent’s proposed Service Areas, if applicable;

2. indicate which STAR or CHIP Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid or CHIP population;

3. for STAR+PLUS Respondents, briefly describe the Respondent’s experience providing managed Community-based Long-Term Services and Supports and Acute Care services equivalent or comparable to STAR+PLUS Covered Services described in Attachment B-1.2. The description should indicate:
   a. the extent to which the Respondent has experience providing Community-based Long-Term Services and Supports and Acute Care services for a managed care population(s) comparable to the population in STAR+PLUS; and
b. the Respondent’s experience providing such Community-based Long-Term Services and Supports in Texas, and in the Respondent’s proposed Service Areas, if applicable;

4. indicate which STAR+PLUS Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid population;

5. briefly describe the Respondent’s proposal for providing Covered Services, including any plans for expansions of its Provider Network in any of the proposed Service Areas prior to a Readiness Review. If the Respondent proposes to use a Material Subcontractor to provide or manage Behavioral Health Services, Pharmacy Services, or any other Covered Service, the Respondent must describe its relationship with the Material Subcontractor, as required by Section 4.3;

6. for STAR Respondents for the Medicaid Rural Service Area, describe the Respondent’s experience in providing Medicaid wrap-around services for Dual Eligibles entitled to these benefits. If the Respondent does not have experience in providing these services, indicate how the Respondent intends to meet this requirement; and

7. for STAR+PLUS Respondents, describe the Respondent’s experience in providing Service Coordination for Dual Eligibles. Respondent should specifically describe the processes and procedures used to coordinate Medicare services with Medicaid Community-based Long-Term Services and Supports and related services. If the Respondent does not have experience coordinating these services, indicate how the Respondent intends to meet this requirement.

4.3.3 Section 3 – Value-added Services

(1 page per Value-added Service)

Respondents may propose to offer Value-added Services as described in Section 8.1.2.1. If offered, the Respondent will not receive additional compensation for Value-added Services, and may not report the costs of Value-added Services as allowable medical or administrative costs.

For each MCO Program and Value-added Service proposed, the Respondent must:

1. define and describe the Value-added Service;

2. specify the applicable Service Areas for the proposed Value-added Services;

3. identify the category or group of Members eligible to receive the proposed Value-added Services if it is a type of service that is not appropriate for all Members;

4. note any limitations or restrictions that apply to the Value-added Services;

5. for each Service Area, identify the types of Providers responsible for providing the Value-added Service, including any limitations on Provider capacity if applicable.

6. propose how and when Providers and Members will be notified about the availability of such Value-added Service;

7. describe how a Member may obtain or access the Value-added Service;

8. include a statement that the Respondent will provide any Value-added Service(s) that are approved by HHSC for at least 12 months after the Operational Start Date of the Contract; and

9. describe if, and how, the Respondent will identify the Value-added Service in administrative data (Encounter Data).

The Respondent may propose different Value-added Services for each MCO Program and Service Area bid.

4.3.4 Section 4 – Access to Care
Access to Care standards are described in Section 8.1.3.

4.3.4.1 Travel Distances

(no page limit, should only submit applicable tables)

For each proposed Service Area and for each MCO Program bid (if the proposed Provider Network would be different across MCO Programs within a Service Area), submit tables created using GeoAccess, or a comparable software program, to demonstrate the geographic adequacy of the Respondent’s proposed Provider Network compared to the projected population in each proposed Service Area.

Providers in the demonstrated Provider Network must have an executed contract with the Respondent, a letter of intent (LOI), or a letter of agreement (LOA) indicating the provider intends to contract with the Respondent if HHSC awards the Respondent an MCO Contract. Respondents do not need to submit the signed contracts, LOIs, or LOAs with the Proposal, but HHSC may request to review these documents during its evaluation of the Proposal. Providers who have not signed a Network Provider contract or LOI/LOAs may not be included in the Respondent’s Network for purposes of responding to this RFP submission requirement.

For each proposed Service Area, the Respondent must generate GeoAccess or comparable tables to display the following information on its proposed Provider Network utilizing the Member Files provided by HHSC. For purposes of Geo Mapping, the distribution method will be to place all members at the center of the zip code.

1. adults with access to PCPs (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which adults have such access;

2. children with access to PCPs:
   a. Percentage and number of child Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which children have such access;
   b. Percentage and number of child Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which children have such access;

3. access to cardiologists (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Network cardiologist within 75 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Network cardiologists within 75 miles, and the average number of miles within which adults have such access;

4. access to Acute Care Hospitals:
   a. Percentage and number of Members with access to a Network Acute Care Hospital within 30 miles;

5. access to outpatient Behavioral Health Services Providers (does not apply to the STAR Dallas Service Area, where Behavioral Health services are provided through NorthSTAR):
6. access to OB/GYNs (does not apply to CHIP Members or CHIP Perinatal Newborn Members – but does apply to CHIP Perinate Members (unborn children)):
   a. Percentage and number of female Members over age 19 with access to one (1) Network OB/GYN within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas); 
   b. Percentage and number of female Members over age 19 with access to two (2) Network OB/GYNs within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas); 
   c. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access; 
   d. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access; 

7. access to otolaryngologists (STAR and CHIP only):
   a. Percentage and number of child Members with access to one (1) Network otolaryngologist (ENT) within 75 miles, and the average number of miles within which children have such access; and 
   b. Percentage and number of child Members with access to two (2) Network otolaryngologists (ENTs) within 75 miles, and the average number of miles within which children have such access; and 

8. access to Pharmacies:
   a. Percentage and number Members with access to one (1) Network pharmacy within 15 miles, and the average number of miles within which Members have such access; 
   b. Percentage and number Members with access to two (2) Network pharmacies within 15 miles, and the average number of miles within which Members have such access; 
   c. Percentage and number Members with access to one (1) 24 hour Network pharmacy within 75 miles, and the average number of miles within which Members have such access; and 
   d. Percentage and number Members with access to two (2) 24 hour Network pharmacies within 75 miles, and the average number of miles within which Members have such access. 

Respondents should submit one (1) set of the above tables for each MCO Program and Service Area bid (e.g., one (1) table for the STAR Tarrant Service Area, one (1) table for the STAR Harris Service Area, etc.). Respondents should report the zip code, the city or town associated with the zip code, the percentage and number of eligible Members residing within the zip code, and the percentage and number of eligible Members residing within a zip code who have access to Network Provider addresses within the HHSC-specified travel distance standard. Each table should be sorted in descending order based on zip code-eligible Member population. In addition, each Service Area table should report the aggregate percentage of eligible Members residing within the Service Area who have access within the HHSC-specified travel standard.
4.3.4.2 Assessing Access to Care

(3 pages, plus one additional page per additional MCO Program bid if the Respondent’s response is different by MCO Program)

1. Identify the process(es) by which the Respondent must measure and regularly verify:
   a. Network compliance, including pharmacy, regarding travel distance access in Section 8.1.3.2;
   b. Provider compliance regarding appointment access standards in Section 8.1.3.1, and
   c. PCP compliance with after-hours coverage standards in Section 8.1.4.2.

2. Describe the steps the Respondent has taken in the past when it identified:
   a. a deficiency in its compliance with plan or state travel distance access standards;
   b. a Provider that was not meeting plan or state appointment access standards, and
   c. a PCP that was not in compliance with the plan or state after-hours coverage requirements.

   If the Respondent has not taken such steps listed in 2a, b, or c above with regularity, describe how it proposes to take such steps in the future.

3. Describe the processes the Respondent implement to accommodate additional Members and to ensure the access standards are met if actual enrollment exceeds projected enrollment.

4.3.5 Section 5 – Provider Network Provisions

Provider Network requirements are primarily described in Section 8.1.4. In addition, the Significant Traditional Provider (STP) requirements applicable to Medicaid MCOs are described in Section 8.2.3.

4.3.5.1 Provider Network

(1 page, excluding Provider listing and tables)

Network Providers must have an executed contract with the Respondent, a letter of intent (LOI) or a letter of agreement (LOA) indicating the Provider intends to contract with the Respondent should HHSC award the Respondent a contract for the applicable MCO Program. Network Providers must be licensed in the State of Texas to provide the contracted Covered Services. As described in Section 8.1.4.4, the MCO must credential Network Providers before they may serve Members. Sample LOI/LOA agreements and sample Network Providers tables can be found in the Procurement Library.

1. For each Service Area in which the Respondent proposes to participate in the STAR, STAR+PLUS, and/or CHIP Program, the Respondent must submit a complete listing of proposed Network Providers for each of the following Acute Care provider types. Such listing must indicate for each provider type: the name, address, and NPI and/or TPI, if applicable, of the Providers with signed contracts, LOIs or LOAs. If the Respondent’s Provider Network is identical across more than one MCO Program within a Service Area, the Respondent may submit one Excel file worksheet for the Service Area that specifies the applicable MCO Programs. The Respondent must include in an Excel file at least the two (2) nearest Providers meeting each of the following provider type descriptions. The Respondent must also include in the Excel file all Providers in the designated provider type within the Service Area. The listing must include separate lists of each provider type in the order listed below and a separate worksheet for each proposed Service Area:

**Acute Care Services**

   a. Acute Care Hospitals, inpatient and outpatient services;
b. Hospitals providing Level 1 trauma care;

c. Hospitals providing Level 2 trauma care;

d. Hospitals designated as transplant centers;

e. Hospitals designated as Children’s Hospitals by the CMS;

f. other Hospitals with specialized pediatric services;

g. Psychiatric Hospitals providing mental health services, inpatient and outpatient;

h. Other facilities or clinics that provide outpatient mental health services;

i. Hospitals providing substance abuse services, inpatient and outpatient; and

j. other facilities or clinics providing outpatient substance abuse services.

2. For STAR+PLUS only, identify a list of Community-based Long-Term Services and Supports Providers with whom the Respondent has a signed contract, LOI or LOA. These Providers should be listed by type, name, and address. Respondent should also list the array of Community-based Long-Term Services and Supports each of these entities provides.

**Community-based Long-Term Services and Supports** (for STAR+PLUS only)

a. Personal Assistance Services (PAS);

b. Day Activity and Health Services (DAHS);

c. adaptive aids and medical supplies;

d. adult foster care;

e. assisted living and residential care services;

f. emergency response services;

g. home delivered meals;

h. in-home skilled nursing care;

i. dental services;

j. minor home modifications;

k. respite care;

l. therapy – occupational;

m. therapy – physical;

n. therapy – speech, hearing, and/or language pathology services;

o. consumer directed services; and

p. transition assistance services.
3. Identify the types of Providers the Respondent allows to be PCPs for adults, PCPs for children, OB/GYNs, and outpatient Behavioral Health Service Providers. The Respondent should identify its contract requirements for these provider types and any exceptions. For example, Respondent should note under what circumstances, if any, an internist is allowed to be a PCP for children, or a family practitioner is allowed to be an OB/GYN.

4.3.5.2 Significant Traditional Providers

(No page limit, Respondents should only submit STP tables, not text, with the exception of bidders not meeting the 50 percent threshold described in Section 5.2. These Respondents should provide clear documentation of any problems in meeting this threshold)

The STP requirements in Section 8.2.3 are applicable as follows:

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs) in STAR and STAR+PLUS. For STAR MCOs, STP requirements for other provider types are limited to the following areas: Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, STP requirements for other provider types apply to Jefferson, El Paso, Lubbock and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette.

HHSC-designated Medicaid Significant Traditional Providers (STPs) can be found in the Procurement Library. The STP list includes, without limitation, SUD, pharmacy, and State Mental Health Hospitals for all MCO Programs. For STAR+PLUS, STPs also include Community-based Long-Term Services and Supports Providers.

For each STP provider type in the MCO Program(s) and Service Area(s) bid, the Respondent must complete the charts provided in the Procurement Library.

4.3.5.3 Provider Network Capacity

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

HHSC has targeted improved Network capacity and improved Member access to Covered Services as a priority for the Initial Contract Period.

1. indicate which, if any, Covered Services are not available from a qualified Provider in the Respondent’s proposed Network in the Service Area and how the Respondent proposes to provide such Covered Services to Members in the Service Area; and

2. briefly describe how deficiencies will be addressed when the Provider Network is unable to provide a Member with appropriate access to Covered Services due to lack of a qualified Network Provider within the travel distance of the Member’s residence specified in Section 8.1.3.2. The description should include, but not be limited to, how the Respondent will address deficiencies in the Network related to:

   a. the lack of an age-appropriate Network PCP with an Open-Panel within the required travel distance of the Member’s residence;
   
   b. for female Members, the lack of an Network OB/GYN with an open practice within the travel distance of the Member’s residence;
   
   c. the lack of a Network cardiologist within the travel distance of the Member’s residence (STAR and STAR+PLUS only); and
   
   d. the lack of a Network pharmacy within the travel distance of the Member’s residence.

4.3.5.4 Credentialing and Re-credentialing
Provider credentialing and re-credentialing requirements are described in Section 8.1.4.4. For all of the following submission requirements, instead of attaching copies of the Respondent’s credentialing/re-credentialing policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. Describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Acute Care Providers by type of Provider, and demonstrate how the Respondent ensures, or proposes to ensure, that the minimum credentialing requirements are met. Such description must demonstrate compliance with Section 8.1.4.4.

2. Describe the re-credentialing process or process between re-credentialing cycles for Acute Care Providers and how the Respondent will capture and assess the following information:
   a. Member Complaints and Appeals;
   b. results from quality reviews and Provider quality profiling;
   c. utilization management information; and
   d. information from licensing and accreditation agencies.

3. For STAR+PLUS only, describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Providers of Community-based Long-Term Services and Supports by type of Provider, and how Respondent will ensure that the minimum credentialing and licensing requirements are met by any Provider rendering Covered Services.

4. For STAR+PLUS only, describe the re-credentialing process for Providers of Community-based Long-Term Services and Supports. The description of the re-credentialing process should include how the Respondent will capture and assesses the following information:
   a. Member Complaints and Appeals;
   b. results from quality reviews and quality Provider profiling;
   c. utilization management information; and
   d. information from licensing and accreditation agencies.

5. A Respondent currently operating in Texas must separately report the following information for its Texas Network. A Respondent not currently operating in Texas must separately report the same information for a managed care program it operates in another state that is similar to the MCO Program bid:
   a. the percentage of providers in its Network re-credentialed in the past three (3) years, for the following provider types: primary care physician, specialty care provider, and masters-level outpatient Behavioral Health Service providers; and
   b. the number and percentage of providers in its Network who were subjected to the regularly scheduled re-credentialing process over the past 24 months that were denied continued Network status.

4.3.5.5 Provider Hotline

Describe the proposed Provider Hotline function and how the Respondent would meet the requirements of Section 8.1.4.7. Such description must include:

1. normal hours of operation of the hotline;
2. staffing for the hotline;
3. training for the hotline staff on Covered Services and HHSC MCO Program requirements;
4. the routing of calls among hotline staff to ensure timely and appropriate response to provider inquiries;
5. responsibilities of hotline staff, if any, in addition to responding to HHSC Provider Hotline calls (e.g., responding to non-Network provider calls and/or HHSC Member Hotline calls);
6. after-hours procedures and available services;
7. provider hotline telephone reports for the most recent four (4) quarters with data that show the monthly call volume, the monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and the monthly trends for the abandonment rate; and
8. Whether the Provider Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the MCO Programs bid must submit the information in #7 above for each provider hotline operated, and identify any proposed changes to provider hotline functions.

A Respondent not currently participating in any of the MCO Programs bid must submit the information in #7 above for a similar managed care program that it operates. If such a Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider hotline telephone report for the same managed care program.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Provider Hotlines, so long it meets the RFP Provider Hotline requirements for all MCO Programs bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Provider Hotline, or if proposing to staff a single Provider Hotline for multiple programs, and should note in its Proposal the differences, if any, in its Provider Hotline and staffing for each MCO Program bid.

### 4.3.5.6 Provider Training

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Provider training requirements are described in Section 8.1.4.6.

1. Provide a brief description of the proposed Provider training programs for each MCO Program bid. For STAR+PLUS only, distinguish between training programs for Acute Care Providers and Community-based Long-Term Services and Supports Providers. The description should include:
   a. the types of programs to be offered, including the modality of training;
   b. what topics will be covered;
   c. which Providers will be invited to attend;
   d. how the Respondent proposes to maximize Provider participation;
   e. how Provider training programs will be evaluated;
   f. the frequency of Provider training; and
   g. for STAR+PLUS Long Term Services and Supports providers in El Paso, Lubbock, and Hidalgo, who have never submitted traditional claim forms, a brief summary of additional methods to assist these providers.
2. Briefly describe two (2) examples of recent Provider training programs relevant to each of the MCO Programs bid. These examples must include:

   a. a description of the training program;
   b. a summary of distributed materials (the actual materials are not to be submitted);
   c. number and type of attendees; and
   d. results of any evaluations from the training.

A Respondent currently participating in any of the MCO Programs bid must submit the above Provider training examples for each such MCO Program. A Respondent may use the same such Provider education example for more than one (1) MCO Program, provided the education program was given to Providers participating in each MCO Program.

A Respondent not currently participating in one (1) or more of the MCO Programs bid must submit the above provider training examples for a similar managed care program. If the Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider education information in this submission requirement.

4.3.5.7 Provider Incentives

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Respondent must submit a proposal for a pilot “gain sharing” program. The program should focus on collaborating with Network physicians and Hospitals in order to allow them to share a portion of the Respondent’s savings resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions. The proposal should include mechanisms whereby the Respondent will provide incentive payments to Hospitals and physicians for quality care. The proposal should include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for payment.

4.3.6 Section 6 – Member Services

4.3.6.1 Member Services Staffing

(5 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding organizational chart(s))

The MCO must maintain a Member Services Department to assist Members and Members’ representatives in obtaining Covered Services as described in Section 8.1.5.

1. Provide an organizational chart of the Member Services Department, showing the placement of Member Services within the Respondent’s organization and showing the key staff within the Member Services Department.

2. Explain the functions of the Member Services staff, including brief job descriptions and qualifications.

3. Describe the curriculum for training to be provided to Member Services representatives, including when the training is conducted and how the training addresses:

   a. Covered Services, including Behavioral Health Services and Community-based Long Term Services and Supports;
   b. MCO Program requirements;
   c. Cultural Competency; and
   d. providing assistance to Members with limited English proficiency.
4. Identify the turnover rate for Member Services staff in the past two (2) years. A Respondent operating any HHSC MCO Program must provide the staff turnover rate for each of its MCO Programs. A Respondent not currently operating an HHSC MCO program must provide its Member Services staff turnover rate for a comparable managed care program and identify the managed care program.

5. For STAR+PLUS only, identify the number and professional background of Member Services staff that the Respondent intends to dedicate to the Service Coordination function.

6. Identify the percentage of Member Services staff who will be physically located in the Service Area.

A Respondent submitting a multi-program response must clearly indicate any differences in the Respondent’s Member services approach across each of the MCO Program bid.

### 4.3.6.2 Member Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

The Member Hotline requirements are described in Section 8.1.5.6.

Describe the proposed Member Hotline function, including:

1. normal hours of operation;

2. number of Member Hotline staff, expressed in the number of full time employees (FTEs) per 1000 Members who are available 8:00 a.m. to 5:00 p.m., local time in the Service Area, Monday through Friday, excluding state-approved holidays;

3. routing of calls among Member Hotline staff to ensure timely and accurate response to Member inquiries;

4. responsibilities of Member Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC Member calls and/or HHSC Provider Hotline or Behavioral Health Hotline calls);

5. after-hours procedures and available services, including those provided to non-English speaking Members in Major Population Groups;

6. the number and percentage of FTE Member Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Member Hotline staff who are multi-lingual for any additional language, by language spoken;

8. for STAR+PLUS only, the number and percentage of FTE Member Hotline staff dedicated to the Service Coordination function;

9. Member Hotline telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and monthly trends for the abandonment rate; and

10. Whether the Member Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of HHSC’s MCO Programs must submit the information in #9 above for each Member Hotline operated, and identify any proposed changes to hotline functions.

If the Respondent is not currently participating in any of HHSC’s MCO Programs, it should describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Member Hotline described in Section 8.1.5.6. Such a description must include the information listed in items 1 to 10 above.
A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Member Hotlines, if it meets the RFP Member Hotline requirements for all MCO Program bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Member Hotline, or if proposing to staff a single Member Hotline for multiple programs, and should note the differences, if any, in its Member Hotline and staffing for each MCO Program bid.

4.3.6.3 Member Service Scenarios

(5 pages)

Describe the procedures a Member Services representative will follow to respond to the following situations:

1. a Member has received a bill for payment of Covered Services from a Network Provider or Out-of-Network Provider;
2. a Member is unable to reach her PCP after normal business hours;
3. a Member is having difficulty scheduling an appointment for preventive care with her PCP;
4. for STAR+PLUS only, a Member is having difficulty scheduling an appointment for preventive care with her Medicare PCP;
5. for STAR+PLUS only, a Member is in urgent need of meals, adaptive aids, or other Community-Based Long-Term Services and Supports and is unable to reach their Service Coordinator or provider,
6. a Member becomes ill while traveling outside of the Service Area, and
7. a Member has a request for a specific medication that the pharmacy is unable to provide.

4.3.6.4 Cultural Competency

(3 pages)

Provide a high-level description of the processes the Respondent will put in place to meet the requirements of the cultural competency requirements as described in Section 8.1.5.8, “Cultural Competency Plan.”

1. Describe how the Respondent will ensure culturally competent services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each.
2. Describe how the Respondent will develop intervention strategies and work with Network Providers to avoid disparities in the delivery of medical services to diverse populations.

4.3.6.5 Member Complaint and Appeal Processes

(3 pages per MCO Program, excluding flow chart)

Medicaid Member Complaint and Appeal Processes are described in Section 8.2.6. CHIP Member Complaint and Appeal Processes are described in Section 8.4.2. For each MCO Program bid, a Respondent’s proposal should describe how it intends to meet the applicable Member Complaint and Appeal requirements. A Respondent should not submit detailed Complaint and Appeal policies and procedures as an attachment.

For each MCO Program bid, the Respondent must:
1. describe the process the Respondent will put in place for the review of Member Complaints and Appeals, including which staff will be involved;

2. provide a flowchart that depicts the process the Respondent will employ, from the receipt of a request through each phase of the review to notification of disposition, including providing notice of access to HHSC Fair Hearings;

3. document the MCO’s average time for resolution over the past 12 months for Member Complaints and Appeals (excluding Expedited Appeals), from date of receipt to date of notification of disposition; and

4. for STAR and STAR+PLUS only, describe the number and job descriptions of Member Advocates, how Members are informed of the availability of Member Advocates, and how Members access Advocates.

4.3.6.6 Marketing Activities and Prohibited Practices

(no page limit)

If the Respondent has been sanctioned or placed under corrective action for prohibited Marketing practices related to managed care products by the CMS, Texas, or by another state:

1. describe the basis for each sanction or corrective action, and

2. explain how the Respondent would ensure that it would not commit any practices prohibited by the CMS or HHSC in its Marketing activities.

A Respondent should have reported whether it has been sanctioned or been placed under corrective action by the federal government, Texas, or any other state in the past three (3) years as part of its Business Specifications submission.

4.3.6.7 Continuity of Care (for STAR and STAR+PLUS only)

(3 pages plus 1 additional page if the Respondent is proposing to participate in both STAR and STAR+PLUS)

Continuity of Care transition requirements for certain new Members with Out-of-Network providers are described in Section 8.2.1.

Describe the proposed Continuity of Care Transition Plan for serving new Members whose current PCP, OB/GYN, specialty care providers (including Behavioral Health Service providers) or Community-based Long-Term Services and Supports are not participants in the Respondent’s Provider Network. Respondents proposing to serve STAR+PLUS Members must also describe the proposed Continuity of Care Transition Plan for serving new Members whose current home health services provider is not a participant in the Respondent’s proposed Provider Network.

If a Respondent is proposing to serve both STAR and STAR+PLUS MCO Members, the Respondent should note the differences, if any, in its Continuity of Care Transition Plan in each MCO Program bid.

4.3.6.8 Objection to Providing Certain Services

(1 page)

In accordance with 42 C.F.R. §438.102, the Respondent may file an objection to provide, reimburse for, or provide coverage of, counseling or referral service for a Covered Service based on moral or religious grounds (see Section 8.2.2.7). HHSC reserves the right to make downward adjustments to Capitation Rates for any Respondent that objects to providing certain services based on moral or religious grounds.

Respondent should indicate objections, if any, to providing a Covered Service based on moral or religious grounds. Identify the specific service(s) to which it objects and describe the basis for its objection on moral or religious grounds.
4.3.6.9 Coordination of Services for Dual Eligibles

(2 pages)

Coordination of Services for STAR+PLUS Dual Eligibles is described in Section 8.3.7.1, and Medicaid wrap-services are described in Section 8.2.3.

As applicable to the Programs bid, please describe the Respondent’s process for coordinating Medicaid and Medicare care for STAR+PLUS Dual Eligibles, and providing Medicaid wrap-around services to Dual Eligibles in STAR+PLUS and STAR (Medicaid Rural Service Area only).

4.3.7 Section 7 – Quality Assessment and Performance Improvement

The Quality Assessment and Performance Improvement (QAPI) requirements of the RFP are described in Section 8.1.7.

4.3.7.1 Clinical Initiatives

(3 pages, plus 2 additional pages per additional MCO Program, excluding QA plan)

1. For each MCO Program bid, describe data-driven clinical initiatives that the Respondent initiated within the past 24 months that have yielded improvement in clinical care for a managed care population comparable to the population bid and document two (2) statistically significant improvements generated by the Respondent’s clinical initiatives.

2. For STAR+PLUS only, propose two (2) clinical initiatives focused on Community-based Long-Term Services and Supports for STAR+PLUS Members, including how Members will be involved in such initiatives and the Respondent’s experience implementing similar clinical initiatives.

3. For each MCO Program bid, describe two (2) new or ongoing Acute Care clinical initiatives that the Respondent proposes to pursue in the first year of the Contract. Document why each topic warrants quality improvement investment, and describe the Respondent’s measurable goals for the initiative.

4. For STAR+PLUS only, describe the planned approach the Respondent will take towards quality assessment and ongoing review of providers with whom it intends to contract, using the following provider types as an example:
   a. Adult Day Health Facilities;
   b. Personal Assistance Services providers, and
   c. Home and Community Support Services Agencies (HCSSAs).

5. For Respondents that already participate in an HHSC MCO Program, provide a copy of the most recent QAPI Plan. For Respondents that do not participate in an HHSC MCO Program, provide a copy of a 2009 quality assurance plan for a comparable managed care population.

6. Many Texas Medicaid and CHIP children reportedly receive their immunizations through Local Health Departments. Discuss the impact this has on creating a Medical Home for child Members, and what steps, if any, the Respondent proposes to take to improve child preventive services delivery.

4.3.7.2 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Quality Data

(3 pages, plus 2 additional pages per additional MCO Program bid)

HHSC's External Quality Review Organization (EQRO) will perform HEDIS and Consumer Assessment of Healthcare Providers and Systems (CAHPS) calculations required by HHSC for MCO Program management. The following questions are designed to solicit information on a Respondent's proposed approach to generating its own clinical indicator information to identify and address opportunities for improvement, as well as the Respondent's approach to acting on clinical indicator data reported by HHSC's EQRO.

For each MCO Program bid, the Respondent must:
1. identify the MCO-level HEDIS and any other statistical clinical indicator measures the Respondent will generate to identify opportunities for clinical quality improvement;
2. document examples of statistical clinical indicator measures previously generated by the Respondent during 2008-2009 for a managed care population comparable to the population in the MCO Program bid;
3. describe efforts that the Respondent has made to assess member satisfaction during 2008-2009 for a managed care population comparable to the population in the MCO Program bid; and
4. describe management interventions implemented in 2008 or 2009 based on member satisfaction measurement findings for a managed care population comparable to the population in the MCO Program bid, and whether these interventions resulted in measurable improvements in later member satisfaction findings.

4.3.7.3 Clinical Practice Guidelines
(2 pages per MCO Program bid)

There is significant evidence that medical professionals are often slow to adopt evidence-based clinical practice guidelines.

1. For each MCO Program bid, describe two (2) clinical guidelines that are relevant to the enrolled populations and that the Respondent believes are currently not being adhered to at a satisfactory level.
2. Describe what steps the Respondent will take to increase compliance with the clinical guidelines noted in its response to question number 1 above.
3. Provide a general description of the Respondent’s process for developing and updating clinical guidelines, and for disseminating them to participating Providers.

4.3.7.4 Provider Profiling
(3 pages, excluding sample profile reports)

1. Describe the Respondent’s practice of profiling the quality of care delivered by Network PCPs, and any other Acute Care Providers (e.g., high volume specialists, Hospitals), including the methodology for determining which and how many Providers will be profiled.
2. For STAR+PLUS, describe the Respondent’s method to ensure the quality of care delivered by Long-Term Services and Supports Providers.
3. Submit sample quality profile reports used by the Respondent, or proposed for future use (identify which).
4. Describe the rationale for selecting the performance measures presented in the sample profile reports.
5. Describe the proposed frequency with which the Respondent will distribute such reports to Network Providers, and identify which Providers will receive such profile reports.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its provider profiling activities and reports for each MCO Program bid.

4.3.7.5 Network Management
(4 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Describe how the Respondent will actively work with Network Providers to ensure accountability and improvement in the quality of care provided by both Acute and Long-Term Services and Supports Providers. The description should include:
1. the steps the Respondent will take with each profiled Provider following the production of each profile report, including a description of how the Respondent will motivate and facilitate improvement in the performance of each profiled Provider;

2. the process and timeline the Respondent proposes for periodically assessing Provider progress on its implementation of strategies to attain improvement goals;

3. how the Respondent will reward Providers who demonstrate continued excellence and/or significant performance improvement over time, through non-financial or financial means, including pay-for-performance;

4. how the Respondent will share “best practice” methods or programs with Providers of similar programs in its Network;

5. how the Respondent will take action with Providers who demonstrate continued unacceptable performance and performance that does not improve over time;

6. the steps the Respondent will take with a Provider that specifically is not meeting HHSC contractual access standards; and

7. the extent to which the Respondent currently operates a Network management program consistent with HHSC requirements in Section 8.1.7.8, and measurable results it has achieved from such Network management efforts.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Network Management activities and reports for each MCO Program bid.

4.3.8 Section 8 – Utilization Management

(3 pages, plus 1 additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Utilization Management (UM) requirements are described generally in Section 8.1.8 and specifically for Behavioral Health Services in Section 8.1.15. A Respondent’s response to this submission requirement should address UM for all Covered Services.

1. Describe the UM guidelines the Respondent plans to employ, including whether and how the guidelines comply with the standards in Sections 8.1.8 and 8.1.15.

2. If the UM guidelines were developed internally, describe the process by which they were developed and when they were developed or last revised.

3. Describe how the UM guidelines will generally be applied to authorize or retrospectively review services for the spectrum of Covered Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its UM activities for each MCO Program bid.

4.3.9 Section 9 – Early Childhood Intervention (ECI)

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

ECI Services are described in Section 8.1.9.

1. Describe the Respondent’s experience with, and general approach to, providing ECI services, including how the Respondent will identify such individuals.

2. Describe procedures and protocols for using the IFSP information to develop a Member Care Plan and authorize services.
3. Describe procedures and protocols for developing and including the interdisciplinary team in the assessment and care planning process.

4. Describe the process by which the Respondent will provide the IFSP and other necessary information to the PCP.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for ECI for each MCO Program bid.

4.3.10 Section 10 – Services for People with Special Health Care Needs

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Services for people with special health care needs are described in Section 8.1.12. Note: All STAR+PLUS Members are considered to be persons with Special Health Care Needs as defined in Attachment A, "Uniform Managed Care Contract Terms and Conditions."

1. Describe the Respondent’s experience with, and general approach to, providing services for adults with Special Health Care Needs (STAR and STAR+PLUS only), including how the Respondent will identify such individuals and the criteria it will use in assessing whether an adult is a Member with Special Health Care Needs (MSHCN).

2. Describe the Respondent’s experience with, and general approach to, providing services for Children with Special Health Care Needs (CSHCN), including how the Respondent will identify such individuals and the criteria it will use in assessing whether a Member is a CSHCN.

3. Describe the process for initially and periodically assessing Members’ needs for services, and identify the staff performing the assessments and their credentials.

4. Describe procedures and protocols for using the assessment information to develop a Member Care Plan and authorize services.

5. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

6. Describe the process by which the Respondent will allow MSHCN to have:

   a. direct access to a specialist as appropriate for the Member’s condition and identified needs, such as a standing referral to a specialty physician; and

   b. access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. § 11.900 and Section 8.1.3.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for MSHCN for each MCO Program bid.

4.3.11 Section 11 – Care Management and/or Service Coordination

(9 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Care Management and/or Service Coordination is described in Sections 8.1.12.2 and 8.1.13. Additional requirements for Service Coordination are described in Section 8.3.2.
1. Describe the Respondent’s experience providing Care Management and/or Service Coordination to members with high-cost catastrophic situations (e.g., recent spinal cord injury) and the Respondent’s proposal for implementing high-cost catastrophic Care Management and/or Service Coordination, including how the Respondent will identify Members for high cost catastrophic Care Management and/or Service Coordination, and the criteria used to identify such Members.

2. Describe the Respondent’s experience providing Care Management and/or Service Coordination services to Members with the following serious health care conditions, as applicable to the MCO Programs bid, and the Respondent’s proposal for offering Care Management and/or Service Coordination services to these Members. Include how Members will be identified for Care Management and/or Service Coordination, and the criteria used to identify such Members:
   a. women with high-risk pregnancies (STAR only); and
   b. individuals with mental illness and co-occurring substance abuse.

3. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Care Management and/or Service Coordination initiatives.

4. For STAR+PLUS only, describe the duties and responsibilities of the Service Coordinator to authorize Community-based Long-Term Services and Supports. The Respondent must describe in detail how the Service Coordinator will function in relation to the Member’s PCP for:
   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and
   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

5. For STAR+PLUS only, submit detailed information, including protocols and procedures, for identifying Members requiring Service Coordination, and for providing the Service Coordination function to them. The information should include how the protocols and procedures vary for:
   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and for
   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

6. For STAR+PLUS only, describe the circumstances or conditions when the Member would require a licensed nurse or other allied health care provider as a Service Coordinator.

7. For STAR+PLUS only, submit criteria for identifying and training certain Members and their Member Representative(s) to coordinate and direct the Member’s own care, to the extent the Member is capable of doing so. Criteria should include those used to enable the Member and family to select, train, and supervise providers of Community-based Long-Term Services and Supports.

8. For STAR+PLUS only, describe the criteria and processes for advising Members of, and assisting them to access, the most appropriate, least restrictive home and community-based services as alternatives to institutional care. Additionally, describe how the Respondent will ensure that the Member is given the opportunity to make an informed choice among the options for care settings.

9. For STAR+PLUS only, submit a list of the relevant community organizations in each proposed STAR+PLUS Service Area with which the Respondent will coordinate services for Members and to which it will refer Members for services.

10. For STAR+PLUS only, describe the process for initially and periodically assessing Members’ needs for services.

11. For STAR+PLUS only, describe how the Respondent will identify Members who are at risk of nursing facility placement.
12. For STAR+PLUS only, submit all functional assessment instruments proposed for use and describe how the assessment instrument(s) will be employed to identify the Member’s need for Community-based Long-Term Services and Supports. (Note: If the MCO is allowed to modify a functional assessment instrument required by the State, HHSC must approve the proposed instrument prior to implementation. See Section 8.3.3 for more information.)

13. For STAR+PLUS only, identify who will perform each assessment and specify their credentials.

14. Describe procedures and protocols for using the assessment information to develop a Member Service/Care Plan and authorize services.

15. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

16. For STAR+PLUS only, provide a description of the appropriate staffing ratio of Service Coordinators to Members, and the Respondent’s target ratio of Service Coordinators to Members.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Care Management and/or Service Coordination activities in the applicable MCO Programs.

4.3.12 Section 12 – Disease Management (DM)/Health Home Services

(3 pages, plus 1 additional page for each MCO Program bid)

Disease Management/Health Home Services is described in Section 8.1.14.

1. Describe the Respondent’s experience in implementing Disease Management/Health Home Services programs for populations comparable to the proposed HHSC MCO Program.

2. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Disease Management/Health Home Services initiatives, and briefly describe the analyses used to identify such outcomes and savings.

3. Identify the process by which the Respondent proposes to provide Members with Disease Management/Health Home Services. Describe how the Respondent will identify Members in need of such Disease Management/Health Home Services program, the proposed outreach approach, and the Disease Management/Health Home Services program components for Members of different risk levels.

4. Describe the process by which the Respondent will ensure continuity of care with the Member’s previous Disease Management/Health Home Services program(s), if any.

4.3.13 Section 13 – Behavioral Health Services and Network

The Behavioral Health Services and Network requirements are described in Section 8.1.15. Note: STAR Members in the Dallas Service Area will receive Behavioral Health services through the NorthSTAR Program instead of STAR.

4.3.13.1 Behavioral Health Services Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding telephone reports)

The Behavioral Health Services Hotline requirements are described in Section 8.1.15.3.

Describe the proposed Behavioral Health Services Hotline function, including:

1. verification that it is, or will be, staffed 24 hours per day, 365 days per year;
2. staffing of Behavioral Health Services Hotline staff, including clinical credentials;

3. routing of calls among Behavioral Health Services Hotline staff to ensure timely and accurate response to Member inquiries;

4. the curriculum for training to be provided to Behavioral Health Services Hotline representatives, including when the training will be conducted and how the training will address a) Covered Services; b) HHSC MCO Program requirements; c) Cultural Competency; and d) providing assistance to Members with limited English proficiency.

5. responsibilities of Behavioral Health Services Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC member calls and/or HHSC Provider Hotline or Member Hotline calls);

6. the number and percentage of FTE Behavioral Health Services Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Behavioral Health Services Hotline staff who are multi-lingual for any additional language, by language spoken;

8. Behavioral Health Services telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system), and monthly trends for the abandonment rate; and

9. whether the Behavioral Health Services Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the HHSC MCO Programs bid must submit the information above for each Behavioral Health Services Hotline that it operates, and should provide the monthly call volume for each Service Area by MCO Program. Such a Respondent should also indicate any changes it proposes to its Behavioral Health Services Hotline.

If the Respondent is not currently participating in the STAR, STAR+PLUS, or CHIP MCO Programs, describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Behavioral Health Services Hotline described in Section 8.1.15.3. Such a description must include the information listed in items 1 to 9 above.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Behavioral Health Services Hotline, or if proposing to staff a single Behavioral Health Services Hotline for multiple programs, shall note in its Proposal the differences, if any, in its Behavioral Health Services Hotline and staffing for each applicable MCO Program.

**4.3.13.2 Behavioral Health Provider Network Expertise**

*no page limit*

1. For each proposed Service Area, identify Behavioral Health Service Providers with expertise in providing services to each of the following populations, as applicable to the Respondent’s Proposal.

   a. substance abusers;

   b. children and adolescents;

   c. persons with a dual diagnosis of mental health and substance abuse; and

   d. services for linguistic and cultural minorities.
2. Indicate the criteria the Respondent will use to determine that such Behavioral Health Providers have the requisite expertise.

### 4.3.13.3 Coordination of Behavioral Health Care

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

1. Describe the Respondent’s approach to coordinating Behavioral Health Service delivery with primary care services delivered by a Member’s PCP, and vice versa.

2. Describe or propose innovative programs and identify Network Providers contracted to serve special populations through integrated medical/Behavioral Health Service delivery models. Describe the program model services, treatment approach, special considerations, and expected outcomes for the special populations.

3. Describe the process by which the Respondent will ensure the delivery of outpatient Behavioral Health Services within seven (7) days of inpatient discharge for Behavioral Health Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its coordination of Behavioral Health Services in the applicable MCO Programs.

### 4.3.13.4 Behavioral Health Quality Management

(2 pages per MCO Program bid)

1. Identify the areas Respondent believes to be the greatest opportunities for clinical quality improvement in behavioral health in each MCO Program bid and provide supporting information.

2. Discuss the approaches the Respondent will pursue to realize one such opportunity for each MCO Program bid.

3. Describe how the Respondent proposes to integrate behavioral health into its quality assurance program, as described in Section 8.1.7.5.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in the Respondent’s Behavioral Health quality management activities in each applicable MCO Program.

### 4.3.13.5 Behavioral Health Emergency Services

(2 pages per MCO Program bid)

For each MCO Program bid, describe the Respondent’s experience with, and plans for, providing Behavioral Health Emergency Services, including, emergency screening services, Emergency Services, and short-term crisis stabilization to Medicaid, CHIP, or other similar populations.

### 4.3.14 Section 14 – Management Information System (MIS) Requirements

(10 pages plus an additional 6 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program - Page limit excludes system diagrams and process flow charts.)

For each MCO Program bid, the Respondent must:

1. describe the Management Information System (MIS) the Respondent will implement, including how the MIS will comply with Health Insurance Portability and Accountability Act of 1996 (HIPAA). The response must address the requirements of Section 8.1.18. At a minimum, the description should address:
   a. hardware and system architecture specifications;
b. data and process flows for all key business processes in **Section 8.1.18**; and
c. attest to the availability of the data elements required to produce required management reports;

2. if claims processing and payment functions are outsourced, provide the above information for the Material Subcontractor;

3. describe how the Respondent would ensure accuracy, timeliness, and completeness of Encounter Data submissions for each of the MCO Programs bid;

4. describe the Respondent’s ability and experience in performing coordination of benefits and Third Party Liability/Third Party Recovery (TPL/TPR);

5. describe the Respondent’s ability and experience in allowing providers to submit claims electronically and its ability and experience in processing electronic claims payments to providers:
   a. if currently processing claims electronically, generally describe the type and volume of provider claims received electronically in the previous year versus paper claims for each claim type;
   b. if currently making claims payments to providers electronically, generally describe the type and volume of provider claims payment processed electronically;
   c. does the MCO provide a no-cost alternative for providers to allow billing without the use of a clearinghouse? If so please describe; and
   d. does the MCO include attendant care payments as part of the regular claims payment process (for STAR+PLUS only)? If so please describe;

6. describe the Respondent’s experience and capability to comply with the Internet website requirements of **Section 8.1.5.5**, and briefly describe any additional website capabilities that the Respondent proposes to offer to Members or Providers;

7. provide acknowledgment and verification that the Respondent’s proposed systems are 5010 compliant by submitting a copy of the 5010 compliancy plan, and proposed timeline for meeting the deadlines for being 5010 compliant; and

8. describe the Respondent’s capability to pay providers via direct deposit and its experience in doing so, including the percentage, number, and types of providers paid via direct deposit in the most recent 12 month period for which the Respondent has such statistics. If the Respondent operates in Texas, the Respondent must provide this information related to its experience in Texas. If the Respondent does not currently operate in Texas, the Respondent must provide this information for a state in which the Respondent currently operates a managed care program similar to the MCO Programs bid.

**4.3.15 Section 15 – Fraud and Abuse**

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Fraud and Abuse requirements of the RFP are described in **Section 8.1.19**. The Respondent must describe how it will implement a Fraud and Abuse Plan that will comply with state and federal law and this RFP, including the requirements of §531.113, Texas Government Code. The Respondent must:

1. include detail about what parts of the organization and which key staff will have responsibilities in implementing and carrying out the Fraud and Abuse program; and

2. identify which officer or director of the Respondent organization will have overall responsibility and authority for carrying out the Fraud and Abuse Program provisions.
4.3.16 Section 16 – Pharmacy Services

(8 pages plus an additional 2 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Pharmacy Services requirements are described in Section 8.1.21. For all of the following submission requirements, instead of attaching copies of the Respondent’s policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. The Respondent must describe the processes it will use to manage the pharmacy benefit under both of the following scenarios:
   a. HHSC requires the MCO to implement the Medicaid and CHIP formularies and preferred drug lists (PDLs);
   and
   b. the MCO is allowed to establish its own formularies and PDLs.

2. The Respondent must describe the policies and procedures for how mail-order pharmacies will be available to Members.

3. The Respondent must identify the rationale for requiring prior authorizations, identify the types of drugs that normally require prior authorization, and describe the policies and procedures for the prior authorization process.

4. The Respondent must describe how rebates will be negotiated (if HHSC determines that the MCO will perform this service), identified, and reported.

5. The Respondent must describe the policies and procedures for drug utilization reviews, including ensuring prospective reviews take place at the dispensing pharmacy’s point of sale (POS).

6. The Respondent must describe its policies and procedures for targeted interventions for Network Providers over-utilizing certain drugs.

4.3.17 Section 17 – Transition Plan

(4 pages per MCO Program bid)

The Transition Plan Requirements are described in Section 7.

1. Briefly describe the Respondent’s experience establishing and maintaining electronic interfaces with other contractors responsible for portions of Medicaid and CHIP operations. A Respondent with experience participating in one or more MCO Programs must clearly note its experience in establishing and maintaining such interfaces in Texas. A Respondent without experience establishing and maintaining electronic interfaces with other contractors responsible for Medicaid or CHIP operations must note its experience in establishing and maintaining similar electronic interfaces with similar contractors.

2. A Respondent that is proposing to participate in an HHSC MCO Program in a Service Area for the first time must, for each MCO Program bid, briefly describe its Transition Plan for all proposed Service Areas, including major activities related to the System Readiness Review and the Operational Readiness Review, including Network development, internal system testing, and proposed schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO and any differences in its transition approach by Service Area.

3. A Respondent that is currently a contractor for an HHSC MCO Program must, for each such MCO Program, briefly describe its Transition Plan, including major activities related to the System Readiness Review and the Operational Readiness Review, such as Network Development, internal system testing, and schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO, and any differences in its transition approach by Service Area.
4.3.18 Section 18 – Additional Requirements Regarding Dual Eligibles (for STAR+PLUS only)

The additional provisions regarding certain categories of Dual Eligibles are described in Section 8.3.7.

1. Submit evidence of Respondent’s MA Dual SNP contract with CMS if any, including the contract number and counties/zip codes served, or submit documentation showing that an application for such a contract has or will be submitted to CMS. For Respondents that do not already have an MA Dual SNP contract and who intend to obtain one, describe the plans for submitting an application and obtaining such a contract. The description should include the timeline for submitting the application and the proposed counties/zip codes for coverage.

2. Describe the Respondent’s experience in providing Medicare encounter data in HIPAA-compliant formats to federal or state authorities.

3. Describe how the Respondent intends to coordinate care for Dual Eligible Members, including:
   a. How the Respondent will identify Long-Term Services and Supports providers in the relevant Service Areas.
   b. The processes and procedures Respondent will use to coordinate the delivery of Community-based Long-Term Services and Supports with Medicare benefits for Dual Eligible Members.
   c. The training Respondent will provide to staff and providers regarding Community-based Long-Term Services and Supports and the coordination of those services with Medicare benefits.

4. Describe how the Respondent will work with the State to share information regarding Medicare and Medicaid participating providers, Member complaints, and HEDIS data.

5. Evaluation Process and Criteria

5.1 Overview of Evaluation Process

HHSC will use a formal evaluation process to select the successful Respondent. HHSC will consider capabilities or advantages that are clearly described in the proposal, which may be confirmed by oral presentations, site visits, demonstrations, and/or references contacted by HHSC. HHSC reserves the right to contact individuals, entities, or organizations that have had dealings with the Respondent or proposed staff, whether or not identified in the proposal.

HHSC will more favorably evaluate proposals that offer no or few exceptions, reservations, or limitations to the terms and conditions of the RFP, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

5.2 Evaluation Criteria

HHSC will evaluate proposals based on the following best value criteria, listed in order of precedence:

- The extent to which the Respondent’s proposal demonstrates an ability to accomplish the missions and objectives for this procurement, including:
  - the extent to which the proposal meets HHSC’s needs, and the MCO Program clients’ needs for high quality and accessible medical care;
  - The degree to which the proposal demonstrates program innovation, adaptability, and exceptional customer service; and
• the extent to which the Respondent accepts without reservation or exception the RFP’s terms and conditions, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

• Indicators of probable performance under the Contract, including past performance in Texas or comparable experience; financial resources and solvency, including the impact on the Respondent’s and its Subcontractors’ ability to perform, and relevant organizational experience.

• Effect of the acquisition on agency productivity; including the level of effort and resources required to monitor the Respondent’s performance and maintain a good working relationship with the Respondent.

Proposals for the STAR Medicaid Rural Service Area that include all three (3) regions will be given preference over proposals that do not include all three (3) regions. If all other considerations are equal, HHSC will give preference to:

1. proposals from Texas institutions providing graduate medical education;

2. proposals that include substantial participation by Network providers who are Significant Traditional Providers (STP). HHSC defines “substantial participation” as proposals that include at least 50 percent of the STPs in a Service Area. The Respondent must either have a Network Provider agreement in place with the STP, or a Letter of Intent/Letter of Agreement to participate in the Network. A listing of STPs for the new Service Areas can be found in the Procurement Library; and

3. proposals that ensure continuity of coverage for Medicaid Members for at least three (3) months beyond the period of Medicaid eligibility. For purposes of this provision, HHSC defines “continuity of coverage” as providing the full set of Covered Services.

NOTE: Respondents who are licensed as health maintenance organizations pursuant to Chapter 843 of the Texas Insurance Code, and believe they meet the requirements for mandatory contracting under Texas Government Code §533.004, must provide written notice to HHSC’s Point of Contact (see RFP Section 1.1) no later than April 28, 2011. The notice must provide a clear description of why the Respondent believes it is entitled to a mandatory contract under the Texas Government Code.

5.3 Initial Compliance Screening

HHSC will perform an initial screening of all proposals received. Unsigned proposals and proposals that do not include all required forms and sections are subject to rejection without further evaluation. In accordance with Section 3.11, “Modification or Withdrawal of Proposal,” HHSC reserves the right to waive minor informalities in a proposal and award contracts that are in the best interest of the State of Texas.

5.4 Competitive Field Determinations

HHSC may determine that certain proposals are within the field of competition for admission to discussions. The field of competition consists of the proposals that receive the highest or most satisfactory evaluations. HHSC may, in the interest of administrative efficiency, place reasonable limits on the number of proposals admitted to the field of competition.

5.5 Oral Presentations and Site Visits

HHSC may, at its sole discretion, request oral presentations, site visits, and/or demonstrations from one or more Respondents admitted to the field of competition. HHSC will notify selected Respondents of the time and location for these activities, and may supply agendas or topics for discussion. HHSC reserves the right to ask additional questions during oral presentations, site visits, and or demonstrations to clarify the scope and content of the written proposal.

The Respondent’s oral presentation, site visit, and/or demonstration must substantially represent material included in the written proposal, and should not introduce new concepts or offers unless specifically requested by HHSC.

5.6 Best and Final Offer
Respondents will not submit cost proposals for this RFP. HHSC will establish the Capitation Rates for each Program and Service Area in accordance with the methodology described in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms and Conditions of Payment.” HHSC may, but is not required to, permit Respondents to prepare one or more revised offers for services. For this reason, Respondents are encouraged to treat their original proposals, and any revised offers requested by HHSC, as best and final offers of services.

5.7 Discussions with Respondents

HHSC may, but is not required to, conduct discussions with all, some, or none of the Respondents admitted to the field of competition for the purpose of obtaining the best value for the State of Texas. It may conduct discussions for the purpose of:

• obtaining clarification of proposal ambiguities;

• requesting modifications to a proposal; and/or

• obtaining a best and final offer of services.

HHSC may make an award prior to the completion of discussions with all Respondents admitted to the field of competition if HHSC determines that the award represents best value to the State of Texas.

5.8 Contract Awards

Respondents are allowed to select which MCO Programs and Services Areas to include in their Proposals. It is possible that a Respondent submitting a Proposal for more than one MCO Program in a Service Area could be awarded a Contract for some, but not all, of the MCO Programs. Similarly, a Respondent could be awarded a Contract for some, but not all, of its proposed Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.
**Subject:** Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 6

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### DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
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<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Section 6.3.2.1 is modified to change &quot;Rate Period 1&quot; to &quot;FSR Reporting Period 12/13.&quot; Section 6.3.2.2 is modified to change &quot;Rate Period&quot; to &quot;FSR Reporting Period.&quot;</td>
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<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 6.3.2.5 is modified to remove auto-assignment default methodology.</td>
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<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.</td>
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<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, &quot;Incentives &amp; Disincentives.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Section 6.2.1 is modified to remove the reference to Bariatric Supplemental Payments. Section 6.3.1.2 is modified to provide HHSC more flexibility to implement reward-based assignment methodologies. Section 6.3.2.2 is modified to add the word “Program” to the section title. Section 6.3.2.3 is renamed “Performance-Incentive Program”. Subsection 6.3.2.3.1 “Quality Challenge Award” is renamed “Quality Challenge Award Program” and to add clarifying language. Subsection 6.3.2.3.2 State-MCO Shared Savings Program is added.</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

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6. Premium Payment, Incentives, and Disincentives

This section describes performance incentives and disincentives related to HHSC’s value-based purchasing approach. For further information, MCOs should refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

Under the MCO Contracts, health care coverage for Members will be provided on a fully insured basis. The MCO must provide the Services and Deliverables, including Covered Services, to enrolled Members in exchange for the monthly Capitation Payments. Section 8, “Operations Phase Requirements” includes the MCO’s financial responsibilities regarding Out-of-Network Emergency Services and Medically Necessary Covered Services that are not available through Network Providers.

6.1 Capitation Rate Development

Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms & Conditions of Payment” for information concerning Capitation Rate development.


HHSC will pay the MCO monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Member Months times the applicable monthly Capitation Rate by Member Rate Cell.

The MCO must understand and expressly assume the risks associated with the performance of the duties and responsibilities under the Contract, including the failure, termination, or suspension of funding to HHSC, delays or denials of required approvals, cost of claims incorrectly paid by the MCO, and cost overruns not reasonably attributable to HHSC. The MCO must further agree that no other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services or Deliverables due under the Contract.

6.2.1 Capitation Payments

The MCO must refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions" for information and Contract requirements on the:
1. time and Manner of Payment,
2. adjustments to Capitation Payments,
3. Delivery Supplemental Payment, and
4. Experience Rebate.

6.3 Performance Incentives and Disincentives

HHSC has included several financial and non-financial performance incentives and disincentives on this Contract. These incentives and disincentives are subject to change by HHSC over the course of the Contract. The MCO is prohibited from
passing down financial disincentives and/or sanctions imposed on the MCO to health care providers, except on an individual basis and related to the individual provider’s inadequate performance.

6.3.1 Non-financial Incentives

6.3.1.1 Performance Profiling

HHSC intends to distribute information on key performance indicators to MCOs on a regular basis, identifying an MCO’s performance, and comparing that performance to other MCOs and to HHSC standards and/or external Benchmarks. HHSC may recognize MCOs that attain superior performance and/or improvement by publicizing their achievements. For example, HHSC may post information concerning exceptional performance on its website, where it will be available to both stakeholders and members of the public. Likewise, HHSC may post its final determination regarding poor performance or MCO peer group performance comparisons on its website, where it will be available to both stakeholders and members of the public.

6.3.1.2 Auto-assignment Methodology for Medicaid MCOs

HHSC may revise its auto-assignment methodology during the Contract Period for enrollees who do not select an MCO. The new assignment methodology may reward those MCOs that demonstrate superior performance or improvement on one or more key dimensions of performance (see 1 Tex. Admin. Code § 353.403(d)(3)(B) for Medicaid).

HHSC will invite MCO comments on potential approaches prior to implementation of a performance-based auto-assignment algorithm.

6.3.2 Financial Incentives and Disincentives

6.3.2.1 Experience Rebate Reward

The standard Experience Rebate (see Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10.11, “STAR and CHIP Experience Rebate”) provides for an MCO to retain 100 percent of pre-tax income (as costs and income are defined by the Uniform Managed Care Manual), when such income is three percent (3%) (or less) of revenues, and further provides for a graduated scale of rebating to HHSC a portion of relevant MCO income in excess of three percent (3%) of revenues (subject to loss carry-forwards and other stipulations). As a financial incentive for demonstrated superior performance with respect to HHSC-specified performance indicators, the HHSC may raise the three percent (3%) threshold that commences rebates to three and one-half percent (3.5%). In consultation with the MCOs, HHSC will develop the methodology for determining the level of performance necessary for an MCO to earn the Experience Rebate Reward. The finalized methodology will be added to the Uniform Managed Care Manual.

HHSC will calculate whether a MCO is eligible for the Experience Rebate Reward, if applicable, prior to the 90-day Financial Statistical Report (FSR) filing.

HHSC anticipates that it will not implement the Experience Rebate Reward incentive for FSR Reporting Period 12/13 of the Contract. HHSC will invite MCO comments on potential approaches prior to implementation of the new performance-based Experience Rebate Reward.

6.3.2.2 Performance-Based Capitation Rate (5%-at-risk)

HHSC will place each MCO at risk for 5% of the Capitation Payment. HHSC retains the right to reduce the percentage of the Capitation Payment placed at risk in a given FSR Reporting Period.

During the FSR Reporting Period, HHSC will pay the MCO the full monthly Capitation Payments as described in Section 6.2. Then, at the end of each FSR Reporting Period, HHSC will evaluate if the MCO has demonstrated that it has fully met the performance expectations for which the MCO is at risk. If the MCO falls short on some or all of the performance expectations,
HHSC will adjust a future monthly Capitation Payment in accordance with the *Uniform Managed Care Manual* Chapter 6.2, Financial Incentive Methodology, by an appropriate portion of the aggregate at-risk amount. HHSC’s objective is that all MCOs achieve performance levels that enable them to retain the full at-risk amount.

HHSC will determine the extent to which the MCO has met the performance expectations by assessing the MCO's performance for each applicable MCO Program relative to performance targets for the FSR Reporting Period. HHSC will conduct separate accounting for each MCO Program's at-risk Capitation Payment amount.

HHSC will identify no more than 10 at-risk performance indicators for each MCO Program. Some of the performance indicators will be standard across all Programs while others may apply to only one (1) Program.

Specific contractual requirements are set forth in the *Uniform Managed Care Manual*, Chapter 6.2, Financial Incentive Methodology.

Failure to timely provide HHSC with necessary data related to the calculation of the performance indicators will result in HHSC's assignment of a zero percent (0%) performance rate for each related performance indicator.

MCOs will report actual Capitation Payments received on the Financial Statistical Report (FSR) during the FSR Reporting Period that is at risk (i.e., the MCO will not report Revenues at a level equivalent to 95% of the payments received, leaving five percent (5%) as contingent). Actual Capitation Payments received include all of the at-risk Capitation Payment paid to the MCO. Any loss of the at-risk amount that may be realized in a subsequent FSR Reporting Period, via reduction to a monthly payment, will not be reported in the FSR as a reduced amount of capitation revenue, but will instead be reported below the income line, as an informational item, as described in the *Uniform Managed Care Manual*, Chapter 5.3.1, "Financial Statistical Report and Instructions." Any performance assessment based on performance for a FSR Reporting Period will appear on the final (334-day) FSR for that FSR Reporting Period.

HHSC will evaluate the performance-based Capitation Rate methodology annually in consultation with MCOs. HHSC may then modify the methodology as it deems necessary and appropriate, in order to motivate, recognize, and reward MCOs for superior performance. The methodologies for all FSR Reporting Periods will be included in the *Uniform Managed Care Manual* Chapter 6.2, "Financial Incentive Methodology."

### 6.3.2.3 Performance Based Incentive Program

HHSC, at its discretion, may implement one or both of the following financial incentive programs in conjunction with provisions listed in 6.3.2.2.

#### 6.3.2.3.1 Quality Challenge Award Program

Should one or more MCOs be unable to earn the full amount of the performance-based at-risk portion of the Capitation Rate, HHSC may reallocate the funds through the MCO Program's Quality Challenge Award. Under this program, HHSC may use these funds to reward MCOs that demonstrate superior clinical quality, service delivery, access to care, or Member satisfaction. HHSC will determine the number of MCOs that will receive Quality Challenge Award funds annually based on the amount of the funds to be reallocated. Separate Quality Challenge Award payments will be made for each of the MCO Programs.

As with the performance-based Capitation Rate, each MCO will be evaluated separately for each MCO Program. HHSC may evaluate MCO performance annually on some combination of performance indicators in order to determine which MCOs demonstrate superior performance. In no event will a distribution from the Quality Challenge Award, plus any other incentive payments made in accordance with the MCO Contract, when combined with the Capitation Rate payments, exceed 105% of the Capitation Rate payments to an MCO. Measures utilized for the Quality Challenge Program may be the same as those used in the Performance-Based Capitation Rate Program, or may be different than those selected for the Performance-Based Capitation Rate Program.

Information about the data collection period to be used and each indicator that will be considered for any specific time period can be found in the *Uniform Managed Care Manual* Chapter 6.2.6, "Quality Challenge Award Performance Indicators."

Failure to provide timely and accurate information may result in HHSC's assignment of a 0% performance rate for each applicable Quality Challenge Award indicator.
HHSC may evaluate the Quality Challenge Award methodology annually in consultation with MCOs. HHSC may make methodology modifications annually as it deems necessary and appropriate to motivate, recognize, and reward MCOs for superior performance based on available Quality Challenge Award funds and/or other performance incentives applicable to the award. HHSC may include the Quality Challenge Award methodology and risk adjustment factors, or any other modifications in Uniform Managed Care Manual Chapter 6.2.6, "Quality Challenge Award Performance Indicators."

**6.3.2.3.2 State-MCO Shared Savings Program**

HHSC may implement a process to enable MCOs to share in a percentage of year-over-year savings achieved by the MCO related to targeted performance measures. Opportunities for shared savings will be contingent on whether performance measures were met as described in Section 6.3.2.2. Shared savings amounts will be subject to the percentage identified by HHSC (e.g., 50%/50%, 25%/75%) and will only pertain to state general revenue funds.

Programs identified in 6.3.2.3.1 and 6.3.2.3.2 could be operated concurrently, at HHSC's discretion.

**6.3.2.4 Remedies and Liquidated Damages**

All areas of responsibility and all requirements in the Contract will be subject to performance evaluation by HHSC. Any and all responsibilities or requirements not fulfilled will be subject to contractual remedies, including without limitation liquidated damages. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix” for performance standards that carry liquidated damage values.

**6.3.2.5 Frew Incentives and Disincentives**

As required by the "Frew vs. Janek Corrective Action Order: Managed Care,” this Contract includes a system of incentives and disincentives associated with the Medicaid Managed Care Texas Health Steps Medical Checkups Reports and Children of Migrant Farm Workers Reports. These incentives and disincentives apply to Medicaid MCOs.

The incentives and disincentives and corresponding methodology are set forth in the Uniform Managed Care Manual, Chapter 12 "Frew."

**6.3.2.6 Nursing Facility Utilization Disincentive**

HHSC has developed the nursing facility utilization disincentive to prevent inappropriate admission to nursing facilities. The rate of nursing facility admissions for Medicaid-only STAR+PLUS Members will be part of the Performance Indicator Dashboard (see Section 6.3.2.2).

**6.3.2.7 Additional Incentives and Disincentives**

HHSC will evaluate all performance-based incentives and disincentive methodologies annually and in consultation with the MCOs. HHSC may then modify the methodologies as needed, as funds become available, or as mandated by court decree, statute, or rule, in an effort to motivate, recognize, and reward MCOs for performance.

Information about the data collection period to be used, performance indicators selected or developed, or MCO ranking methodologies used for any specific time period will be found in the Uniform Managed Care Manual.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 7
7. Transition Phase Requirements

7.1 Introduction

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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
This Section presents the scope of work for the Transition Phase of the Contract, which includes those activities that must take place between the time of Contract award and the Operational Start Date.

The Transition Phase will include all activities that must be completed successfully prior to a MCO’s Operational Start Date for each applicable MCO Program and Service Area, including all Readiness Review activities. HHSC will conduct Readiness Reviews to determine whether the MCO has implemented all systems and processes necessary to begin serving Members. MCOs must satisfy all Readiness Review requirements no later than 60 days prior to the Operational Start Date for each applicable MCO Program and Service Area, with the exception of HHSC’s review of the Service Coordination function. HHSC may, at its discretion, terminate the contract, postpone the MCO’s Operational Start Date(s) and assess contractual remedies if an MCO fails to timely satisfy all Readiness Review requirements. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions” and the Attachment B-3, “Deliverables/Liquated Damages Matrix” for additional information.

The MCO is required to promptly provide a Corrective Action Plan and/or Risk Mitigation Plan as requested by HHSC in response to Transition Phase deficiencies identified by the MCO, HHSC, or its agent. The MCO must promptly alert HHSC of deficiencies, and must correct a deficiency or provide a Corrective Action Plan and/or Risk Mitigation Plan no later than ten (10) calendar days after HHSC’s notification of deficiencies. If the MCO documents to HHSC’s satisfaction that the deficiency has been corrected within ten (10) calendar days of such deficiency notification by HHSC, no Corrective Action Plan is required.

7.2 Transition Phase Schedule and Tasks

The MCO has overall responsibility for the timely and successful completion of each of the Transition Phase tasks. The MCO is responsible for clearly specifying and requesting information needed from HHSC, other HHSC contractors, and Providers in a manner that does not delay the schedule or work to be performed.

7.2.1 Contract Start-Up and Planning

HHSC and the MCO will work together during the initial Contract start-up phase to:

- define project management and reporting standards;
- establish communication protocols between HHSC and the MCO;
- establish contacts with other HHSC contractors;
- establish a schedule for key activities and milestones; and
- clarify expectations for the content and format of Contract Deliverables.

The MCO will be responsible for developing a written work plan, referred to as the “Transition/Implementation Plan,” which will be used to monitor progress throughout the Transition Phase. The MCO must update the Transition/Implementation Plan provided with its proposal no later than 30 days after the Contract’s Effective Date, then provide monthly implementation progress reports through the sixth month of MCO Program operations. HHSC may require more frequent reporting as it determines necessary.

7.2.2 Administration and Key MCO Personnel

No later than the Effective Date of the Contract, the MCO must designate and identify Key MCO Personnel that meet the requirements in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 4, “Contract Administration and Management.” The MCO will supply HHSC with resumes of each Key MCO Personnel as well as any organizational information that has changed relative to the MCO’s Proposal, such as updated job descriptions and updated organizational charts (including updated Management Information System (MIS) job descriptions and an updated MIS staff organizational
chart), if applicable. If the MCO is using a Material Subcontractors, the MCO must also provide the organizational chart for these Material Subcontractors.

### 7.2.3 Organizational Readiness Review

In order to complete an organizational review and assess the most current corporate environment, the MCO must submit an Organization Update Report no later than 60 days prior to the Operational Start Date that updates the organizational information submitted in its proposal (see Section 4.2, “Business Proposal”). For each of the numbered items below, the report must describe whether the information provided in MCO’s proposal has changed. If so, the report must include relevant portions of the proposal with changes highlighted.

1. Respondent identification and information, Section 4.2.2.
2. Corporate background and experience:
   a. Item #1, concerning publicly-funded managed care contracts, under Section 4.2.3;
   b. Item # 2, concerning regulatory actions, sanctions, and/or fines, under Section 4.2.3;
   c. Section 4.2.3.1, concerning organizational charts; and
   d. Section 4.2.3.2, concerning resumes; and
3. Material Subcontractor information, Section 4.2.4.

### 7.2.4 Financial Readiness Review

To complete a financial review, the MCO must submit a Financial Update Report no later than 60 days prior to the Operational Start Date. At a minimum, the report must include the following:

1. Material change in financial condition.

   For both the MCO and its ultimate parent, the report must identify whether either entity has experienced any material financial deterioration following proposal submission. The report must identify and briefly describe any changes to the financial statements, including changes to net worth; cash flow; loss of contracts; credit, audit, regulatory, and/or legal issues; major contingencies, etc. The report must also describe any known potential issues, and any issues with respect to change of ownership or control.

2. Updated financial statements.

   The report must include the most recently updated financial statements, which should be more current than those provided in the proposal. The updated financial statements should include the most recent quarterly (or monthly) internal financial statements, the most-recently completed annual statements, and the most-recent audited statements. The statements should generally include the notes, management discussion, and where appropriate, the audit letter. Internal most-recent-month statements are not expected to include these items.

   The report must include any of the following new or updated reports (as referenced under Sections 4.2.3.3 and 4.2.3.4) that have become available since proposal submission: TDI financial examination report (or similar report from another state); Form B Registration statement filing; IRS Form 990; and bond or debt rating analysis. It is not necessary to submit updated SEC 10-K or 10-Q filings with the report.

   In addition to the Financial Update Report, the MCO must submit documentation demonstrating it has secured all required bonds in accordance with TDI requirements, Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Terms and Conditions,” Article 17. Such documentation is due no later than ten (10) business days after the Contract Effective Date.

#### 7.2.4.1 Employee Bonus and/or Incentive Payment Plan
If the MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan during the Operations Phase, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must conform with the Uniform Managed Care Manual, Chapter 6.1, “Cost Principles for Expenses.”

### 7.2.5 System Testing and Transfer of Data

The MCO must have hardware, software, network and communications systems with the capability and capacity to handle and operate all MIS systems and subsystems identified in Section 8.1.18, “Management Information System Requirements.” For example, the MCO’s MIS system must comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as indicated in Section 8.1.18.4, “HIPAA Compliance.”

During this Readiness Review task, the MCO will accept into its system any and all necessary data files and information available from HHSC or its contractors. The MCO will install and test all hardware, software, and telecommunications required to support the Contract. The MCO will define and test modifications to the MCO’s systems required to support the business functions of the Contract.

The MCO will produce data extracts and receive all electronic data transfers and transmissions.

If any errors or deficiencies are evident, the MCO will develop resolution procedures to address problems identified. The MCO will provide HHSC, or a designated vendor, with test data files for systems and interface testing for all external interfaces. This includes testing of the required telephone lines for Providers and Members and any necessary connections to the HHSC Administrative Services Contractor. The HHSC Administrative Services Contractor will provide enrollment test files to new MCOs that do not have previous HHSC enrollment files. The MCO will demonstrate its system capabilities and adherence to Contract specifications during Readiness Review.

### 7.2.6 System Readiness Review

The MCO must assure that systems services are not disrupted or interrupted during the Operations Phase of the Contract. The MCO must coordinate with HHSC and other contractors to ensure the business and systems continuity for the processing of all health care claims and data as required under this contract.

The MCO must submit descriptions of interface and data and process flow for each key business processes described in Section 8.1.18.3, “System-wide Functions.”

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day systems activities. No later than 90 days prior to the Operational Start Date, new MCOs must develop and incumbent MCOs must update the following plans:

1. Disaster Recovery Plan;*
2. Business Continuity Plan*;
3. Security Plan;
4. Joint Interface Plan;
5. Risk Management Plan; and

*The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

7.2.7 Demonstration and Assessment of System Readiness

The MCO must provide documentation on systems and facility security and provide evidence or demonstrate that it is compliant with HIPAA. The MCO must also provide HHSC with a summary of all recent external audit reports, including findings and corrective actions, relating to the MCO’s proposed systems, including any SAS70 audits that have been conducted in the past three (3) years. The MCO must promptly make additional information on the detail of such system audits available to HHSC upon request.

In addition, HHSC will provide to the MCO a test plan that will outline the activities that need to be performed by the MCO prior to the Operational Start Date(s). The MCO must be prepared to assure and demonstrate system readiness. The MCO must execute system readiness test cycles to include all external data interfaces, including those with the MCO’s Pharmacy Benefits Manager (PBM) and other Material Subcontractors.

HHSC, or its agents, may independently test whether the MCO’s MIS has the capacity to administer the STAR, STAR+PLUS, and/or CHIP business. This Readiness Review may include a desk review and/or an onsite review. HHSC may request additional documentation to support the provision of STAR, STAR+PLUS, and/or CHIP MCO Services. Based in part on the MCO’s assurances of systems readiness, information contained in the Proposal, additional documentation submitted by the MCO, and any review conducted by HHSC or its agents, HHSC will assess the MCO’s understanding of its responsibilities and the MCO’s capability to assume the MIS functions required under the Contract.

7.2.8 Operations Readiness

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day business activities related to the provision of STAR, STAR+PLUS, and/or CHIP MCO Services, including coordination with Subcontractors and HHSC’s contractors. The MCO will be responsible for developing and documenting its approach to quality assurance.

7.2.8.1 Readiness Review

Readiness Review includes all activities that the MCO must complete prior to the Operational Start Date. At a minimum, the MCO must, for each MCO Program:

1. Develop new, or revise existing, operations procedures and associated documentation to support the MCO’s proposed approach to conducting operations activities in compliance with the contracted Scope of Work.
2. Submit a comprehensive plan for Network adequacy that includes a list of all contracted and credentialed Providers, in an HHSC-approved format. At a minimum, the list must include the acute care and long-term care Provider types identified in Texas Government Code § 533.005(20)(A). The plan must include a description of additional contracting and credentialing activities scheduled to be completed before the Operational Start Date. The MCO must submit a listing of all contracted and credentialed providers to be included in the first Provider Directory 90 days prior to the first enrollment kit mail out, or as otherwise directed by HHSC.
3. Inform all Network Providers about the information required to submit a claim: (1) at least 30 days prior to the Operational Start Date, and (2) as a provision within the Network Provider agreement.
4. Prepare and implement a Member Services staff training curriculum and a Provider training curriculum.
5. Prepare a Coordination Plan documenting how the MCO will coordinate its business activities with those activities performed by HHSC’s contractors, the MCO’s PBM and other Material Subcontractors, if any. The Coordination Plan will include identification of coordinated activities and protocols for the Transition Phase.
6. Develop and submit the following draft materials: Member Handbook, Provider Manual, Provider Directory, and Member Identification Card for HHSC’s. The materials must at a minimum meet the requirements specified in Section.
8.1.5, "Member Services" and include the Critical Elements defined in Uniform Managed Care Manual Chapter 3, "Critical Elements."

7. Develop and submit the MCO's proposed Member Complaint and Appeals processes for STAR, STAR+PLUS, and CHIP, as applicable to the MCO.

8. Provide sufficient copies of the final Provider Directory to the HHSC Administrative Services Contractor in sufficient time to meet the enrollment schedule.

9. Demonstrate toll-free telephone systems and reporting capabilities for the Member Services Hotline, the Behavioral Health Hotline, and the Provider Services Hotline.

10. Submit a written plan for providing pharmacy services, including proposed policies and procedures for:

   - routinely updating formulary data following receipt of HHSC's daily files (no less frequently than weekly, and off-cycle upon HHSC's request);
   - prior authorization of drugs, including how HHSC's preferred drug lists (PDLs) will be incorporated into prior authorization systems and processes. The MCO must adopt HHSC's prior authorization policies unless HHSC grants a written exception, and HHSC's approval is required for all Clinical Edit policies;
   - implementing drug utilization review;
   - overriding standard drug utilization review criteria and clinical edits when Medically Necessary based on the individual Member's circumstances (e.g., overriding quantity limitations, drug-drug interactions, refill too soon, etc.);
   - call center operations, including how the MCO will ensure that staff for all appropriate hotlines are trained to respond to prior authorization inquiries and other inquiries regarding pharmacy services, and
   - monitoring the PBM Subcontractor.

   The plan must also include a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information.

   Additionally, the MCO must include a written attestation by the PBM Subcontractor in the plan stating, in the three (3) years preceding the Contract's Effective Date, the PBM Subcontractor has not been: (1) convicted of an offense involving a material misrepresentation or any act of fraud or of another violation of state or federal criminal law; (2) adjudicated to have committed a breach of contract, or (3) assessed a penalty or fine of $500,000 or more in a state or federal administrative proceeding. If the PBM Subcontractor cannot affirmatively attest to any of these items, then it must provide a comprehensive description of the matter and all related corrective actions.

11. Between the date of Contract award and the Operational Start date, the MCO must identify a list of Pharmacy Providers with whom the MCO's PBM has successfully contracted and credentialed for inclusion in the first Provider Directory. These providers should be listed by name and address with an indicator for pharmacies that are open 24-hours.

12. No later than 30 days after the Contract Effective Date, new MCOs must develop and incumbent MCOs must update their written Fraud and Abuse Compliance Plans. See Section 8.1.19, Fraud and Abuse for the requirements of the plan, including new requirements for special investigation units. As part of the Fraud and Abuse Compliance Plan, the MCO must:

   - Designate executive and essential personnel to attend mandatory training in fraud and abuse detection, prevention and reporting. Executive and essential fraud and abuse personnel means MCO staff persons who: (1) are directly involved in the decision-making and administration of the fraud and abuse detection program within the MCO, and (2) who supervise staff in the following areas: data collection, Provider enrollment or disenrollment, Encounter Data, claims processing, Utilization Review, Appeals or Grievances, quality assurance and marketing. The training will be conducted by the Office of Inspector General, Health and Human Services Commission, and will be provided free of charge. The MCO must schedule and complete training no later than 90 days after the Contract's Effective Date.
• Designate an officer or director within the organization responsible for carrying out the provisions of the Fraud and Abuse Compliance Plan.
• For STAR+PLUS MCOs, complete hiring and training of Service Coordination staff no later than 45 days prior to the Operational Start Date.

If this function is subcontracted to another entity, the Subcontractor also meets all the requirements in this section and the Fraud and Abuse section as stated in Section 8, "Operations Phase Requirements."

13. The MCO must submit a copy of each Material Subcontract in accordance with the timeframes identified in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08, "Subcontractors."

14. No later than ten (10) days after the Contract Effective Date, the MCO must submit documentation demonstrating that it has secured all required insurance, in accordance with TDI requirements and Section 8, "Operations Phase Requirements," and Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 17.

HHSC may require the MCO to resubmit one or more of the above items if the MCO begins providing a new service or benefit, expands into a new Program or Service Area, or implements a major systems change after the Contract's Effective Date.

During the Readiness Review, HHSC may request additional information, including more detailed or updated information regarding the MCO's operating procedures and documentation. HHSC will assess the MCO's understanding of its responsibilities and the MCO's capability to assume the functions required under the Contract, based in part on the MCO's assurances of operational readiness, information contained in the Proposal, and in Transition Phase documentation submitted by the MCO.

7.2.8.2 Value-Added Services

The MCO must use HHSC's template for submitting proposed Value-added Services. (See Uniform Managed Care Manual Chapter 4.4) Once approved by HHSC, this document is incorporated by reference into the Contract.

During the Transition Phase, HHSC will offer a one-time opportunity for the MCO to propose two (2) additional Value-added Services to its list of current, approved Value-added Services HHSC will establish the requirements and the timeframes for submitting the two (2) additional proposed Value-added Services.

During this HHSC-designated opportunity, the MCO may propose either to add new Value-added Services or to enhance its approved Value-added Services. The MCO may propose two (2) additional Value-added Services per MCO Program, which will be effective on the Operational Start Date. The services do not have to be the same for each Program. The Contract will be amended to include any additional Value-added Services approved by HHSC.

The MCO does not have to add Value-added Services during the HHSC-designated opportunity, but this will be the only time during the Transition Phase for the MCO to add Value-added Services. At no time during the Transition Phase will the MCO be allowed to delete, limit or restrict any of its approved Value-added Services.

7.2.9 Assurance of System and Operational Readiness

In addition to successfully providing the Deliverables described in the preceding sections, the MCO must assure HHSC that all processes, MIS systems, and staffed functions are ready and able to successfully assume responsibilities for operations prior to the Operational Start Date. In particular, the MCO must assure that Key MCO Personnel, Member Services staff, Provider Services staff, and MIS staff are hired and trained, MIS systems and interfaces are in place and functioning properly, communications procedures are in place, Provider Manuals have been distributed, and that Provider training sessions have occurred according to an HHSC-approved schedule.

7.2.10 TDI and Centers for Medicare and Medicaid Services (CMS) Licensure, Certification or Approval
The MCO must receive TDI licensure, certification or approval (as applicable) for all zip codes in the awarded Service Areas no later than 60 days after HHSC executes the Contract. In addition, HHSC encourages STAR+PLUS MCO to contract with the CMS to provide a Medicare Advantage Special Needs Plan for Dual Eligibles in the most populous counties in the STAR+PLUS Service Area(s) no later than January 1, 2013.

7.2.11 Post-Transition

The MCO will work with HHSC, Providers, and Members to promptly identify and resolve problems identified after the Operational Start Date and to communicate to HHSC, Providers, and Members, as applicable, the steps the MCO is taking to resolve the problems.
<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Section 8, “Operations Phase Requirements.”</td>
</tr>
</tbody>
</table>
| Revision | 2.1 | March 1, 2012 | Section 8.1.1 is modified to change the timeframes for PIPs from SFY to calendar year and to revise the due dates.  
Section 8.1.3 is modified to clarify PCP requirement’s application (does not apply to CHIP Perinates (unborn children) and add a requirement regarding timely access to Network Providers, as required by 42 CFR §438.206(c)(1)(ii).  
Section 8.1.3.2 is modified to add pharmacy access requirements effective 9/1/12. These standards are derived from Medicare Part D access standards, and the standards currently being met in the fee-for-service program.  
Section 8.1.4 is modified to require MCOs to enter into network provider agreements with any willing State Hospital and to clarify requirements for contracting with specialty pharmacies.  
Section 8.1.5.5 is modified to require the MCOs to include a link to financial literacy information on the OCCC web page as required by HB 2615.  
Section 8.1.8 is modified to add prior authorizations by pharmacists.  
Section 8.1.17 is modified to remove the requirement to submit an accounting policy manual.  
Section 8.1.17.1 “Financial Disclosure Report” is renamed “MCO Disclosure Statement” and the submission date is updated.  
Section 8.1.18.1 is modified to require MCOs to submit pharmacy encounter data no later than 25 calendar days after the date of adjudication.  
Section 8.1.18.4 is modified to clarify claims transaction formats for pharmacy claims.  
Section 8.1.18.5 is modified to require MCOs to maintain a mechanism to receive claims in addition to the HHSC claims portal.  
Section 8.1.19 is modified to require MCOs to designate a primary and secondary contact for all OIG requests and to outline the process and timeframes for responding to the OIG, to change the 60 day timeline for submitting the annual plan to 90 days, and to require MCOs to ensure their subcontractors receiving or making annual Medicaid payments of at least $5 million comply with 1902(a)(68)(A) of the Social Security Act.  
Section 8.1.20.2 is modified to add DUR reporting requirements.  
Section 8.1.21 is revised to delete MCO developed PDLs and to clarify the reimbursement process.  
Section 8.1.21.1 is revised to clarify legal references and Clinical Edit requirements, and to add requirements regarding 340B drugs.  
Section 8.1.21.4 is modified to add requirements for the rebate dispute resolution process.  
Section 8.1.21.5 is modified to clarify that HHSC will provide up to 1 year of medication history to the MCOs for new Members with previous Medicaid eligibility.  
Section 8.1.21.9 is modified to clarify requirements for contracting with specialty pharmacies. |
<table>
<thead>
<tr>
<th>Section</th>
<th>Revision</th>
<th>Date</th>
<th>Change Description</th>
</tr>
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<tbody>
<tr>
<td>8.1.21.10</td>
<td></td>
<td></td>
<td>Deleted in its entirety.</td>
</tr>
<tr>
<td>8.1.23.1</td>
<td></td>
<td></td>
<td>Modified that copayment amounts are capped at the MCO’s cost and that CHIP copayments do not apply to preventive services or pregnancy-related services.</td>
</tr>
<tr>
<td>8.1.24</td>
<td></td>
<td></td>
<td>Modified to clarify that MCOs must notify Medicaid and CHIP Providers of availability of vaccines through Texas Vaccines for Children Program and work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry.</td>
</tr>
<tr>
<td>8.2.2.3.4</td>
<td></td>
<td></td>
<td>Modified to require MCOs to use standard Texas Health Steps language in their Member Materials as provided in the UMCM.</td>
</tr>
<tr>
<td>8.2.2.8</td>
<td></td>
<td></td>
<td>Amended to clarify the requirements regarding non-capitated dental services and to add “Texas Health Steps environmental lead investigation (ELI)”. Remainder of list is renumbered.</td>
</tr>
<tr>
<td>8.2.4.2</td>
<td></td>
<td></td>
<td>Modified to add a reference to Gov’t Code §533.005(a)(19).</td>
</tr>
<tr>
<td>8.2.8</td>
<td></td>
<td></td>
<td>Modified to add the phrase “unless an exception applies under federal law” to the first sentence.</td>
</tr>
<tr>
<td>8.2.13</td>
<td></td>
<td></td>
<td>Modified to specify that MCOs may be required to provide other wrap-around services at a date to be determined by HHSC.</td>
</tr>
<tr>
<td>8.3.2</td>
<td></td>
<td></td>
<td>Modified to require the MCO to consider the availability of the PACE program when considering whether to refer a member to a nursing facility or other long-term care facility.</td>
</tr>
<tr>
<td>8.3.7.1</td>
<td></td>
<td></td>
<td>Modified to clarify the MA Dual SNP requirements.</td>
</tr>
<tr>
<td>8.4.3</td>
<td></td>
<td></td>
<td>Modified to correct a cross-reference.</td>
</tr>
<tr>
<td></td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Section 8.1.21 is modified to add pharmaceutical delivery requirements.</td>
</tr>
</tbody>
</table>
Section 8.1.1.1 is modified to conform to the timelines in the UMCM.

Section 8.1.3 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.1.3.2 is modified to clarify language regarding additional benchmark performance standards.

Section 8.1.4 is modified to correct reference to TMPPM.

Section 8.1.4.6 is modified to require HHSC review of all provider materials relating to Medicaid managed care or CHIP.

Section 8.1.4.8 is modified to clarify the applicable federal regulations.

Section 8.1.5.1 is modified to prohibit the MCOs from including any language in their member materials which limits the members’ ability to contest or appeal denial of a benefit.

Section 8.1.5.2 is modified to clarify that PCP name is not required for Dual Eligible STAR+PLUS Members or CHIP Perinates.

Section 8.1.5.7 is modified to remove the acronym “CPW”.

Section 8.1.9 is modified to clarify the requirements regarding IFSPs.

Section 8.1.12.2 is modified to remove the acronym “CPW”.

Section 8.1.14 is renamed and modified to remove all references to Health Home Services.

Section 8.1.14.1 is renamed and modified to remove all references to Health Home Services.

Section 8.1.14.2 is renamed and modified to remove all references to Health Home Services.

Section 8.1.19 is modified to update the time frames for responding to the OIG and to add language regarding Credible Allegation of Fraud notices.

Section 8.1.20.2 items (j) and (l) are modified to correct UMCM references. Items (n) and (o) are modified to include pharmacy providers. Item (s) “Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports” is added.

Section 8.1.20.2 is modified to add STAR+PLUS LTSS Utilization reporting requirements.

Section 8.1.24 is modified to change the Texas Health Steps Periodicity Schedule to ACIP Immunization Schedule. Section 8.1.25 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.1.26 Health Home Services is added.

Section 8.1.26.1 Health Home Services and Participating Providers is added.

Section 8.1.26.2 MCO Health Home Services Evaluation is added.

Section 8.2.2.3.2 is modified to correct the acronym for Oral Evaluation and Fluoride Varnish.
Section 8.2.2.3.3 is modified to clarify statutory authority.

Section 8.2.2.3.5 is modified to add training requirements for pharmacy and DME.

Section 8.2.2.8 is modified to remove the acronym “CPW”.

Section 8.2.2.11 is modified to replace the acronym CPW with “Case Management for Children and Pregnant Women” and the acronym THSteps with “Texas Health Steps”.

Section 8.2.7.1 is modified to correct URL for UM guidelines.

Section 8.2.8 is modified to clarify the pay and chase requirements for prenatal and preventative care, and recoveries in the context of state child support enforcement actions (SSA §1902(a)(25)(E) and (F); and to correct contract cross reference.

Section 8.2.10 is modified to remove the acronym “CPW” and to replace it with Case Management for Children and Pregnant Women.

Section 8.3.1.1 is modified to clarify eligibility for DAHS.

Section 8.3.1.2 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver” and to add DAHS to the list of Community Based LTSS under the HCBS STAR+PLUS Waiver.

Section 8.3.2.6 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.3.2.8 is modified to update the MAO reference.

Section 8.3.3 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.3.4 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver” and to increase the cost of care threshold from 200% to 202%.

Section 8.3.4.1 is modified to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.

Section 8.3.4.2 is modified to change the section name from “For Medical Assistance Only (MAO) Non-Member Applicants” to “For 217-Like Group Applicants' and to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.

Section 8.3.4.3 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.3.5 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.3.6.4 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver.

Section 8.4.3 is modified for consistency with the Medicaid pay and chase requirements.
<table>
<thead>
<tr>
<th>Revision</th>
<th>Date</th>
<th>Changes</th>
</tr>
</thead>
</table>
| 2.4      | March 1, 2013 | All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.  
Section 8.1.2.1 is modified to add language regarding reducing or deleting Value-added Services.  
Section 8.1.3.2 is modified to clarify network provider access and compliance rating.  
Section 8.1.4.11 Provider Advisory Groups is added.  
Section 8.1.5.10 Member Advisory Groups is added.  
Section 8.1.18.5 is modified to add new language modeled off of insurance code requirements.  
Section 8.2.3 is modified to add new language regarding terminating Significant Traditional Providers.  
Section 8.2.13 is modified to address supplemental payments to MCOs for wrap-around services for outpatient drugs and biological products for STAR+PLUS Members.  
Section 8.2.13.1 Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products is added.  
Section 8.3.1.1 is modified to delete Personal Attendant Services and delete language after (DAHS) is the service column.  
Section 8.3.1.2 is modified to delete DAHS service description and Licensure and Certification Requirements and modify Personal Assistance Services.  
8.3.6.6 Electronic Visit Verification is added. |
| 2.5      | June 1, 2013 | Contract amendment did not revise Attachment B-1,                        |
| 2.6      | September 1, 2013 | Section 8.1.1.1 is modified to remove references to overarching goals and to clarify that HHSC will provide the PIP topics.  
Section 8.1.2.1 is modified to clarify that MCOs may not charge copayments for Value-added Services, but may offer discounts for non-covered services as Value-added Services as required by SB 632.  
Section 8.1.3.1 is modified to clarify timeframes for PCP referrals.  
Section 8.1.3.2 is modified to add a requirement for 2 PCPs within 30 miles for Medicaid child Members to comply with the Frew Corrective Action order.  
Section 8.1.4 is modified to add new pharmacy requirements as required by SB 1106 and HB 1358.  
Section 8.1.4.2 is modified for clarification and to comply with requirements of SB 406, 83R.  
Section 8.1.4.4 is modified to add timeframes for completing the credentialing process and to comply with requirements of SB 365, 83R. |
| Section 8.1.4.8 is modified to clarify the MCO's obligations for payment and Network Provider agreements and to comply with requirements of SB 7, 83R. | Section 8.1.4.8.1 is modified to correct “Provider Preventable Conditions” to “Potentially Preventable Complications”. |
| Section 8.1.4.8.2 is modified to clarify provider incentives. | Section 8.1.4.10 is modified for clarification and to comply with requirements of SB 1401, 83R. |
| Section 8.1.4.12 Provider Protection Plan is added as required by SB 1150, 83R. | Section 8.1.5.5 is modified to allow MCOs to offer provider search functionality on their websites instead of PDF versions of the Provider Directory. In addition, duplicative language is removed. |
| Section 8.1.5.6 is modified to require the MCO's Member Services representatives to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program. | Section 8.1.5.6.1 is modified to require the MCO's nurseline staff to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program. |
| Section 8.1.5.7 is modified to allow MCOs to use certified community health workers/promotoras to conduct outreach and member education activities. | Section 8.1.5.9 is modified to correct cross references. |
| Section 8.1.8 is modified to update the URL for UM guidelines. | Section 8.1.8.1 “Compliance with State and Federal Prior Authorization Requirements” is added as required by SB8, SB 644, and SB1216, 83R. |
| Section 8.1.9 is modified to update the T.A.C. references and to align the age reference with the definition. | Section 8.1.9 is modified to update the T.A.C. references and to align the age reference with the definition. |
| Section 8.1.14 is modified to add a new Subsection 8.1.14.1 Special Populations. Subsequent subsections are renumbered. | Section 8.1.14.3 is modified to add requirements for special populations. |
| Section 8.1.15 is modified to clarify which DSM edition is referenced. | Section 8.1.15.7 is modified to delete the duplicative definition. The term “Court-Ordered Commitment” is defined in Attachment A. |
| Section 8.1.18.1 is modified to require MCO Provider Agreements to comply with Texas Gov't. Code regarding reimbursement of claims based on orders or referrals by supervising providers. | Section 8.1.18.5 is modified for clarification, for consistency with Section 1213.005 of the Insurance Code, and to comply with requirements of House Bill 15, 83R. |
Section 8.1.19 is modified to include the HHSC-OIG Lock-in Program.
Section 8.1.20 is modified for clarification that records must be provided “at no cost.”
Section 8.1.20.1 is modified to correct the name to which the acronym HEDIS refers.
Section 8.1.20.2 is modified to add Service Coordination reporting requirements.
Section 8.1.21 Pharmacy Services is modified to reorganize the section and to add requirements as required by SB 644, HB 1358, 83R.
Section 8.1.21.1 Formulary and Preferred Drug List (PDL) is added.
Section 8.1.21.2 Prior Authorization for Prescription Drugs is modified to add “and 72-hour Emergency Supplies” to the title and to add requirements as required by SB 644, HB 1358, 83R
Section 8.1.21.3 Coverage Exclusions is modified for clarity.
Section 8.1.21.5 Pharmacy Rebate Program is modified to require MCOs to include NDCs on all encounters.
Section 8.1.21.6 Drug Utilization Review (DUR) Program is modified to add requirements as required by SB 644, HB 1358, 83R
Section 8.1.21.7 Pharmacy Benefit manager (PBM) is modified to add requirements as required by SB 644, HB 1358, 83R
Section 8.1.21.8 Financial Disclosures for Pharmacy Services is modified for clarity.
Section 8.1.21.9 Limitations Regarding Registered Sex Offenders is modified for clarity
Section 8.1.21.10 Specialty Drugs is modified to add requirements as required by SB 644, HB 1358, 83R
Section 8.1.21.11 Maximum Allowable Cost (MAC) Requirements is added.
Section 8.1.21.12 Mail-order and Delivery is added.
Section 8.1.21.13 Health Resources and Services Administration 340B Discount Drug Program is added.
Section 8.1.21.14 Pharmacy Claims and File Processing is added.
Section 8.1.21.15 Pharmacy Audits is added.
Section 8.1.21.16 E-prescribing is added.
Section 8.1.22 is modified to add more detail regarding FQHC/RHC payments.
Section 8.1.27 Cancellation of Product Orders is added.
Section 8.2.2.4 is modified to include education and care coordination for Members who are at high risk for pre-term labor.
<table>
<thead>
<tr>
<th>Section</th>
<th>Changes</th>
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<tbody>
<tr>
<td>8.2.2.8</td>
<td>Modified to add ECI Specialized Skills Training, to clarify the requirements for DADS hospice services, and to add court-ordered commitments to inpatient mental health facilities as a condition of probation.</td>
</tr>
<tr>
<td>8.2.4.2</td>
<td>Modified for clarification and to comply with requirements of SB 7, 83R.</td>
</tr>
<tr>
<td>8.2.13</td>
<td>Modified to clarify the language.</td>
</tr>
<tr>
<td>8.2.13.1</td>
<td>Modified to clarify the language.</td>
</tr>
<tr>
<td>8.3.2</td>
<td>Modified to add new subsections 8.3.2.1 “Service Coordination Plan Requirements,” and 8.3.2.2 “Service Coordination Structure.” Subsequent subsections are renumbered.</td>
</tr>
<tr>
<td>8.3.2.3</td>
<td>Modified to include minimum requirements for Service Coordinators.</td>
</tr>
<tr>
<td>8.3.4.3</td>
<td>Modified to require the MCO to inform the Member about CDS during the annual reassessment.</td>
</tr>
<tr>
<td>8.3.4.4</td>
<td>STAR+PLUS Utilization Reviews is added as required by SB 348, 83R.</td>
</tr>
<tr>
<td>8.3.7.2</td>
<td>Modified to remove the reference to Attachment B-6.</td>
</tr>
<tr>
<td>8.3.8</td>
<td>Minimum Wage Requirements for STAR+PLUS Attendants in Community Settings Reviews is added as required by Article II, Rider 61 of the General Appropriations Act (83R).</td>
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</tbody>
</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.

2 Revisions should be numbered in accordance with the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.

3 Brief description of the changes to the document made in the revision.

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8. OPERATIONS PHASE REQUIREMENTS

This Section describes Scope of Work requirements for the Operations Phase of the Contract.

Section 8.1 includes the general Scope of Work that applies to all MCO Programs (STAR, STAR+PLUS, and CHIP).

Section 8.2 includes the additional Medicaid Scope of Work that applies only to the STAR and STAR+PLUS MCOs.

Section 8.3 includes the additional Scope of Work that applies only to STAR+PLUS MCOs.

Section 8.4 includes the additional CHIP Scope of Work that applies only to CHIP MCOs.

The CHIP Perinatal Program is a CHIP subprogram. CHIP Program requirements apply to the CHIP Perinatal Program, unless the Contract otherwise indicates.

Additional information regarding the STAR, STAR+PLUS, and CHIP Program requirements, such as reporting timeframes and formats is included in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and the Uniform Managed Care Manual. HHSC reserves the right to modify these documents as it deems necessary using the procedures set forth in the Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

8.1 General Scope of Work

In each MCO Program and Service Area, HHSC will select MCOs to provide Health Care Services and prescription drug benefits to Members. The MCO must have approval from the Texas Department of Insurance (TDI) to operate as an HMO, ANHC, and/or an EPO in all zip codes in the respective Service Area(s).

Coverage for benefits will be available to enrolled Members effective on the Operational Start Date. The Operational Start Date is March 1, 2012, for all MCO Programs and Service Areas.

8.1.1 Administration and Contract Management

The MCO must comply, to the satisfaction of HHSC, with: (1) all provisions set forth in this Contract, and (2) all applicable provisions of state and federal laws, rules, regulations, and waiver agreements with the Centers for Medicare and Medicaid Services (CMS).

8.1.1.1 Performance Evaluation

On an annual basis, HHSC will provide the MCO with two Performance Improvement Project (PIP) topics per Program. The MCO must develop one per topic. If directed by HHSC, the MCO must conduct one PIP in collaboration with other MCOs in the Service Area. The PIP projects are due to HHSC no later than August 30 each year. PIPs will follow CMS protocol, as described below. The purpose of health care quality PIPs is to assess and improve processes, and thereby outcomes, of care. In order for such projects to achieve real improvements in care and for interested parties to have confidence in the reported improvements, PIPs must be designed, conducted, and reported in a methodologically sound manner.

MCOs must use the following ten (10) step CMS protocol when conducting PIPs:

1. select the study topic(s);
2. define the study question(s);
3. select the study indicator(s);
4. use a representative and generalizable study population;
5. use sound sampling techniques (if sampling is used);
6. collect reliable data;
7. implement intervention and improvement strategies;
8. analyze data and interpret study results;
9. plan for real improvement; and
10. achieve sustained improvement.

(See Uniform Managed Care Manual Chapter 10.2.4, Performance Improvement Project Submission Instructions and 10.2.5, Performance Improvement Project Template).

The MCO must participate in semi-annual Contract Status Meetings (CSMs) with HHSC for the primary purpose of reviewing progress toward the achievement of annual PIPs and Contract requirements. HHSC may request additional CSMs as it deems necessary to address areas of noncompliance. HHSC will provide the MCO with reasonable advance notice of additional CSMs, generally at least five (5) Business Days.

The MCO must provide to HHSC, no later than 14 Business Days prior to each semi-annual CSM, an electronic report detailing the MCO's progress toward and any barriers in meeting the annual PIPs.

HHSC will track MCO performance on PIPs. It will also track other key facets of MCO performance through the use of a Performance Indicator Dashboard for Quality Measures (see Uniform Managed Care Manual Chapter 10.1.7). HHSC will compile the Performance Indicator Dashboard based on MCO submissions, data from the External Quality Review Organization (EQRO), and other data available to HHSC. HHSC will share the Performance Indicator Dashboard with the MCO on an annual basis.

8.1.1.2 Additional Readiness Reviews and Monitoring Efforts

During the Operations Phase, HHSC may conduct desk and/or onsite reviews as part of its normal Contract monitoring efforts. Additionally, an MCO that chooses to make a change to any operational system or undergo any major transition may be subject to an additional Readiness Review(s). HHSC will determine whether the proposed changes will require a desk review and/or an onsite review. The MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent for onsite reviews conducted as part of Readiness Review or HHSC’s normal Contract monitoring efforts. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.18, “Management Information System Requirements,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.2 Covered Services

The MCO is responsible for authorizing, arranging, coordinating, and providing Covered Services in accordance with the requirements of the Contract. The MCO must provide Medically Necessary Covered Services to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. The MCO must not impose any pre-existing condition limitations or exclusions or require Evidence of Insurability to provide coverage to any Member.

The MCO must provide full coverage for Medically Necessary Covered Services to all Members and, for STAR+PLUS Members, Functionally Necessary Community Long-term Services and Supports, without regard to the Member’s:

1. previous coverage, if any, or the reason for termination of such coverage;
2. health status;
3. confinement in a health care facility; or
4. for any other reason.

The MCO must not practice discriminatory selection, or encourage segregation among the total group of eligible Members by excluding, seeking to exclude, or otherwise discriminating against any group or class of individuals.

Covered Services for all Medicaid MCO Members are listed in Attachments B-2, “STAR Covered Services,” and B-2.2, “STAR+PLUS Covered Services.” Medicaid MCOs are responsible for providing all services and benefits available to clients of the Medicaid Fee-for-Service Program to the MCO’s Medicaid Members, with the exception of Non-Capitated Services (Section 8.2.2.8). Medicaid MCOs must provide the services and benefits described in the most recent Texas Medicaid Provider Procedures Manual and any updates to the Manual provided through Texas Medicaid Bulletins. A description of CHIP Covered Services and exclusions is provided in Attachment B-2.1, “CHIP Covered Services.” Covered Services are subject to change due to changes in federal and state law; changes in Medicaid, CHIP or CHIP Perinatal Program policy; and changes in medical practice, clinical protocols, or technology.

8.1.2.1 Value-added Services

MCOs may propose additional services for coverage. These are referred to as "Value-added Services." Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improved health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

The MCO generally must offer Value-added Services to all MCO Program Members in a Service Area. For Medicaid Acute Care services, the MCO may distinguish between the Dual Eligible and non-Dual Eligible populations. The MCO is not required to offer the same Value-added Services to CHIP Perinatal Members as traditional CHIP Members and CHIP Perinate Newborn Members. Value-added Services do not need to be consistent across more than one (1) MCO Program or across more than one (1) Service Area. Value-added Services that are approved by HHSC during the contracting process will be included in the Contract's scope of services.

Any Value-added Services that a MCO elects to provide must be provided at no additional cost to HHSC. The costs of Value-added Services are not reportable as allowable medical or administrative expenses, and therefore are not factored into the rate setting process. In addition, the MCO must not pass on the cost of the Value-added Services to Members or Providers.

The MCO may offer discounts on non-covered benefits to Members as Value-added Services, provided that the MCO complies with Texas Insurance Code § 1451.155 and § 1451.2065. The MCO must ensure that Providers do not charge Members for any other cost-sharing for a Value-added Service (including copayments or deductibles).

The MCO must specify the conditions and parameters regarding the delivery of the Value-added Services in the MCO's Marketing Materials and Member Handbook, and must clearly describe any limitations or conditions specific to the Value-added Services.

During the Operations Phase, Value-added Services can be added or removed only by written amendment of the Contract. MCOs will be given the opportunity to add or enhance Value-added Services twice per State Fiscal Year, with changes to be effective September 1 and March 1. MCOs will also be given the opportunity to delete or reduce Value-added Services once per State Fiscal Year, with changes to be effective September 1. HHSC may allow additional modifications to Value-added Services if Covered Services are amended by HHSC during a State Fiscal Year. This approach allows HHSC to coordinate biannual revisions to HHSC's MCO Comparison Charts for Members. A MCO's request to add, enhance, delete, or reduce a Value-added Service must be submitted to HHSC by April 1 of each year to be effective September 1 for the following contract period. The MCOs cannot reduce or delete any Value-added Services until September 1 of the next SFY. A second request to add or enhance Value-added Services must be submitted to HHSC by October 1 each year to be effective March 1. (See Uniform Managed Care Manual Chapter 4.5 "Physical and Behavioral Health Value-Added Services Template.")

A MCO's request to add a Value-added Service must:

a. define and describe the proposed Value-added Service;

b. specify the Service Areas and MCO Programs for the proposed Value-added Service;
c. identify the category or group of Members eligible to receive the Value-added Service if it is a type of service that is not appropriate for all mandatory Members;

d. note any limits or restrictions that apply to the Value-added Service;

e. identify the Providers responsible for providing the Value-added Service;

f. Describe how the MCO will identify the Value-added Service in administrative data (Encounter Data);

g. propose how and when the MCO will notify Providers and Members about the availability of such Value-added Service;

h. describe how a Member may obtain or access the Value-added Service; and

i. include a statement that the MCO will provide such Value-added Service for at least 12 months from the September 1 effective date.

A MCO cannot include a Value-added Service in any material distributed to Members or prospective Members until the Parties have amended the Contract to include that Value-added Service. If a Value-added Service is deleted by amendment, the MCO must notify each Member that the service is no longer available through the MCO. The MCO must also revise all materials distributed to prospective Members to reflect the change in Value-added Services.

8.1.2.2 Case-by-Case Added Services

Except as provided below, the MCO may offer additional benefits that are outside the scope of services to individual Members on a case-by-case basis. Case-by-case services may be based on Medical Necessity, cost-effectiveness, the wishes of the Member/Member’s family, the potential for improved health status of the Member, and for STAR+PLUS Members based on Functional Necessity.

Section 8.1.2.2, “Case-by-Case Added Services,” does not apply to the CHIP Perinate Members (unborn children).

8.1.3 Access to Care

All Covered Services must be available to Members on a timely basis in accordance the Contract's requirements and medically appropriate guidelines, and consistent with generally accepted practice parameters. The MCO must comply with the access requirements as established by the Texas Department of Insurance (TDI) for all MCOs doing business in Texas, except as otherwise required by this Contract. Medicaid MCOs must be responsive to the possibility of increased Members due to the phase-out of the PCCM model in Service Areas where HHSC has determined that adequate MCO coverage exists.

The MCO must provide coverage for Emergency Services to Members 24 hours a day and seven (7) days a week, without regard to prior authorization or the Emergency Service provider's contractual relationship with the MCO. The MCO's policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws and regulations, whether the provider is Network or Out-of-Network. A MCO is not responsible for payment for unauthorized non-emergency services provided to a Member by Out-of-Network providers.

The MCO must also have a toll-free emergency and crisis Behavioral Health Services Hotline available 24 hours a day, seven (7) days a week. The Behavioral Health Services Hotline must meet the requirements described in Section 8.1.15.3. For Medicaid Members, a MCO must provide coverage for Emergency Services in compliance with 42 C.F.R. §438.114, and as described in more detail in Section 8.2.2.1. The MCO may arrange Emergency Services and crisis Behavioral Health Services through mobile crisis teams.

For CHIP Members, Emergency Covered Services, including emergency Behavioral Health Services, must be provided in accordance with the requirements of the Texas Insurance Code and TDI regulations.

MCO must require, and make best efforts to ensure, that PCPs are accessible to STAR, STAR+PLUS, CHIP, and CHIP Perinate Newborn Members 24 hours a day, seven (7) days a week and that its Network Primary Care Providers (PCPs) have after-hours telephone availability that is consistent with Section 8.1.4. The MCO must ensure that Network Providers offer office hours to Members that are at least equal to those offered to the MCO's commercial lines of business or Medicaid fee-for-service participants, if the provider accepts only Medicaid patients.

CHIP MCOs are not required to establish PCP Networks for CHIP Perinates (Unborn Child).

The MCO must provide that if Medically Necessary Covered Services are not available through Network Providers, the MCO must, upon the request of a Network Provider, allow a referral to a non-network physician or provider within the time...
appropriate to the circumstances relating to the delivery of the services and the condition of the patient, but in no event to exceed five (5) Business Days after receipt of reasonably requested documentation. The MCO must fully reimburse the non-network provider in accordance with the Out-of-Network methodology for Medicaid as defined by HHSC in 1 T.A.C. §353.4, and for CHIP, at the usual and customary rate defined by TDI in 28 T.A.C. Section 11.506.

The Member will not be responsible for any payment for Medically Necessary Covered Services, including Functionally Necessary Covered Services, other than:

(1) HHSC-specified copayments for CHIP Members, where applicable;

(2) HHSC-specified copayments for Medicaid Members, where applicable (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract); and

(3) STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services and enter a 24-hour setting will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC. If the MCO provides Members who do not qualify for the HCBS STAR+PLUS Waiver services in a 24-hour setting as an alternative to nursing facility or Hospitalization, the Member will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC.

8.1.3.1 Waiting Times for Appointments

Through its Provider Network composition and management, the MCO must ensure that the following standards are met. In all cases below, "day" is defined as a calendar day, and the standards are measured from the date of presentation or request, whichever occurs first.

1. Emergency Services must be provided upon Member presentation at the service delivery site, including at non-network and out-of-area facilities;
2. urgent care, including urgent specialty care, must be provided within 24 hours;
3. routine primary care must be provided within 14 days;
4. initial outpatient behavioral health visits must be provided within 14 days;
5. PCPs must make referrals for specialty care on a timely basis, based on the urgency of the Member's medical condition, but no later than 30 days;
6. pre-natal care must be provided within 14 days, except for high-risk pregnancies or new Members in the third trimester, for whom an appointment must be offered within five days, or immediately, if an emergency exists;
7. preventive health services for adults must be offered within 90 days; and
8. preventive health services for children, including well-child checkups should be offered to CHIP Members in accordance with the American Academy of Pediatrics (AAP) periodicity schedule. Medicaid MCOs should utilize the Texas Health Steps periodicity schedule. For a New Member birth through age 20, overdue or upcoming well-child checkups, including Texas Health Steps medical checkups, should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. The Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due on the child's birthday. The annual medical checkup is considered timely if it occurs no later than 364 calendar days after the child's birthday. For purposes of this requirement, the terms "New Member" and "Existing Member" are defined in Chapter 12.4 of the Uniform Managed Care Manual.

8.1.3.2 Access to Network Providers

The MCO's Network must include all of the provider types described in this section in sufficient numbers, and with sufficient capacity, to provide timely access to all Covered Services in accordance with the waiting times for appointments in Section 8.1.3.1. The MCO's Network must provide timely access to regular and preventive care to all Members, and Texas Health Steps services to all child Members in Medicaid.

This section includes distance standards for each provider type. For each provider type, the MCO must provide access to at least 90 percent of members in each Program and Service Area within the prescribed distance standard for each State Fiscal Quarter. This 90-percent benchmark does not apply to pharmacy providers (refer to the "Pharmacy Access" heading for applicable benchmarks).
HHSC will consider requests for exceptions to the distance standards for all provider types under limited circumstances. Each exception request must be supported by information and documentation as specified in HHSC's exception request template.

Medicaid PCP Access: At a minimum, the MCO must ensure that all adult Members have access to one age-appropriate Network PCP with an Open Panel within 30 miles of the Member's residence. Child Members must have access to two age-appropriate Network PCPs with an Open Panel within 30 miles of the Member's residence.

CHIP PCP Access: At a minimum, the MCO must ensure that all Members have access to one age-appropriate PCP in the Provider Network with an Open Panel within 30 miles of the Member's residence. This provision does not apply to CHIP Perinates, but it does apply to CHIP Perinate Newborns.

For the purpose of assessing compliance with the Medicaid and CHIP PCP access requirements, an internist who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20, and a pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

As described above, the MCO can request a special exception if no appropriate provider types are located within the mileage standards.

OB/GYN Access: STAR, STAR+PLUS and CHIP Program Networks: with the following exception, STAR, STAR+PLUS and CHIP MCOs must ensure that all female Members have access to an OB/GYN in the Provider Network within 75 miles of the Member's residence. CHIP MCOs must ensure that CHIP Perinate Members (unborn children) in rural areas have access to Network OB/GYNs within 125 miles of the Member's residence.

If an OB/GYN is acting as the Member's PCP, the MCO must follow the access requirements for the PCP (within 30 miles of the Member's residence).

The MCO must allow female Members to select an OB/GYN within its Provider Network. A female Member who selects an OB/GYN must be allowed direct access to the OB/GYN's Health Care Services without a referral from the Member's PCP or a prior authorization. The MCO must allow pregnant Member who is past the 24th week of pregnancy to remain under the Member's current OB/GYN care though the Member's post-partum checkup, even if the OB/GYN provider is, or becomes, Out-of-Network.

Outpatient Behavioral Health Service Provider Access: At a minimum, the MCO must ensure that all Members have access to a covered outpatient Behavioral Health Service Provider in the Network within 75 miles of the Member's residence. Outpatient Behavioral Health Service Providers must include Masters and Doctorate-level trained practitioners practicing independently or at community mental health centers, other clinics or at outpatient Hospital departments. A Qualified Mental Health Provider - Community Services (QMHP-CS) is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C. §412.303(48). QMHP-CSs must be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs must be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services.

Other Specialist Physician Access: At a minimum, the MCO must ensure that all Members have access to a Network specialist physician for all covered services within 75 miles of the Member's residence for common medical specialties. For adult Members, common medical specialties must include general surgery, cardiology, orthopedics, urology, and ophthalmology. For child Members, common medical specialties must include orthopedics and otolaryngology. In addition, all Members must be allowed to: 1) select a Network ophthalmologist or therapeutic optometrist to provide eye Health Care Services, other than surgery, and 2) have access without a PCP referral to eye Health Care Services from a Network specialist who is an ophthalmologist or therapeutic optometrist for non-surgical services.

Hospital Access: The MCO must ensure that all Members have access to an Acute Care Hospital in the Provider Network within 30 miles of the Member's residence. For MCOs participating in the CHIP Program, exceptions to this access standard must be approved by HHSC on a case-by-case basis for Perinate Members (unborn children). MCOs participating in the Medicaid Rural Service Area may also request exceptions on a case-by-case basis.
Pharmacy Access: Effective March 1, 2012, the MCO must meet the following minimum requirements. The MCO must ensure that all Members have access to at least one (1) Network Pharmacy within 15 miles of the Member's residence, and access to at least one (1) pharmacy with 24-hour coverage within 75 miles of the Member's residence. MCOs may request exceptions to this requirement on a case-by-case basis.

Effective September 1, 2012, HHSC will apply additional benchmark performance standards. For purposes of this requirement only, the terms urban, suburban, and rural counties have the following meaning:

Urban - Counties that have been designated as metropolitan by the Office of Management and Budget (OMB), and that contain the most populated city within a metropolitan area, also known as Metropolitan Statistical Area. HHSC Strategic Decision Support (SDS) classifies these counties as Metro Central City counties. A county meets the definition of metropolitan if it has a central city, or pair of twin cities in it, with a minimum population of 50,000.

Suburban - Counties that have been designated as metropolitan by the OMB, and that are adjacent (share a boundary) to a Metro Central City county. The SDS classifies these counties as Metro Suburban counties.

Rural - Non-metropolitan counties of the state, regardless of whether they are adjacent or non-adjacent to a metropolitan county.

For counties included in the Medicaid Rural Service Area, the following standard applies to STAR effective September 1, 2012:

• In urban counties, at least 75 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
• In suburban counties, at least 55 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
• In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence; and
• In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

For all other counties and Programs, the following standard applies effective September 1, 2012:

• In urban counties, at least 80 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
• In suburban counties, at least 75 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
• In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence; and
• In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

Note: MCOs may request exceptions to these requirements on a case-by-case basis. Mail order pharmacies, including specialty pharmacies that only mail prescriptions, will not be included when calculating these percentages. However, MCOs will be required to report on the number of prescriptions filled and number of clients served through mail order/specialty pharmacies by MCO Program and Service Area.

All other Covered Services, except for services provided in the Member's residence: At a minimum, the MCO must ensure that all Members have access to at least one (1) Network Provider for each of the remaining Covered Services described in Attachments B-2, "STAR Covered Services," B-2.1 "CHIP Covered Services," B-2.2, "STAR+PLUS Covered Services," within 75 miles of the Member's residence. This access requirement includes, but is not limited to, specialists, specialty Hospitals, psychiatric Hospitals, diagnostic and therapeutic services, and single or limited service health care physicians or Providers, as applicable to the MCO Program.

The MCO is not precluded from making arrangements with physicians or providers outside the MCO's Service Area for Members to receive a higher level of skill or specialty than the level available within the Service Area, including but not limited to, treatment of cancer, burns, and cardiac diseases. HHSC may consider exceptions to the above access-related requirements when an MCO has established, through utilization data provided to HHSC, that a normal pattern for securing Health Care
Services within an area does not meet these standards, or when an MCO is providing care of a higher skill level or specialty than the level which is available within the Service Area.

8.1.3.3 Monitoring Access

The MCO is required to systematically and regularly verify that Covered Services furnished by Network Providers are available and accessible to Members in compliance with the standards described in Sections 8.1.3.1 and 8.1.3.2, and for Covered Services furnished by PCPs, the standards described in Section 8.1.4.2.

The MCO must enforce access and other Network standards required by the Contract and take appropriate action with noncompliant Providers.

8.1.4 Provider Network

The MCO must enter into written contracts with properly credentialed Providers as described in this Section. The Provider contracts must comply with the Uniform Managed Care Manual's requirements, and include reasonable administrative and professional terms.

The MCO must maintain a Provider Network sufficient to provide all Members with access to the full range of Covered Services required under the Contract. The MCO must ensure its Providers and Subcontractors meet all current and future state and federal eligibility criteria, reporting requirements, and any other applicable rules and/or regulations related to the Contract.

The Provider Network must be responsive to the linguistic, cultural, and other unique needs of any minority, elderly, or disabled individuals, or other special populations served by the MCO. This includes the capacity to communicate with Members in languages other than English, when necessary, as well as with those who are deaf or hearing impaired.

The MCO must seek to obtain the participation in its Provider Network of qualified providers currently serving the Medicaid and CHIP Members in the MCO's proposed Service Area(s). Medicaid MCOs utilizing Out-of-Network providers to render services to their Members must not exceed the utilization standards established in 1 T.A.C. §353.4. HHSC may modify this requirement for Medicaid MCOs that demonstrate good cause for noncompliance, as set forth in §353.4(e)(3).

The MCO must seek participation in the Provider Network from the following types of entities that may serve American Indian and Alaskan Native children:

1. health clinics operated by a federally-recognized tribe in the Service Area;
2. Federally Qualified Health Centers (FQHC) operated by a federally-recognized tribe in the Service Area; and
3. Urban Indian organizations in the Service Area.

All Providers: Except as provided in Section 8.1.4.10, all Providers must be licensed in the State of Texas to provide the Covered Services for which the MCO is contracting with the Provider, and not be under sanction or exclusion from the Medicaid program. All Acute Care Providers serving Medicaid Members must be enrolled as Medicaid providers and have a Texas Provider Identification Number (TPIN). All Pharmacy Providers must be enrolled with HHSC's Vendor Drug Program. Long-term Services and Supports Providers are not required to have a TPIN but must have a LTSS Provider number. Providers must also have a National Provider Identifier (NPI) in accordance with the timelines established in 45 C.F.R. Part 162, Subpart D.

Inpatient Hospital and medical services: The MCO must ensure access to Acute Care Hospitals and Specialty Hospitals in the MCO's Network. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. The MCO must enter into a Network Provider Agreement with any willing State Hospital that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

Children's Hospitals/Hospitals with specialized pediatric services: The MCO must ensure Members access to Hospitals designated as Children's Hospitals by Medicare and Hospitals with specialized pediatric services, such as teaching Hospitals and Hospitals with designated children's wings. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. If the MCO does not have a designated Children's Hospital and/or Hospital with specialized pediatric services in proximity to the Member's residence in its Network, the MCO must enter into written arrangements for services with Out-of-Network Hospitals. Provider Directories, Member Materials, and Marketing Materials
must clearly distinguish between Hospitals designated as Children's Hospitals and Hospitals that have designated children's units.

**Trauma:** The MCO must ensure Members access to Texas Department of State Health Services (TDSHS)-designated Level I and Level II trauma centers within the State, or Hospitals meeting the equivalent level of trauma care in the MCO's Service Area or in close proximity to such Service Area. The MCO must make written Out-of-Network reimbursement arrangements with the DSHS-designated Level I and Level II trauma centers or Hospitals meeting equivalent levels of trauma care if the MCO does not include such a trauma center in its Network.

**Transplant centers:** The MCO must ensure Member access to HHSC-designated transplant centers or centers meeting equivalent levels of care. A list of HHSC-designated transplant centers can be found in the **Procurement Library.** If the MCO's Network does not include a designated transplant center or center meeting equivalent levels of care in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.

**Hemophilia centers:** The MCO must ensure Member access to hemophilia centers supported by the Centers for Disease Control (CDC). A list of these hemophilia centers can be found at [http://www.cdc.gov/ncbddd/hemophilia/HTC.html](http://www.cdc.gov/ncbddd/hemophilia/HTC.html). If the MCO's Network does not include CDC-supported hemophilia centers in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.

**Physician services:** The MCO must ensure that Primary Care Providers are available and accessible 24 hours per day, seven (7) days per week, within the Provider Network. The MCO must contract with a sufficient number of participating physicians and specialists within each Service Area to comply with **Section 8.1.3**'s access requirements and meet Members' needs for all Covered Services.

The MCO must ensure that an adequate number of participating physicians have admitting privileges at one (1) or more participating Acute Care Hospitals in the Provider Network to ensure that necessary admissions are made. In no case may there be less than one Network PCP with admitting privileges available and accessible 24 hours per day, seven (7) days per week for each Acute Care Hospital in the Provider Network.

The MCO must ensure that an adequate number of participating specialty physicians have admitting privileges at one or more participating Hospitals in the MCO's Provider Network to ensure necessary admissions are made. The MCO must require that all physicians who admit to Hospitals maintain Hospital access for their patients through appropriate call coverage.

**Urgent Care Clinics:** The MCO must ensure that Urgent Care Clinics, including multi-specialty clinics serving in this capacity, are included within the Provider Network.

**Laboratory services:** The MCO must ensure that Network reference laboratory services are of sufficient size and scope to meet Members' non-emergency and emergency needs and the access requirements in **Section 8.1.3.** Reference laboratory specimen procurement services must facilitate the provision of clinical diagnostic services for physicians, Providers, and Members through the use of convenient reference satellite labs in each Service Area, strategically located specimen collection areas in each Service Area, and the use of a courier system under the management of the reference lab. For Medicaid Members, Texas Health Steps requires Providers to use the DSHS Laboratory Services for specimens obtained as part of a Texas Health Steps medical checkup, including Texas Health Steps newborn screens; blood lead testing; hemoglobin electrophoresis; and total hemoglobin tests that are processed at the Austin Laboratory; and Pap Smear, gonorrhea and chlamydia screening processed at the Women's Health Laboratories in San Antonio. Providers may submit specimens for glucose, cholesterol, HDL, lipid profile, HIV and RPR to the DSHS Laboratory or to a laboratory of the provider's choice. Hematocrit may be performed at the provider's clinic if the provider needs an immediate result for anemia screening. Providers should refer to the Texas Health Steps Online Provider Training Modules referencing specimen collection on the DSHS website and the Texas Medicaid Provider Procedures Manual, Children's Services Handbook for the most current information and any updates.

**Pharmacy Providers:** The MCO must ensure that all Pharmacy Network Providers meet all requirements under 1 Tex. Admin. Code § 353.909. Providers must not be under sanction or exclusion from the Medicaid or CHIP Programs. The MCO must enter into a Network Provider Agreement with any willing pharmacy provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms. However, the MCO may enter into selective contracts for specialty pharmacy services with one or more pharmacy provider, subject to the following conditions. These arrangements must comply with Texas Government Code § 533.005(a)(23)(G) and 1 Tex. Admin. Code § 353.905, § 354.1853, and § 370.701.

**Diagnostic imaging:** The MCO must ensure that diagnostic imaging services are available and accessible to all Members in each Service Area in accordance with the access standards in **Section 8.1.3.** The MCO must ensure that diagnostic imaging
procedures that require the injection or ingestion of radiopaque chemicals are performed only under the direction of physicians qualified to perform those procedures.

**Home health services**: All Members living within the MCO's Service Area must have access to at least one (1) Network Provider of home health Covered Services. (These services are provided as part of the Acute Care Covered Services, not the Community Long Term Services and Supports.)

**Community Long Term Services and Supports**: All Members living within a STAR+PLUS MCO's Service Area must have access to Medically Necessary and Functionally Necessary Covered Services.

**Ambulance providers**: The MCO must enter into a Network Provider Agreement with any willing ambulance provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

### 8.1.4.1 Provider Contract Requirements

The MCO is prohibited from requiring a provider or provider group to enter into an exclusive contracting arrangement with the MCO as a condition for Network participation.

The MCO’s contract with health care Providers must be in writing, must be in compliance with applicable federal and state laws and regulations, and must include minimum requirements specified in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Uniform Managed Care Manual Chapter 8.1 “Provider Contract Checklist.”

As described in Section 7, the MCO must submit model Provider contracts to HHSC for review during Readiness Review. The MCO must resubmit the model Provider contracts any time it makes substantive modifications to such agreements. HHSC retains the right to reject or require changes to any Provider contract that does not comply with MCO Program requirements or the HHSC-MCO Contract.

### 8.1.4.2 Primary Care Providers

The MCO's PCP Network may include Providers from any of the following practice areas: General Practice; Family Practice; Internal Medicine; Pediatrics; Obstetrics/Gynecology (OB/GYN); Advanced Practice Registered Nurses (APRNs) and Physician Assistants (PAs) (when APRNs and PAs are practicing under the supervision of a physician specializing in Family Practice, Internal Medicine, Pediatrics or Obstetrics/Gynecology who also qualifies as a PCP under this contract); Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and similar community clinics; and specialist physicians who are willing to provide a Medical Home to selected Members with special needs and conditions. Texas Government Code Section 533.005(a)(13) and Texas Health and Safety Code Section 62.1551 require the MCO to use advance practice registered nurses (APRNs) and physician assistants (PAs) practicing under the supervision of a Network physician. The MCO must treat APRNs and PAs in the same manner as other Network PCPs with regard to: (1) selection and assignment as PCPs, (2) inclusion as PCPs in the MCO's Provider Network, and (3) inclusion as a PCP in any Provider Directory maintained by the MCO.

An internist or other Provider who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20. An internist or other Provider who provides primary care to adults and children may be a PCP for children if:

1. the Provider assumes all MCO PCP responsibilities for such child Members in a specific age range from birth through age 20,
2. the Provider has a history of practicing as a PCP for the specified age range, as evidenced by the Provider's primary care practice including an established patient population within the specified age range, and
3. the Provider has admitting privileges to a local Hospital that includes admissions to pediatric units.

A pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

The PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions may be a specialist physician who agrees to provide PCP services to the Member. The specialty physician must agree to perform all PCP duties required in the Contract, and PCP duties must be within the scope of the specialist's license. Any interested person may initiate the request through the MCO for a specialist to serve as a PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions. The MCO must handle such requests in accordance with 28 T.A.C. Part 1, Chapter 11, Subchapter J.
PCPs who provide Covered Services for STAR and CHIP newborns must either have admitting privileges at a Hospital that is part of the MCO's Provider Network, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital. STAR+PLUS PCPs must either have admitting privileges at a Network Hospital, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital.

The MCO must require, through contract provisions, that PCPs are accessible to Members 24 hours a day, seven (7) days a week. The MCO is encouraged to enter into Network Provider agreements with sites that offer primary care services during evening and weekend hours. The following are acceptable and unacceptable telephone arrangements for contacting PCPs after their normal business hours.

**Acceptable after-hours coverage:**

1. the office telephone is answered after-hours by an answering service that meets language requirements of the Major Population Groups and that can contact the PCP or another designated medical practitioner. All calls answered by an answering service must be returned within 30 minutes;
2. the office telephone is answered after normal business hours by a recording in the language of each of the Major Population Groups served, directing the patient to call another number to reach the PCP or another provider designated by the PCP. Someone must be available to answer the designated provider's telephone. Another recording is not acceptable; and
3. the office telephone is transferred after office hours to another location where someone will answer the telephone and be able to contact the PCP, or another designated medical provider, who can return the call within 30 minutes.

**Unacceptable after-hours coverage:**

1. the office telephone is only answered during office hours;
2. the office telephone is answered after-hours by a recording that tells patients to leave a message;
3. the office telephone is answered after-hours by a recording that directs patients to go to an Emergency Room for any services needed; and
4. returning after-hours calls outside of 30 minutes.

The CHIP MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the AAP recommendations. Medicaid MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the Texas Health Steps periodicity schedule. The MCO must require PCPs, through contract provisions, to provide adults with preventive services in accordance with the U.S. Preventive Services Task Force requirements. The MCO must make best efforts to ensure that PCPs follow these periodicity requirements for children and adult Members. Best efforts must include, but not be limited to, Provider education, Provider profiling, monitoring, and feedback activities.

The MCO must require PCPs, through contract provisions, to assess the medical needs of Members for referral to specialty care providers and provide referrals as needed. PCPs must coordinate Members’ care with specialty care providers after referral. The MCO must make best efforts to ensure that PCPs assess Member needs for referrals and make such referrals. Best efforts must include, but not be limited to, Provider education activities and review of Provider referral patterns.

### 8.1.4.3 PCP Notification

The MCO must furnish each PCP with a current list of Members enrolled or assigned to that Provider no later than five (5) Business Days after the MCO receives the Enrollment File from the HHSC Administrative Services Contractor each month. The MCO may offer and provide such enrollment information in alternative formats, such as through access to a secure Internet site, when such format is acceptable to the PCP.

### 8.1.4.4 Provider Credentialing and Re-credentialing

The MCO must review, approve, and periodically recertify the credentials of all participating physician Providers and all other licensed Providers who participate in the MCO's Network. The MCO may subcontract with another entity to which it delegates credentialing activities if the delegated credentialing is maintained in accordance with the National Committee for Quality Assurance (NCQA) delegated credentialing requirements and any comparable requirements defined by HHSC.
At a minimum, the scope and structure of an MCO's credentialing and re-credentialing processes must be consistent with recognized MCO industry standards, such as those provided by NCQA, or URAC and relevant state and federal regulations including 28 Tex. Admin. Code §§ 11.1902 and 11.1402(c), relating to provider credentialing and notice. Medicaid MCOs must also comply with 42 C.F.R. § 438.12 and 42 C.F.R. § 438.214(b). The MCO must complete the initial credentialing process, and its claim systems must be able to recognize the provider as a Network Provider, no later than 30 calendar days after receiving a complete application requiring expedited credentialing, and no later than 90 calendar days after receiving all other complete applications. If an application does not include required information, the MCO must provide the applicant written notice of all missing information no later than five Business Days after receipt. For new providers, the MCO must complete the credentialing process prior to the effective date of the Network Provider agreement. The re-credentialing process must occur at least every three years.

The MCO may not discriminate for the participation, reimbursement, or indemnification of any provider who is acting within the scope of his or her license or certification under applicable State law, solely on the basis of that license or certification. Additionally, if the MCO declines to include individual or groups of providers in its Network, it must give the affected providers written notice of the reasons for its decision.

The re-credentialing process must take into consideration Provider performance data including Member Complaints and Appeals, quality of care, and utilization management.

MCOs must comply with the requirements of Texas Insurance Code Chapter 1452, Subchapters C, D, and E, regarding expedited credentialing and payment of physicians, podiatrists, and therapeutic optometrists who have joined established medical groups or professional practices that are already contracted with the MCO. Additionally, the MCO must comply with the Subchapters' hold harmless requirements for Members.

8.1.4.5 Board Certification Status

The MCO must maintain a policy with respect to board certification for PCPs and specialty physicians that encourages participation of board certified PCPs and specialty physicians in the Provider Network. The MCO must make information on the percentage of board-certified PCPs in the Provider Network and the percentage of board-certified specialty physicians, by specialty, available to HHSC upon request.

8.1.4.6 Provider Relations Including Manual, Materials and Training

The MCO must maintain a provider relations presence in each Service Area or, for the Medicaid Rural Service Area, in regions as approved by HHSC. The MCO must prepare and issue Provider Manual(s) to all Network Providers, including any necessary specialty manuals (e.g., behavioral health). For newly contracted Providers, the MCO must issue copies of the Provider Manual(s) no later than five (5) Business Days after inclusion in the Network. The Provider Manual must contain sections relating to special requirements of the MCO Program(s) and the enrolled populations in compliance with the requirements of this Contract, including Uniform Managed Care Manual Chapter 3.3.

HHSC or its designee must approve the Provider Manual, and any substantive revisions to the Provider Manual, prior to publication and distribution to Providers. The Provider Manual must contain the critical elements defined in Uniform Managed Care Manual Chapter 3, Critical Elements. HHSC's initial review of the Provider Manual is part of the Operational Readiness Review described in Section 7, Transition Phase Requirements.

The MCO must provide training to all Providers and their staff regarding the requirements of the Contract and special needs of Members. The MCO's STAR, STAR+PLUS, CHIP and/or CHIP Perinatal Program training must be completed within 30 days of placing a newly contracted Provider on active status. The MCO must provide ongoing training to new and existing Providers as required by the MCO, or as required by HHSC to comply with the Contract. The MCO must maintain and make available upon request enrollment or attendance rosters dated and signed by each attendee, or other written evidence of training of each Provider and his or her staff.

The MCO must establish ongoing Provider training that includes, but is not limited to, the following issues:

1. Covered Services and the Provider's responsibilities for providing and/or coordinating such services. Special emphasis must be placed on areas that vary from commercial coverage rules (e.g., Early Childhood Intervention services, therapies and DME/Medical Supplies); pharmacy services and processes, including information regarding outpatient drug benefits, HHSC's drug formulary, preferred drugs, prior authorization processes, and 72 hour emergency supplies of prescription drugs; and for Medicaid, making referrals and coordination with Non-capitated Services;
2. relevant requirements of the Contract;
3. The MCO's quality assurance and performance improvement program and the Provider's role in such a program;
4. the MCO's policies and procedures, especially regarding Network and Out-of-Network referrals;
5. Member cost-sharing obligations, benefit limitations, Value-added Services, and prohibitions on balance-billing Members for Covered Services;
6. Cultural Competency Training;
7. Texas Health Steps benefits, periodicity, and required elements of a checkup;
8. Medical Transportation Program services available to Medicaid members such as rides to services by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, and meals and lodging when away from home;
9. the importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
10. information about the MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
11. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit;
12. For STAR in the Medicaid Rural Service Area, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process;
13. administrative issues such as claims filing and services available to Members; and

Provider Materials must comply with state and federal laws; Attachment A, Uniform Managed Care Contract Terms and Conditions; and Uniform Managed Care Manual Chapter 3, Critical Elements.

As described above, HHSC must approve the MCO's Provider Manual and all revisions. Additionally, the MCO must submit, for HHSC's review, all other Provider Materials relating to Medicaid or CHIP prior to use or mailing. If HHSC has not responded to MCO's request for review within 15 Business Days, the MCO may use the submitted materials. HHSC reserves the right to require discontinuation or correction of any Provider Materials that are not in compliance with State and Federal laws or the Contract's requirements.

8.1.4.7 Provider Hotline

The MCO must operate a toll-free telephone line for Provider inquiries from 8 a.m. to 5 p.m. local time for the Service Area, Monday through Friday, except for State-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html. The Provider Hotline must be staffed with personnel who are knowledgeable about Covered Services, each applicable MCO Program, and for Medicaid, about Non-capitated Services.

The MCO must ensure that after regular business hours the line is answered by an automated system with the capability to provide callers with operating hours information and instructions on how to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition. The MCO must have a process in place to handle after-hours inquiries from Providers seeking to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition, provided, however, that the MCO and its Providers must not require such verification prior to providing Emergency Services.

The MCO must ensure that the Provider Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system is used;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. the average hold time is two (2) minutes or less; and
4. the call abandonment rate is seven percent (7%) or less.

The MCO must conduct ongoing call quality assurance to ensure these standards are met. The Provider Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO’s Programs. The Provider Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.
The MCO must monitor Provider Hotline performance and submit reports summarizing call center performance as required by Section 8.1.20. If the MCO subcontracts with a Behavioral Health Organization (BHO) that is responsible for Provider Hotline functions related to Behavioral Health Services, the BHO’s Provider Hotline must meet the requirements in Section 8.1.4.7.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Provider Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.4.8 Provider Reimbursement

The MCO must pay for all Medically Necessary Covered Services provided to Members. A STAR+PLUS MCO must also pay for all Functionally Necessary Covered Services provided to Members. The MCO's Network Provider Agreement must include a complete description of the payment methodology or amount, as described in Uniform Managed Care Manual Chapter 8.1.

The MCO must ensure claims payment is timely and accurate as described in Section 8.1.18.5, "Claims Processing Requirements," and UMCM Chapters 2.0 through 2.2. The MCO must require tax identification numbers from all participating Providers. The MCO is required to do back-up withholding from all payments to Providers who fail to give tax identification numbers or who give incorrect numbers.

Provider payments must comply with all applicable state and federal laws, rules, and regulations, including the following sections of the Patient Protection and Affordable Care Act (PPACA) and, upon implementation, corresponding federal regulations:

- Section 2702 of PPACA, entitled "Payment Adjustment for Health Care-Acquired Conditions;"
- Section 6505 of PPACA, entitled "Prohibition on Payments to Institutions or Entities Located Outside of the United States;" and
- Section 1202 of the Health Care and Education Reconciliation Act as amended by PPACA, entitled "Payments to Primary Care Physicians."

As required by Texas Government Code § 533.005(a)(25), the MCO cannot implement across-the-board Provider reimbursement rate reductions unless: (1) it receives HHSC's prior approval, or (2) the reductions are based on changes to the Medicaid fee schedule or cost containment initiatives implemented by HHSC. For purposes of this requirement an across-the-board rate reduction is a reduction that applies to all similarly-situated providers or types of providers. The MCO must submit a request for an across-the-board rate reduction to HHSC’s Director of Program Operations, if the reduction is not based on a change in the Medicaid fee schedule or cost containment initiative implemented by HHSC. The MCO must submit the request at least 90 days prior to the planned effective date of the reduction, and provide a copy to the Health Plan Manager. If HHSC does not issue a written statement of disapproval within 45 days of receipt, then the MCO may move forward with the reduction on the planned effective date.

8.1.4.8.1 Potentially Preventable Complications

STAR and STAR+PLUS MCOs must identify Present on Admission (POA) indicators as required in the Uniform Managed Care Manual, and STAR and STAR+PLUS MCOs must reduce or deny payments for Potentially Preventable Complications that were not POA using a methodology approved by HHSC in the Uniform Managed Care Manual.

8.1.4.8.2 Provider Incentives

The MCO must develop and submit to HHSC a written plan using a form provided by HHSC, for expansion of alternative payment structures with its Providers that encourages innovation and collaboration, as well as increase quality and efficiency. Payment structures should be focused on incentivizing quality outcomes, shared savings, or both resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions rather than based on volume. The plan will include mechanisms by which the MCO will provide incentive payments to hospitals, physicians and other health care providers for quality care. The plan will include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for incentive payments, shared savings, or both. The MCO must submit its initial plan to HHSC no later than December 1, 2013, and no later than December 1 of each year thereafter. HHSC will evaluate the plan and provide
feedback to the MCO. Upon HHSC’s approval of the plan, HHSC will retrospectively evaluate the MCO on its execution of the written plan. Modifications can be made to the plan, but are subject to HHSC review and approval. Plan approval is based on the following criteria: the number of providers, diversity of selected providers, geographic representation, and the methodology of the shared savings, data sharing strategy with providers, and other factors. Each year, the annual plan must show a measurable increase from the previous year.

HHSC’s retrospective review of the execution of the plan may include a review of encounter data, MCO financial statistical reports, and surveys or interviews with MCO representatives or providers. HHSC may ask the MCO to submit additional information upon request. HHSC may delay or reduce payments to the MCO if it does not submit a plan by the required deadline or does not execute a plan as approved.

8.1.4.9 Termination of Provider Contracts

Unless prohibited or limited by applicable law, the MCO must make a good faith effort to give written notice of termination of a Network Provider, within 15 calendar days after receipt or issuance of the termination notice, to each Member who receives his or her primary care from, or who is seen on a regular basis by, the Network Provider. The MCO must send notice to: (1) all Members in a PCP’s panel, and (2) all Members who have had two or more visits with the Network Provider for home-based or office-based care in the past 12 months. The MCO must notify HHSC of provider terminations in accordance with UMCM Chapter 5.4.1.1, “Provider Termination Report.”

The MCO’s process for terminating CHIP Provider contracts must comply with the Texas Insurance Code and TDI regulations.

8.1.4.10 Out-of-State Providers

To participate in Medicaid, the provider must be enrolled with HHSC as a Medicaid provider. The MCO may enroll out-of-state providers in its Medicaid and CHIP Networks in accordance with 1 Tex. Admin. Code § 352.17.

The MCO may enroll out-of-state diagnostic laboratories in its Medicaid and CHIP Networks under the circumstances described in Texas Government Code § 531.066.

8.1.4.11 Provider Advisory Groups

The MCO must establish and conduct quarterly meetings with Network Providers. Membership in the Provider Advisory Group(s) must include, at a minimum, acute, community-based LTSS (STAR+PLUS only), and pharmacy providers. The MCO must maintain a record of Provider Advisory Group meetings, including agendas and minutes, for at least three years.

8.1.4.12 Provider Protection Plan

The MCO must comply with HHSC’s provider protection plan requirements for reducing the administrative burdens placed on Network Providers, and ensuring efficiency in Network enrollment and reimbursement. At a minimum, the plan must comply with the requirements of Texas Government Code § 533.0055, and:

- Provide for timely and accurate claims adjudication and proper claims payment in accordance with UMCM Chapters 2.0 through 2.2.
- Include Network Provider training and education on the requirements for claims submission and appeals, including the MCO's policies and procedures (see also Section 8.1.4.6, "Provider Relations Including Manual, Materials and Training.")
- Ensure Member access to care, in accordance with Section 8.1.3, "Access to Care," and the UMCM's Geo-Mapping requirements (see UMCM Chapters 5.14.1 through 5.14.4.)
- Ensure prompt credentialing, as required by Section 8.1.4.4, "Provider Credentialing and Re-credentialing."
- Ensure compliance with state and federal standards regarding prior authorizations, as described in Sections 8.1.8, "Utilization Management," and 8.1.21.2, "Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies."
• Include other measures developed by HHSC or a provider protection plan workgroup, or measures developed by the MCO and approved by HHSC.

Additionally, the MCO must participate in HHSC's work group, which will develop recommendations and proposed timelines for other components of the provider protection plan.

8.1.5 Member Services

The MCO must maintain a Member Services Department to assist Members and their family members or guardians in obtaining Covered Services for Members. The MCO must maintain employment standards and requirements (e.g., education, training, and experience) for Member Services Department staff and provide a sufficient number of staff for the Member Services Department to meet the requirements of this Section.

8.1.5.1 Member Materials

The MCO must design, print and distribute Member identification (ID) cards and a Member Handbook to Members. Within five (5) Business Days following the receipt of an Enrollment File from the HHSC Administrative Services Contractor, the MCO must mail a Member's ID card and Member Handbook to the Case Head or Account Name for each new Member. When the Case Head or Account Name represents two (2) or more new Members, the MCO is only required to send one (1) Member Handbook. The MCO is responsible for mailing materials only to those households for whom valid address data are contained in the Enrollment File.

The MCO must design, print and deliver Provider Directories to the HHSC Administrative Services Contractor as described in Section 8.1.5.4.

Member Materials must be at or below a 6th grade reading level as measured by the appropriate score on the Flesch reading ease test. Member Materials must be available in English, Spanish, and the languages of other Major Population Groups. HHSC will provide the MCO with reasonable notice when the enrolled population reaches the 10% threshold for a Major Population Group in the MCO's Service Area. All Member Materials must be available in a format accessible to the visually impaired, which may include large print, Braille, and audiotapes.

The MCO must submit member materials to HHSC for approval prior to use or mailing. HHSC will identify any required changes to the Member materials within 15 Business Days. If HHSC has not responded to a request for review by the fifteenth Business Day, the Contractor may proceed to use the submitted materials. HHSC reserves the right to require discontinuation of any Member materials that violate the terms of this Contract, including but not limited to Marketing Policies and Procedures as described in Uniform Managed Care Manual Chapter 4.3, "Uniform Managed Care Marketing Policies and Procedures."

If the MCO distributes HHSC-approved Member Materials groups of Members or all Members (i.e., "mass communications," it also must post a copy of the materials on its website.

The MCO's Member Materials and other communications cannot contain discretionary clauses, as described in Section 1271.057(b) of the Texas Insurance Code. For CHIP MCOs, this restriction also applies to the MCO's Evidence of Coverage or Certificate of Coverage documents.

8.1.5.2 Member Identification (ID) Card

All Member ID cards must, at a minimum, include the following information:

1. the Member's name;
2. the Member's Medicaid or CHIP Program number;
3. the effective date of the PCP assignment (excluding CHIP Perinates);
4. the PCP's name (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates), address (optional for all products), and telephone number (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates);
5. the name of the MCO;
6. the 24-hour, seven (7) day a week toll-free Member services telephone number and BH Hotline number operated by the MCO; and
7. any other critical elements identified in Uniform Managed Care Manual Chapter 3, Critical Elements.
The MCO must reissue the Member ID card if a Member reports a lost card or name change, if the Member requests a new PCP, or for any other reason that results in a change to the information disclosed on the ID card.

### 8.1.5.3 Member Handbook

HHSC must approve the Member Handbook, and any substantive revisions, prior to publication and distribution. As described in Section 7, “Transition Phase Requirements,” the MCO must develop and submit to HHSC the draft Member Handbook for approval during the Readiness Review and must submit a final Member Handbook incorporating changes required by HHSC prior to the Operational Start Date.

The Member Handbook for each applicable MCO Program must, at a minimum, meet the Member materials requirements specified by Section 8.1.5.1 and must include critical elements in Uniform Managed Care Manual Chapter 3, “Critical Elements.” CHIP MCOs must issue Member Handbooks to both CHIP Perinates and CHIP Perinate Newborns. The Member Handbook for CHIP Perinate Newborns may be the same as that used for CHIP.

The MCO must produce a revised Member Handbook, or an insert informing Members of changes to Covered Services, upon HHSC notification and at least 30 days prior to the effective date of such change in Covered Services. In addition to modifying the Member Materials for new Members, the MCO must notify all existing Members of the Covered Services change during the timeframe specified in this subsection.

### 8.1.5.4 Provider Directory

The Provider Directory for each MCO Program, and any substantive revisions, must be approved by HHSC prior to publication and distribution, with the exception of PCP information changes or clerical corrections. The MCO is responsible for submitting draft Provider Directory updates to HHSC for prior review and approval.

As described in Section 7, “Transition Phase Requirements,” during Readiness Review the MCO must develop and submit to HHSC the draft Provider Directory template for approval and must submit a final Provider Directory incorporating changes required by HHSC prior to the Operational Start Date. Such draft and final Provider Directories must be submitted according to the deadlines established in Section 7, “Transition Phase Requirements.”

The Provider Directory for each applicable MCO Program must, at a minimum, meet the Member Materials requirements specified by Section 8.1.5.1 above and must include critical elements in Uniform Managed Care Manual Chapter 3. The Provider Directory must include only Network Providers credentialed by the MCO in accordance with Section 8.1.4.4. If the MCO contracts with limited Provider Networks, the Provider Directory must comply with the requirements of 28 T.A.C. §11.1600(b)(11), relating to the disclosure and notice of limited Provider Networks.

At a minimum, the MCO must update the Provider Directory on a quarterly basis. The MCO must make such updates available to existing Members on request, and must provide such updates to the HHSC Administrative Services Contractor at the beginning of each State Fiscal Quarter. Weight limits for the Provider Directories are included in Uniform Managed Care Manual Chapter 3.1, “MMC Provider Directory” and Chapter 3.2, “CHIP Provider Directory.” HHSC will require MCOs that exceed the weight limits to compensate HHSC for postage fees in excess of the weight limits.

The MCO must send the most recent Provider Directory, including any updates, to Members upon request. The MCO must, at least annually, include written and verbal offers of such Provider Directory in its Member outreach efforts and education materials.

### 8.1.5.5 Internet Website

The MCO must develop and maintain, consistent with HHSC standards and Texas Insurance Code Section 843.2015 and other applicable state laws, a website to provide general information about the MCO's Program(s), its Provider Network, its customer services, and its Complaints and Appeals process. The website must contain a link to financial literacy information on the Office of Consumer Credit Commissioner's webpage. The MCO may develop a page within its existing website to meet the requirements of this section.

For each Program operated by the MCO, the MCO's website must include either a Provider Directory in text-searchable format, or Network Provider search functionality. This information must be accurate and the MCO must update it at least twice a month. The online Provider Directory or online Provider search functionality must designate PCPs with open versus closed panels. The online Provider Directory or online Provider search functionality must also identify Providers that provide Long-
Term Services and Supports (LTSS). The MCO must list Home Health Ancillary providers on its website, with an indicator for pediatric services if provided.

8.1.5.6 Member Hotline

The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week. The Member Hotline must be staffed with personnel who are knowledgeable about its MCO Program(s) and Covered Services between the hours of 8:00 a.m. to 5:00 p.m. local time for the Service Area, Monday through Friday, excluding state-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html.

The MCO must ensure that after hours, on weekends, and on holidays the Member Services Hotline is answered by an automated system with the capability to provide callers with operating hours and instructions on what to do in cases of emergency. All recordings must be in English, Spanish, and the languages of other Major Population Groups in the Service Area. A voice mailbox must be available after hours for callers to leave messages. The MCO's Member Services representatives must return calls received by the automated system from Members or their representatives on the next Business Day.

If the Member Hotline does not have a voice-activated menu system, the MCO must have a menu system that will accommodate Members who cannot access the system through other physical means, such as pushing a button.

The MCO must ensure that its Member Service representatives treat all callers with dignity and respect the callers' need for privacy. At a minimum, the MCO's Member Service representatives must be:

1. knowledgeable about Covered Services;
2. able to answer non-technical questions about the role of the PCP, as applicable;
3. able to answer non-clinical questions about referrals or the process for receiving authorization for procedures or services;
4. able to give information about Providers in a particular area;
5. knowledgeable about Fraud, Abuse, and Waste including the Lock-in Program and the requirements to report any conduct that, if substantiated, may constitute Fraud, Abuse, or Waste;
6. trained regarding Cultural Competency;
7. trained regarding the process used to confirm the status of persons with Special Health Care Needs;
8. for Medicaid Members, able to answer non-clinical questions about accessing Non-capitated Services.
9. for Medicaid Members, trained regarding: a) the emergency prescription process and what steps to take to immediately address problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) how Members in the Lock-in Program can fill prescriptions at a non-designated pharmacy in an emergency situation; and c) DME processes for obtaining services and how to address common problems;
10. for CHIP Members, able to give correct cost-sharing information relating to premiums, co-pays or deductibles, as applicable. (Cost-sharing does not apply to CHIP Perinates (unborn child), CHIP Perinate Newborns, and some Members in the traditional CHIP Program. See Uniform Managed Care Manual Chapter 6.3, for additional information regarding CHIP cost-sharing; and
11. hotlines must meet Cultural Competency requirements and must appropriately handle calls from non-English speaking (and particularly, Spanish-speaking) callers, as well as calls from individuals who are deaf or hard-of-hearing. To meet these requirements, the MCO must employ bilingual Spanish-speaking Member Services representatives and must secure the services of other contractors as necessary to meet these requirements. The MCO must provide such oral interpretation services to all Hotline callers free of charge.

The MCO must process all incoming Member correspondence and telephone inquiries in a timely and responsive manner. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. The MCO must ensure that the toll-free Member Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. at least 80% of calls must be answered by Hotline staff within 30 seconds; measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.
The MCO must conduct ongoing quality assurance to ensure these standards are met.

The Member Services Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO's Medicaid and/or CHIP Programs. The Member Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor its performance regarding HHSC Member Hotline standards and submit performance reports summarizing call center performance for the Member Hotline as indicated in Section 8.1.20 and Uniform Managed Care Manual Chapter 5.4.3, "Hotline Reports."

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO's Member Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, "reasonable travel costs" include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.5.6.1 Nurseline

If the MCO provides a 24-hour nurse hotline, it must train hotline staff about: a) the emergency prescription process and what steps to take to immediately address Medicaid Members' problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) the HHSC-OIG Lock-in Program pharmacy override process to ensure Member access to Medically Necessary outpatient drugs; and c) DME processes for obtaining services and how to address common problems. The 24-hour Nurse Hotline will attempt to respond immediately to problems concerning emergency medicines by means at its disposal, including explaining the rules to Medicaid Members so that they understand their rights and, if need be, by offering to contact the pharmacy that is refusing to fill the prescription to explain the 72-hour supply policy, Lock-in Program override procedure, and DME processes.

8.1.5.7 Member Education

The MCO must, at a minimum, develop and implement health education initiatives that educate Members about:

1. how the MCO system operates, including the role of the PCP;
2. Covered Services, limitations and any Value-added Services offered by the MCO;
3. the value of screening and preventive care; and
4. how to obtain Covered Services, including:
   a. Emergency Services;
   b. accessing OB/GYN and specialty care;
   c. Behavioral Health Services;
   d. Disease Management programs;
   e. Service Coordination, treatment for pregnant women, Members with Special Health Care Needs, including Children with Special Health Care Needs; and other special populations;
   f. Early Childhood Intervention (ECI) Services;
   g. screening and preventive services, including well-child care (Texas Health Steps medical checkups for Medicaid Members);
   h. for CHIP Members, Member copayments responsibilities (note that copayments to do not apply to CHIP Perinates (unborn child) and CHIP Perinate Newborn Members);
   i. for Medicaid Members, Member copayment responsibilities (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract);
   j. suicide prevention;
   k. identification and health education related to Obesity;
   l. obtaining 72-hour supplies of emergency prescriptions from Network pharmacies;
   m. how Members in the Lock-in Program can receive outpatient drugs in an emergency situation; and
   n. Case Management for Children and Pregnant Women; and
5. Medical Transportation Program for Medicaid Members.

The MCO must provide a range of health promotion and wellness information and activities for Members in formats that meet the needs of all Members. The MCO must propose, implement, and assess innovative Member education strategies for wellness.
care and immunization, as well as general health promotion and prevention. The MCO must conduct wellness promotion programs to improve the health status of its Members. The MCO may cooperatively conduct health education classes with one or more of the contracted MCOs in the Service Area. The MCO must work with its Providers to integrate health education, wellness, and prevention training into each Member's care.

The MCO also must provide condition and disease-specific information and educational materials to Members, including information on its Service Management and Disease Management programs as described in Sections 8.1.13 and 8.1.14. Condition- and disease-specific information must be oriented to various groups of Members, such as children, the elderly, persons with disabilities and non-English speaking Members, as appropriate to the MCO's Medicaid or CHIP Programs.

Per Texas Health and Safety Code § 48.052(c), MCOs may use certified Community Health Workers to conduct outreach and Member education activities.

8.1.5.8 Cultural Competency Plan

The MCO must have a comprehensive written Cultural Competency Plan describing how it will ensure culturally competent services, and provide Linguistic Access and Disability-related Access. The Cultural Competency Plan must describe how the individuals and systems within the MCO will effectively provide services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each. As described in Section 7, “Transition Phase Requirements,” the MCO must submit the Cultural Competency Plan to HHSC during Readiness Review. During the Operations Phase, the MCO must submit modifications and amendments to the Plan to HHSC no later than 30 days prior to implementation of a change. The MCO must also make the Plan available to its Network Providers.

8.1.5.9 Member Complaint and Appeal Process

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Complaints regarding its services, processes, procedures, and staff. The MCO must ensure that Member Complaints are resolved within 30 calendar days after receipt. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of the MCO's receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Appeals regarding the denial or limited authorization of a requested service, including the type or level of service and the denial, in whole or in part, of payment for service. Within this process, the MCO must respond fully and completely to each Appeal and establish a tracking mechanism to document the status and final disposition of each Appeal.

The MCO must ensure that Member Appeals are resolved within 30 calendar days, unless the MCO can document that the Member requested an extension or the MCO shows there is a need for additional information and the delay is in the Member's interest. The MCO is subject to liquidated damages if at least 98 percent of Member Appeals are not resolved within 30 days of the MCO's receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

Medicaid MCOs must follow the Member Complaint and Appeal Process described in Section 8.2.6. CHIP MCOs must comply with the CHIP Complaint and Appeal Process described in Sections 8.4.2.

8.1.5.10 Member Advisory Groups

The MCO must establish and conduct quarterly meetings with Members in each service area in which it operates. Membership in the Member Advisory Group(s) must include at least three Members attending each meeting and allow for member advocates to participate. The MCO must maintain a record of Member Advisory Group meetings, including agendas and minutes, for at least three years.

8.1.6 Marketing and Prohibited Practices

The MCO and its Subcontractors must adhere to the Marketing Policies and Procedures as set forth in Uniform Managed Care Manual Chapter 4.3, “Uniform Managed Care Marketing Policies and Procedures.”
8.1.7 Quality Assessment and Performance Improvement

The MCO must provide for the delivery of quality care with the primary goal of improving the health status of Members and, where the Member’s condition is not amenable to improvement, maintain the Member’s current health status by implementing measures to prevent any further decline in condition or deterioration of health status. The MCO must work in collaboration with Providers to actively improve the quality of care provided to Members, consistent with the Quality Improvement Goals and all other requirements of the Contract. The MCO must provide mechanisms for Members and Providers to offer input into the MCO’s quality improvement activities.

8.1.7.1 QAPI Program Overview

The MCO must develop, maintain, and operate a Quality Assessment and Performance Improvement (QAPI) Program consistent with the Contract and TDI requirements, including 28 T.A.C. §11.1901(a)(5) and §11.1902. Medicaid MCOs must also meet the requirements of 42 C.F.R. §438.240.

The MCO must have on file with HHSC an approved plan describing its QAPI Program, including how the MCO will accomplish the activities required by this section. The MCO must submit a QAPI Program Annual Summary in a format and timeframe specified by HHSC or its designee. The MCO must keep participating physicians and other Network Providers informed about the QAPI Program and related activities. The MCO must include in Provider contracts a requirement securing cooperation with the QAPI.

The MCO must approach all clinical and non-clinical aspects of quality assessment and performance improvement based on principles of Continuous Quality Improvement (CQI)/Total Quality Management (TQM) and must:

1. evaluate performance using objective quality indicators;
2. foster data-driven decision-making;
3. recognize that opportunities for improvement are unlimited;
4. solicit Member and Provider input on performance and QAPI activities;
5. support continuous ongoing measurement of clinical and non-clinical effectiveness and Member satisfaction;
6. support programmatic improvements of clinical and non-clinical processes based on findings from ongoing measurements; and
7. support re-measurement of effectiveness and Member satisfaction, and continued development and implementation of improvement interventions as appropriate.

8.1.7.2 QAPI Program Structure

The MCO must maintain a well-defined QAPI structure that includes a planned systematic approach to improving clinical and non-clinical processes and outcomes. The MCO must designate a senior executive responsible for the QAPI Program and the Medical Director must have substantial involvement in QAPI Program activities. At a minimum, the MCO must ensure that the QAPI Program structure:

1. is organization-wide, with clear lines of accountability within the organization;
2. includes a set of functions, roles, and responsibilities for the oversight of QAPI activities that are clearly defined and assigned to appropriate individuals, including physicians, other clinicians, and non-clinicians;
3. includes annual objectives and/or goals for planned projects or activities including clinical and non-clinical programs or initiatives and measurement activities; and
4. evaluates the effectiveness of clinical and non-clinical initiatives.
8.1.7.3 Clinical Indicators

The MCO must engage in the collection of clinical indicator data. The MCO must use such clinical indicator data in the development, assessment, and modification of its QAPI Program.

8.1.7.4 QAPI Program Subcontracting

If the MCO subcontracts any of the essential functions or reporting requirements contained within the QAPI Program to another entity, the MCO must maintain detailed files documenting work performed by the Subcontractor. The file must be available for review by HHSC or its designee upon request.

8.1.7.5 Behavioral Health Integration into QAPI Program

The MCO must integrate behavioral health into its QAPI Program and include a systematic and ongoing process for monitoring, evaluating, and improving the quality and appropriateness of Behavioral Health Services provided to Members. Except for the Members identified below, the MCO must collect data, and monitor and evaluate for improvements to physical health outcomes resulting from behavioral health integration into the Member’s overall care.

STAR Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program, and Behavioral Health Services are not a covered benefit for CHIP Perinates (unborn children).

8.1.7.6 Clinical Practice Guidelines

The MCO must adopt not less than two (2) evidence-based clinical practice guidelines for each applicable MCO Program. Such practice guidelines must be based on valid and reliable clinical evidence, consider the needs of the MCO’s Members, be adopted in consultation with Network Providers, and be reviewed and updated periodically, as appropriate. The MCO must develop practice guidelines based on the health needs and opportunities for improvement identified as part of the QAPI Program.

The MCO may coordinate the development of clinical practice guidelines with other HHSC MCOs in a Service Area to avoid providers receiving conflicting practice guidelines from different MCOs.

The MCO must disseminate the practice guidelines to all affected Providers and, upon request, to Members and potential Members.

The MCO must take steps to encourage adoption of the guidelines, and to measure compliance with the guidelines, until such point that 90% or more of the Providers are consistently in compliance, based on MCO measurement findings. The MCO must employ substantive Provider motivational incentive strategies, such as financial and non-financial incentives, to improve Provider compliance with clinical practice guidelines. The MCO’s decisions regarding utilization management, Member education, coverage of services, and other areas included in the practice guidelines must be consistent with the MCO’s clinical practice guidelines.

8.1.7.7 Provider Profiling

The MCO must conduct PCP and other Provider profiling activities at least annually. As part of its QAPI Program, the MCO must describe the methodology it uses to identify which and how many Providers to profile and to identify measures to use for profiling such Providers.

Provider profiling activities must include, without limitation:

1. developing PCP and Provider-specific reports that include a multi-dimensional assessment of a PCP or Provider’s performance using clinical, administrative, and Member satisfaction indicators of care that are accurate, measurable, and relevant to the enrolled population;

2. establishing PCP, Provider, group, Service Area or regional Benchmarks for areas profiled, where applicable, including STAR, STAR+PLUS, and CHIP Program-specific Benchmarks, where appropriate; and

3. providing feedback to individual PCPs and Providers regarding the results of their performance and the overall performance of the Provider Network.
8.1.7.8 Network Management

The MCO must:

1. use the results of its Provider profiling activities to identify areas of improvement for individual PCPs and Providers, and/or groups of Providers;

2. establish Provider-specific quality improvement goals for priority areas in which a Provider or Providers do not meet established MCO standards or improvement goals;

3. develop and implement incentives, which may include financial and non-financial incentives, to motivate Providers to improve performance on profiled measures; and

4. at least annually, measure and report to HHSC on the Provider Network and individual Providers’ progress, or lack of progress, towards such improvement goals.

If the MCO implements a physician incentive plan, the plan must comply with the requirements of 42 C.F.R. §438.6(h), §422.208 and §422.210. The MCO cannot make payments under a physician incentive plan if the payments are designed to induce providers to reduce or limit Medically Necessary Covered Services to Members.

If the physician incentive plan places a physician or physician group at a substantial financial risk for services not provided by the physician or physician group, the MCO must ensure adequate stop-loss protection and conduct and submit annual Member surveys no later than five (5) Business Days after the MCO finalizes the survey results (refer to 42 C.F.R. §422.208 for information concerning “substantial financial risk” and “stop-loss protection”).

The MCO must make information regarding physician incentive plans available to Members upon request, in accordance with the Uniform Managed Care Manual’s requirements. The MCO must provide the following information to the Member:

1. whether the Member’s PCP or other Providers are participating in the MCO’s physician incentive plan;
2. whether the MCO uses a physician incentive plan that affects the use of referral services;
3. the type of incentive arrangement; and
4. whether stop-loss protection is provided.

No later than five (5) Business Days prior to implementing or modifying a physician incentive plan, the MCO must provide the following information to HHSC:

1. Whether the physician incentive plan covers services that are not furnished by a physician or physician group. The MCO is only required to report on items 2-4 below if the physician incentive plan covers services that are not furnished by a physician or physician group.
2. The type of incentive arrangement (e.g., withhold, bonus, capitation);
3. The percent of withhold or bonus (if applicable);
4. The panel size, and if patients are pooled, the method used (HHSC approval is required for the method used); and

If the physician or physician group is at substantial financial risk, the MCO must report proof that the physician or group has adequate stop-loss coverage, including the amount and type of stop-loss coverage.

8.1.7.9 Collaboration with the EQRO

The MCO will collaborate with HHSC’s external quality review organization (EQRO) to develop studies, surveys, or other analytical approaches that will be carried out by the EQRO. The purpose of the studies, surveys, or other analytical approaches
is to assess the quality of care and service provided to Members and to identify opportunities for MCO improvement. To facilitate this process, the MCO will supply claims data to the EQRO in a format identified by HHSC in consultation with MCOs, and will supply medical records for focused clinical reviews conducted by the EQRO. The MCO must also work collaboratively with HHSC and the EQRO to annually measure selected HEDIS measures that require chart reviews. During the first year of operations, HHSC anticipates that the selected measures will include, at a minimum, well-child visits and immunizations, appropriate use of asthma medications, measures related to Members with diabetes, and control of high blood pressure.

8.1.8 Utilization Management

The MCO must have a written utilization management (UM) program description, which includes, at a minimum:

1. procedures to evaluate the need for Medically Necessary Covered Services;
2. the clinical review criteria used, the information sources, the process used to review and approve the provision of Covered Services;
3. the method for periodically reviewing and amending the UM clinical review criteria; and
4. the staff position functionally responsible for the day-to-day management of the UM function.

The MCO must make best efforts to obtain all necessary information, including pertinent clinical information, and consult with the treating physician as appropriate in making UM determinations. When making UM determinations, the MCO must comply with the requirements of 42 C.F.R. §456.111 (Hospitals) and 42 CFR §456.211 (Mental Hospitals), as applicable.

The MCO must issue coverage determinations, including adverse determinations, according to the following timelines:

1. within three (3) Business Days after receipt of the request for authorization of services;
2. within one (1) Business Day for concurrent Hospitalization decisions; and
3. within one (1) hour for post-stabilization or life-threatening conditions, except that for Emergency Medical Conditions and Emergency Behavioral Health Conditions, the MCO must not require prior authorization.

The MCO's UM Program must include written policies and procedures to ensure:

1. consistent application of review criteria that are compatible with Members' needs and situations;
2. determinations to deny or limit services are made by physicians under the direction of the Medical Director;
3. at the HMO's discretion, pharmacy prior authorization determinations may be made by pharmacists, subject to the limitations described in Attachment A, Section 4.04, "Medical Director;"
4. appropriate personnel are available to respond to utilization review inquiries 8:00 a.m. to 5:00 p.m., Monday through Friday, with a telephone system capable of accepting utilization review inquiries after normal business hours. The MCO must respond to calls within one (1) Business Day;
5. confidentiality of clinical information; and
6. quality is not adversely impacted by financial and reimbursement-related processes and decisions.

For MCOs with preauthorization or concurrent review programs, qualified medical professionals must supervise preauthorization and concurrent review decisions.

The MCO UM Program must include policies and procedures to:

1. routinely assess the effectiveness and the efficiency of the UM Program;
2. evaluate the appropriate use of medical technologies, including medical procedures, drugs and devices;
3. target areas of suspected inappropriate service utilization;
4. detect over- and under-utilization;
5. routinely generate Provider profiles regarding utilization patterns and compliance with utilization review criteria and policies;
6. compare Member and Provider utilization with norms for comparable individuals;
7. routinely monitor inpatient admissions, emergency room use, ancillary, and out-of-area services;
8. ensure that when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by MHMR which are published at: http://www.dshs.state.tx.us/MHSA/UMGUIDELINES/; and
9. refer suspected cases of Network Provider, Out-of-Network provider, or Member Fraud, Abuse, or Waste to the Office of Inspector General (OIG) as required by Section 8.1.19.

8.1.8.1 Compliance with State and Federal Prior Authorization Requirements

The MCO must adopt prior authorization (PA) requirements that comply with state and federal laws governing authorization of health care services and prescription drug benefits, including 42 U.S.C. § 1396r-8 and Texas Government Code §§ 531.073 and 533.005(a)(23). In addition, the MCO must comply with Texas Human Resources Code § 32.073 and Texas Insurance Code §§ 1217.004 and 1369.256, which require MCOs to use national standards for electronic prior authorization of prescription drug and health care benefits no later than two years after adoption, and accept PA requests submitted using the Texas Department of Insurance's (TDI's) standard form, once adopted.

8.1.9 Early Childhood Intervention (ECI)

The MCO must ensure Network Providers are educated regarding the federal laws on child find and referral procedures (e.g., 20 U.S.C. § 1435(a)(5); 34 C.F.R. § 303.303). The MCO must require Network Providers to identify and refer any Member under the age of three suspected of having a developmental delay or disability or otherwise meeting eligibility criteria for ECI services in accordance with 40 Tex. Admin. Code Chapter 108 to the designated ECI program for screening and assessment within seven calendar days from the day the Provider identifies the Member. The MCO must use written educational materials developed or approved by the Department of Assistive and Rehabilitative Services- Division for Early Childhood Intervention Services for these child find activities. The local ECI program will determine eligibility for ECI services using the criteria contained in 40 Tex. Admin. Code Chapter 108.

The MCO must contract with qualified ECI Providers to provide ECI Covered Services to Members under the age of three who are eligible for ECI services. The MCO must permit Members to self-refer to local ECI Service Providers without requiring a referral from the Member's PCP. The MCOs policies and procedures, including its Provider Manual, must include written policies and procedures for allowing a self-referral to ECI providers.

The MCO will implement the Individual Family Service Plan (IFSP) and other services, including ongoing case management and other Covered Services required by the Member's IFSP. Ongoing case management does not include ECI Targeted Case Management services. The IFSP is an agreement developed by the interdisciplinary team that consists of the MCO, ECI Case Manager/Service Coordinator, the Member/family, and other professionals who participated in the Member's evaluation or are providing direct services to the Member. The interdisciplinary team may include the Member's Primary Care Physician (PCP) with parental consent. The IFSP identifies the Member's present level of development based on assessment, describes the services to be provided to the child to meet the needs of the child and the family, and identifies the person or persons responsible for each service required by the plan. The IFSP must be maintained by the MCO and, with parental consent, provided to the PCP to enhance coordination of the plan of care. The IFSP may be included in the Member's medical record.

The ECI program includes covering medical diagnostic procedures and providing medical records required to perform developmental assessments and developing the IFSP within the 45-day timeline established in federal rule (34 C.F.R. §303.342(a)). The MCO must require compliance with these requirements through Provider contract provisions. The MCO must not withhold authorization for the provision of such medical diagnostic procedures. The MCO must promptly provide relevant medical records available as needed.

The MCO must require, through contract provisions, that all Medically Necessary health and Behavioral Health Services contained in the Member's IFSP are provided to the Member in the amount, duration, scope and service setting established by the IFSP. The MCO must allow services to be provided by an Out-of-Network provider if a Network Provider is not available to provide the services in the amount, duration, scope and service setting as required by the IFSP. The IFSP will serve as authorization for services and the MCO cannot create unnecessary barriers for the Member to obtain IFSP services, including...
requiring prior authorization for the ECI assessment or additional authorization for services. For STAR Members in the Dallas Service Area, Behavioral Health Services will be provided through NorthSTAR and will not be included on the IFSP.

8.1.10 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) - Specific Requirements

The MCO must, by contract, require its Providers to coordinate with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to provide medical information necessary for WIC eligibility determinations, such as height, weight, hematocrit or hemoglobin. The MCO must make referrals to WIC for Members who are potentially eligible for WIC. The MCO may use the nutrition education provided by WIC to satisfy certain health education requirements of the Contract.

8.1.11 Coordination with Texas Department of Family and Protective Services

The MCO must cooperate and coordinate with the Texas Department of Family and Protective Services (TDFPS) for the care of a child who is receiving services from or has been placed in the conservatorship of TDFPS.

The MCO must comply with all provisions related to Covered Services, including Behavioral Health Services, in the following documents:

1. a court order (Order) entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS;
2. a TDFPS Service Plan entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS; and
3. a TDFPS Service Plan voluntarily entered into by the parents or person having legal custody of a Member and TDFPS.

The MCO cannot deny, reduce, or controvert the Medical Necessity of any health or Behavioral Health Services included in the above-referenced Orders of TDFPS Service Plans. The MCO may participate in the preparation of the medical and behavioral care plan prior to TDFPS submitting the health care plan to the Court. Any modification or termination of court-ordered services must be presented and approved by the court having jurisdiction over the matter.

A Member or the parent or guardian whose rights are subject to an Order or TDFPS Service Plan cannot use the MCO’s Complaint or Appeal processes, or the HHSC Fair Hearing process to Appeal the necessity of the Covered Services.

The MCO must include information in its Provider Manuals and training materials regarding:

1. providing medical records to TDFPS;
2. scheduling medical and Behavioral Health Services appointments within 14 days unless requested earlier by TDFPS; and
3. recognition of abuse and neglect, and appropriate referral to TDFPS.

The MCO must continue to provide all Covered Services to a Member receiving services from, or in the protective custody of, TDFPS until the Member has been (1) disenrolled from the MCO due to loss of Medicaid managed care eligibility; or (2) enrolled in STAR Health, HHSC’s managed care program for children in foster care.

8.1.12 Services for People with Special Health Care Needs

8.1.12.1 Identification
The MCO must develop and maintain a system and procedures for identifying Members with Special Health Care Needs (MSHCN), including people with disabilities or chronic or complex medical and behavioral health conditions and Children with Special Health Care Needs (CSHCN). The MCO must contact Members pre-screened by the HHSC Administrative Services Contractor as MSHCN to determine whether they meet the MCO’s MSHCN assessment criteria, and to determine whether the Member requires special services described in this section. The MCO must implement mechanisms to assess each Member that has been prescreened by the Administrative Services Contractor, or identified by the MCO as having special health care needs, in order to identify ongoing special conditions requiring a course of treatment or regular care monitoring. The MCO’s assessment mechanisms must use appropriate health care professionals.

The MCO must provide information to the HHSC Administrative Services Contractor that identifies Members who the MCO has assessed to be MSHCN, including any Members pre-screened by the HHSC Administrative Services Contractor and confirmed by the MCO as a MSHCN. The information must be provided in a format and on a timeline as determined by HHSC. The information must be updated with newly identified MSHCN by the 10th day of each month. In the event that a MSHCN changes MCOs, the MCO must provide the receiving MCO information concerning the results of the MCO’s identification and assessment of that Member’s needs to prevent duplication of those activities.

8.1.12.2 Access to Care and Service Management

Once identified, the MCO must have effective systems to ensure the provision of Covered Services to meet the special preventive, primary Acute Care, and specialty health care needs appropriate for treatment of a Member’s condition(s). All STAR+PLUS Members are considered to be MSHCN. The MCO must provide access to identified PCPs and specialty care Providers with experience serving MSHCN. Such Providers must be board-qualified or board-eligible in their specialty. The MCO may request exceptions from HHSC for approval of traditional providers who are not board-qualified or board-eligible but who otherwise meet the MCO’s credentialing requirements.

For services to CSHCN, the MCO must have Network PCPs and specialty care Providers that have demonstrated experience with CSHCN in pediatric specialty centers such as children’s Hospitals, teaching Hospitals, and tertiary care centers.

The MCO is responsible for working with MSHCN, their health care providers, their families and, if applicable, legal guardians to develop a seamless package of care in which primary, Acute Care, and specialty service needs are met through a Service Plan that is understandable to the Member, and his or her representatives.

The Service Plan includes, but is not limited to, the following:

1. the Member's history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide the services.

The Service Plan should incorporate as a component of the plan the Individual Family Service Plan (IFSP) for members in the Early Childhood Intervention (ECI) Program. The Service Plan may include information regarding non-covered services, such as Non-Capitated Services (see below), community and other resources, and information on how to access affordable, integrated housing.

The MCO is responsible for providing Service Management, developing a Service Plan, and ensuring MSHCN, including CSHCN, have access to treatment by a multidisciplinary team when the Member’s PCP determines the treatment is Medically Necessary, or to avoid separate and fragmented evaluations and service plans. The team must include both physician and non-physician providers that the PCP determines are necessary for the comprehensive treatment of the Member. The team must:

1. participate in Hospital discharge planning;
2. participate in pre-admission Hospital planning for non-emergency Hospitalizations;
3. develop specialty care and support service recommendations to be incorporated into the Service Plan; and
4. provide information to the Member, or when applicable, the Member’s representatives concerning the specialty care recommendations.
MSHCN, their families, legal guardians, or their health providers may request Service Management from the MCO. The MCO must make an assessment of whether Service Management is needed and furnish Service Management when appropriate. The MCO may also recommend to an MSHCN, CSHCN, or their families or legal guardians that Service Management be furnished if the MCO determines that Service Management would benefit the Member.

The MCO must provide information and education in its Member Handbook and Provider Manual about the care and treatment available in the MCO's plan for Members with Special Health Care Needs, including the availability of Service Management.

The MCO must have a mechanism in place to allow Members with Special Health Care Needs to have direct access to a specialist as appropriate for the Member's condition and identified needs, such as a standing referral to a specialty physician. The MCO must also provide MSHCN with access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. §11.900, and Section 8.1.4.2, Primary Care Providers.

The MCO must implement a systematic process to coordinate Non-capitated Services, and enlist the involvement of community organizations that may not be providing Covered Services but are otherwise important to the health and wellbeing of Members. The MCO also must make a best effort to establish relationships with State and local programs and community organizations, such as those listed below, in order to make referrals for MSHCN and other Members who need community services:

1. Community Resource Coordination Groups (CRCGs);
2. Early Childhood Intervention (ECI) Program;
3. local school districts (Special Education);
4. Health and Human Services Commission's Medical Transportation Program (MTP);
5. Texas Department of Assistive and Rehabilitative Services (DARS) Blind Children's Vocational Discovery and Development Program;
6. Texas Department of State Health (DSHS) services, including community mental health programs, Title V Maternal and Child Health, Children with Special Health Care Needs (CSHCN) Programs;
7. other state and local agencies and programs such as food stamps, and the Women, Infants, and Children's (WIC) Program, and Case Management for Children and Pregnant Women; and
8. civic and religious organizations and consumer and advocacy groups, such as United Cerebral Palsy, which also work on behalf of the MSHCN population.

8.1.13 Service Management for Certain Populations

The MCO must have service management programs and procedures for the following populations, as applicable to the MCO:

1. high-cost catastrophic cases;
2. women with high-risk pregnancies (STAR and STAR+PLUS Programs only);
3. individuals with mental illness and co-occurring substance abuse; and
4. Farmworker Children (FWC) (STAR and STAR+PLUS Programs only).

8.1.14 Disease Management (DM)

The MCO must provide or arrange the provision of comprehensive disease management (DM) programs consistent with state and federal statutes and regulations. The program design of these DM programs must focus on the whole person, typically high-risk enrollees with complex chronic or co-morbid conditions rather than traditionally-designed programs with restricted diagnoses or disease silos. These programs must identify enrollees at highest risk of utilization of medical services, tailor interventions to better meet enrollees' needs, encourage provider input in care plan development, and apply clinical evidence-based practice protocols for individualized care.

MCOs must focus their DM programs on 3 main components:
• client self-management;
• provider practice/delivery system design; and
• technological support.

Under client self-management, a client becomes an informed and active participant in the management of physical and mental health conditions and co-morbidities. Under the provider practice/delivery system design approach, medical home providers take an active role in helping their patients make informed healthcare decisions. Technology, such as the use of predictive modeling, helps identify potential program patients and providers.

8.1.14.1 Special Populations

The MCO is also required to have a specialized program for targeting, outreach, education and intervention for Members who have excessive utilization patterns that indicate typical DM approaches are not effective. For the purposes of this contract, this group of Members is called "super-utilizers." The MCO must have the following infrastructure in place to address super-utilizers' needs, using, at a minimum, the following criteria.

1. Methodology for identification of super-utilizers on an ongoing basis, which can be based on cost, utilization of the ER, and utilization of inpatient or pharmacy, services, etc.
2. Resources dedicated to ongoing targeting and identification of super-utilizers such as staff, specialized analytical tools, etc.
3. Staff resources for effective outreach and education of Providers and super-utilizers.
4. Specialized intervention strategies for super-utilizers. The interventions must include an option for in-person interactions with the Member that occur outside of a standard clinical setting. This in-person intervention may be performed by medical care providers or other non-medical providers that are employed by the MCO or are subcontracted with the MCO.
5. Evaluation process to determine effectiveness of super-utilizer program.

On or before December 1, 2013, the MCO must provide its plan for management of super-utilizers including the criteria listed above. HHSC will evaluate the plan and provide feedback to the MCO. Upon HHSC's approval of the plan, each MCO will be retrospectively evaluated on their execution of the written plan, as described in 8.1.14.3. An MCO may use the same plan from year to year; however, if there are changes to the plan, the MCO must submit them to HHSC.

The disease management requirements do not apply to Dual Eligible Members or CHIP Perinate Members.

8.1.14.2 DM and Participating Providers

At a minimum, the MCO must:

1. implement a system for Providers to request specific DM interventions;
2. give Providers information, including differences between recommended prevention and treatment and actual care received by Members enrolled in a DM program, and information concerning such Members' adherence to a service plan; and
3. for Members enrolled in a DM program, provide reports on changes in a Member's health status to his or her PCP.

8.1.14.3 MCO DM Evaluation

HHSC or its EQRO will evaluate the MCO's DM program.

HHSC or its EQRO will also evaluate DM as it relates to specialized populations identified in 8.1.14.1. These evaluations will be on a retrospective basis, and will include an analysis of MCO Encounter Data and other relevant data (e.g., reports). Evaluations could also include interviews with MCO staff that oversee the program as well as identified Providers. Based on HHSC's retrospective evaluation, MCOs may be required to submit a Corrective Action Plan if directed by HHSC.

It is HHSC's intent to hold quarterly collaborative calls or webinars with MCO medical directors to discuss plan implementation, barriers, successful strategies, etc.
8.1.15 Behavioral Health (BH) Network and Services

The requirements in this subsection pertain to all MCOs except: (1) the STAR MCOs in the Dallas Service Area, whose Members receive Behavioral Health Services through the NorthSTAR Program, and (2) the CHIP Perinatal Program MCOs with respect to their Perinate Members (unborn children).

The MCO must provide, or arrange to have provided, to Members all Medically Necessary Behavioral Health (BH) Services as described in Attachments B-2, "STAR Covered Services," B-2.1, "CHIP Covered Services," and B-2.2, "STAR+PLUS Covered Services," All BH Services must comply with the access standards included in Section 8.1.3. For Medicaid MCOs, BH Services are described in more detail in the Texas Medicaid Provider Procedures Manual. When assessing Members for BH Services, the MCO and its Network Behavioral Health Service Providers must use the DSM multi-axial classification in effect at the time of service. HHSC may require use of other assessment instrument/outcome measures in addition to the DSM. Providers must document DSM and assessment/outcome information in the Member's medical record.

8.1.15.1 BH Provider Network

The MCO must maintain a Behavioral Health Services Provider Network that includes psychiatrists, psychologists, and other Behavioral Health Service Providers. To ensure accessibility and availability of qualified Providers to all Members in the Service Area, the Provider Network must include Behavioral Health Service Providers with experience serving special populations among the MCO Program(s)' enrolled population, including, as applicable, children and adolescents, persons with disabilities, the elderly, and cultural or linguistic minorities.

8.1.15.2 Member Education and Self-referral for Behavioral Health Services

The MCO must maintain a Member education process to help Members know where and how to obtain Behavioral Health Services.

The MCO must permit Members to self refer to any Network Behavioral Health Services Provider without a referral from the Member’s PCP. The MCOs' policies and procedures, including its Provider Manual, must include written policies and procedures for allowing such self-referral to Behavioral Health Services.

The MCO must permit Members to participate in the selection of the appropriate behavioral health providers, and must provide the Member with information on accessible Network Providers with relevant experience.

8.1.15.3 Behavioral Health Services Hotline

This Section includes Member Hotline requirements. Requirements for Provider Hotlines are found in Section 8.1.4.7.

The MCO must have an emergency and crisis Behavioral Health Services Hotline staffed by trained personnel 24 hours a day, seven (7) days a week, toll-free throughout the Service Area. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess Behavioral Health emergencies. Emergency and crisis Behavioral Health Services may be arranged through mobile crisis teams. It is not acceptable for an emergency intake line to be answered by an answering machine.

The MCO must operate a toll-free hotline as described in Section 8.1.5.6 to handle Behavioral Health-related calls. The MCO may operate one hotline to handle emergency and crisis calls and routine Member calls. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. Hotline services must meet Cultural Competency requirements and provide linguistic access to all Members, including the interpretive services required for effective communication.

The Behavioral Health Services Hotline may serve multiple MCO Programs if the Hotline staff is knowledgeable about all of the MCO Programs. The Behavioral Health Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all such Service Areas, including the Behavioral Health Provider Network in each Service Area. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no incoming calls receive a busy signal;
3. at least 80% of calls must be answered by toll-free line staff within 30 seconds measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The MCO must monitor the MCO’s performance against the Behavioral Health Services Hotline standards and submit performance reports summarizing call center performance as indicated in Section 8.1.20 and the Uniform Managed Care Manual.

As a component of quality monitoring, HHSC may require the MCO to implement a system where callers are given the option of participating in an automated survey at the end of a call.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Behavioral Health Services Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.15.4 Coordination between the BH Provider and the PCP

The MCO must require, through Provider contract provisions, that PCPs have screening and evaluation procedures for the detection and treatment of, or referral for, any known or suspected Behavioral Health problems and disorders. PCPs may provide any clinically appropriate Behavioral Health Services within the scope of their practice.

The MCO must provide training to Network PCPs on how to screen for and identify behavioral health disorders, the MCO’s referral process for Behavioral Health Services, and clinical coordination requirements for such services. The MCO must include training on coordination and quality of care such as behavioral health screening techniques for PCPs and new models of behavioral health interventions.

The MCO must develop and disseminate policies regarding clinical coordination between Behavioral Health Service Providers and PCPs. The MCO must require that Behavioral Health Service Providers refer Members with known or suspected and untreated physical health problems or disorders to their PCP for examination and treatment, with the Member’s or the Member’s legal guardian’s consent. Behavioral Health Providers may only provide physical Health Care Services if they are licensed to do so. This requirement must be specified in all Provider Manuals.

The MCO must require that behavioral health Providers send initial and quarterly (or more frequently if clinically indicated) summary reports of a Members’ behavioral health status to the PCP, with the Member’s or the Member’s legal guardian’s consent. This requirement must be specified in all Provider Manuals.

8.1.15.5 Follow-up after Hospitalization for Behavioral Health Services

The MCO must require, through Provider contract provisions, that all Members receiving inpatient psychiatric services are scheduled for outpatient follow-up and/or continuing treatment prior to discharge. The outpatient treatment must occur within seven (7) days from the date of discharge. The MCO must ensure that Behavioral Health Service Providers contact Members who have missed appointments within 24 hours to reschedule appointments.

8.1.15.6 Chemical Dependency

The MCO must comply with 28 T.A.C. §3.8001 et seq., regarding utilization review for Chemical Dependency Treatment. Chemical Dependency Treatment must comply with the standards set forth in 28 T.A.C. Part 1, Chapter 3, Subchapter HH.

8.1.15.7 Court-Ordered Services
The MCO must provide inpatient psychiatric services to Members birth through age 20, up to the annual limit, who have been ordered to receive the services by a court of competent jurisdiction under Texas Health and Safety Code Chapters 573 and 574, relating to Court-Ordered Commitments to inpatient mental health facilities. The MCO is not obligated to cover placements as a condition of probation, authorized by the Texas Family Code. These placements are Non-capitated services.

The MCO cannot deny, reduce, or controvert the Medical Necessity of inpatient mental health services provided pursuant to a Court-ordered Commitment for Members birth through age 20. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination.

A Member who has been ordered to receive treatment under Texas Health and Safety Code Chapter 573 or 574 can only Appeal the commitment through the court system.

8.1.15.8 Local Mental Health Authority (LMHA)

The MCO must coordinate with the Local Mental Health Authority (LMHA) and state psychiatric facility regarding admission and discharge planning, treatment objectives and projected length of stay for Members committed by a court of law to the state psychiatric facility.

Medicaid MCOs are required to comply with additional Behavioral Health Services requirements relating to coordination with the LMHA and care for special populations. These Medicaid MCO requirements are described in Section 8.2.8.

8.1.16 Financial Requirements for Covered Services

The MCO must pay for or reimburse Providers for all Medically Necessary Covered Services provided to all Members. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to Members. The MCO is not liable for cost incurred in connection with health care rendered prior to the date of the Member’s Effective Date of Coverage in that MCO.

Coverage under Medicaid and CHIP is secondary to all other insurance coverage. A Member may receive collateral health benefits under a different type of insurance such as workers compensation or personal injury protection under an automobile policy. If a Member is entitled to coverage for specific services payable under another insurance plan and the MCO paid for such Covered Services, the MCO may obtain reimbursement from the responsible insurance entity not to exceed 100% of the value of Covered Services paid. See Sections 8.2.9 and 8.4.5 for additional information regarding coordination of benefits and recoveries from third parties.

8.1.17 Accounting and Financial Reporting Requirements

The MCO’s accounting records and supporting information related to all aspects of the Contract must be accumulated in accordance with Federal Acquisition Regulations (“FAR”), Generally Accepted Accounting Principles (GAAP), Attachment A, ”Uniform Managed Care Contract Terms and Conditions,” and the cost principles contained in the Cost Principles Document in Uniform Managed Care Manual Chapter 6.1. HHSC will not recognize or pay services that cannot be properly substantiated by the MCO and verified by HHSC.

The MCO must:

1. maintain accounting records for each applicable MCO Program separate and apart from other corporate accounting records;
2. maintain records for all claims payments, refunds and adjustment payments to providers, Capitation Payments, interest income and payments for administrative services or functions and must maintain separate records for medical and administrative fees, charges, and payments;
3. ensure and provide access to HHSC and/or its auditors or agents to the detailed records and supporting documentation for all costs incurred by the MCO. The MCO must ensure such access to its Subcontractors, including Affiliates, for any costs billed to or passed to the MCO with respect to an MCO Program;
4. maintain an accounting system that provides an audit trail containing sufficient financial documentation to allow for the reconciliation of billings, reports, and financial statements with all general ledger accounts; and

The MCO agrees to pay for all reasonable costs incurred by HHSC to perform an examination, review or audit of the MCO’s books relating to this Contract.

8.1.17.1 Financial Reporting Requirements

HHSC will require the MCO to provide financial reports by MCO Program and by Service Area to support Contract monitoring as well as State and Federal reporting requirements. All financial information and reports submitted by the MCO become the property of HHSC. HHSC may, at its discretion, release such information and reports to the public at any time and without notice to the MCO. In accordance with state and federal laws regarding Member confidentiality, HHSC will not release any Member-identifying information contained in such reports.

CHIP Perinatal Program data will be integrated into the CHIP Program financial reports. Except for the Financial Statistical Report, no separate CHIP Perinatal Program reports are required. For all other CHIP financial reports, where appropriate, HHSC will designate specific attributes within the CHIP Program financial reports that CHIP MCOs must complete to allow HHSC to extract financial data particular to the CHIP Perinatal Program.

Any data submitted with respect to the required financial reports or filings that is in PDF (or similar file format such as TIF) must be generated in a text-searchable format.

Due dates, content, and formats for the following deliverables and reports may be referenced herein or in **Uniform Managed Care Manual** Chapter 5.0 “Consolidated Deliverables Matrix.”

(a) **Financial-Statistical Report (FSR)** – The MCO must file four (4) quarterly and two (2) annual Financial-Statistical Reports (FSR) for each complete State Fiscal Year, in the format and timeframe specified by HHSC. HHSC will include FSR format and directions in **Uniform Managed Care Manual** Chapter 5.3.1. The MCO must incorporate financial and statistical data of delegated networks (e.g., IPAs, ANHCs, Limited Provider Networks), if any, in its FSR Reports. The FSR is one (1) of the primary financial reports used by HHSC to monitor Contract financial results. It is a modified (HHSC-defined) form of an income statement, with some other elements added. Not all expenses incurred may be included on the FSR.

   All amounts reported in the FSRs must be reported in accordance with **Uniform Managed Care Manual** Chapter 6.1, “Cost Principles for Expenses.” Each FSR must provide amounts by month, with a year-to-date total (based on the SFY, or other Contract period as designated by HHSC). Each successive FSR will show the most current amounts for each month in the SFY; thus, a given month’s amount may change in future FSRs as more claims run-out is experienced for the month. Quarterly FSRs are generally due 30 days after the end of each State Fiscal Quarter. The MCO must transmit these reports electronically, in a locked MS Excel file.

   After the 4th Quarter FSR, the first annual FSR for a given SFY (the “90-day FSR”) must reflect claims run-out and accruals through the 90th calendar day after the end of the Contract Year. This report must be filed on or before the 120th calendar day after the end of the Contract Period. If the MCO has made a pre-tax profit in excess of the thresholds as established in the Contract with respect to the Experience Rebate, then a payment for any amounts to be refunded to HHSC is due in conjunction with filing the 90-day FSR. The second annual report for a given SFY (the “334-day FSR”) must reflect data completed through the 334th calendar day after the end of the Contract Period, and must be filed on or before the 365th calendar day following the end of the Contract Period. The 334-day FSR is routinely audited by HHSC and/or its independent auditors.

   HHSC will post all or part of an FSR on the HHSC website.

   As set forth above, CHIP MCOs are required to submit separate FSRs for the CHIP Perinatal Program, in accordance with **Uniform Managed Care Manual** Chapters 5.3.1.7 and 5.3.1.8.

(b) **Delivery Supplemental Payment (DSP) Report** - The MCO must submit a monthly DSP Report in accordance with **Uniform Managed Care Manual** Chapter 5.3.5. The Report must include only unduplicated deliveries and only deliveries for which the MCO has made a payment to either a Hospital or other provider.

(c) **Claims Lag Report** - The MCO must submit a Claims Lag Report on a quarterly basis, by the last day of the month following the reporting period. The report must disclose the amount of incurred claims each month and the amount paid each
month, on a contract-to-date basis. The report must be submitted in accordance with Uniform Managed Care Manual Chapter 5.6.2.

(d) Third Party Liability and Recovery (TPL/TPR) Report – The MCO must file TPL/TPR Reports in accordance with Uniform Managed Care Manual Chapter 5.3.4. MCOs must submit TPL/TPR reports quarterly, by MCO Program and Service Area. TPL/TPR reports must include total dollars costs avoided, and total dollars recovered from third party payers through the MCO’s coordination of benefits and subrogation efforts during the Quarter.

(e) Report of Legal and Other Proceedings and Related Events - The MCO must comply with the Uniform Managed Care Manual Chapter 5.8, regarding the disclosure of certain matters involving either the MCO, its Affiliates, and/or its Material Subcontractors. Reports are due both on an as-occurs basis and annually each August 31\textsuperscript{st}. The as-occurs report is due no later than 30 days after the event that triggered the notification requirement.

(f) Audit Reports - The MCO must comply with the Uniform Managed Care Manual Chapter 5.3.11 regarding notification and/or submission of certain internal and external audit reports.

(g) Affiliate Report – The MCO must submit an Affiliate Report on an as-occurs basis and annually by August 31\textsuperscript{st} of each year in accordance with the Uniform Managed Care Manual. The “as-occurs” update is due within 30 days of the event that triggered the change. Note that “Affiliate” is a defined term (see Attachment A, "Uniform Managed Care Contract Terms and Conditions").

(h) MCO Disclosure Statement - The MCO must file:
- an updated MCO Disclosure Statement by September 1st of each Contract Year;
- a “change notification” abbreviated version of the report, no later than 30 days after any of the following events:
  - entering into, renewing, modifying, or terminating a relationship with an affiliated party;
  - after any change in control, ownership, or affiliations; or,
  - after any material change in, or need for addition to, the information previously disclosed.

The MCO Disclosure Statement will include, at a minimum, a listing of the MCO’s control, ownership, and any affiliations, and information regarding Affiliate transactions. This report will replace, and be in lieu of, the former “Section 1318 Financial Disclosure Report” and the “Form CMS 1513,” and will disclose the same information, plus other information as may be required by HHSC and/or CMS Program Integrity requirements. Minor quarterly adjustments in stock holdings for publicly-traded corporations are excluded from the reporting requirements. The reporting format is included in the Uniform Managed Care Manual.

(i) TDI Filings – The MCO must provide HHSC with a copy of the following information no later than 30 calendar days after the MCO’s submission to TDI:

- the “Health Annual Statement” and the “Annual Audited Financial Report” including all schedules, attachments, exhibits, supplements, management discussion, supplemental filings, etc., and any other annual financial filings (including any filings that may take the place of the above-named annual financial filings, and any financial filings that occur less frequently than on a quarterly basis);
- the annual figures for controlled risk-based capital; and
- the quarterly financial statements.

Additionally, if the MCO is a foreign carrier (i.e., domiciled in another state), copies of any filings with the National Association of Insurance Commissioners (NAIC), as well as the financial statements filed with the state insurance department in its state of domicile, must be submitted to HHSC no later than 30 calendar days after submission to NAIC or the state of domicile.
Notwithstanding the 30 calendar day deadlines described above, the MCO must notify HHSC if it cannot provide the most recent Annual Statements by March 31\textsuperscript{st} each year, and the Annual Audited Financial Report by June 30\textsuperscript{th} each year. The notice should include an expected submission date.

(i) Registration Statement (also known as the “Form B”) –
With the following exceptions, MCOs must submit a complete state insurance department registration statement, also known as Form B, and all annual and other amendments to this form, and any other related or similar information filed by the MCO with the insurance regulatory authority of its domiciliary jurisdiction. The exceptions to this requirement are those MCOs that are either (i) part of a County Hospital District or other governmental entity, or (ii) a stand-alone entity with no parent or other Affiliates. If the MCO is excepted from the TDI Form B filing requirement, the MCO must demonstrate this and explain the nature of the exemption.

The Form B is filed in three (3) forms: (i) the initial registration; (ii) the annual amendment; and (iii) the every-five-years complete restatement of registration. For purposes herein, the MCO must submit:

1. the complete registration restatement that was due to TDI by approximately May 2010;
2. each annual registration amendment form (which is due to TDI within 120 days of the end of the MCO’s parent’s fiscal year), commencing with the most recent one that the MCO has filed after May 2010;
3. future complete five-year registration re-statements (the first of which will be due to TDI by approximately May 2015); and
4. any other registration statement amendments or re-statements that may be submitted to TDI, per TDI regulations.

If the MCO was not yet subject to TDI requirements with respect to the May 2010 registration re-statement, it must submit its initial registration.

If the MCO anticipates that the registration statement annual amendment form will be filed at some other date than approximately 120 days after the end of the parent’s fiscal year, then the MCO must notify HHSC of the anticipated filing date.

All registration statement submission items herein are due to HHSC by the later of: (i) 30 calendar days after the MCO’s submission of the item to TDI, or (ii) the date identified in this section.

(k) TDI Examination Report - The MCO must furnish HHSC with a full and complete copy of any examination report issued by TDI, including the financial, market conduct, target exam, quality of care components, and corrective action plans and responses. The MCO must submit this information to HHSC no later than 30 calendar days after the MCO receives the final version of the examination report from TDI.

The MCO must furnish HHSC with a copy of any similar examination report issued by a state insurance department in any other states where the MCO operates a Medicaid, CHIP, or other managed care product. These reports are also due no later than 30 calendar days after the MCO receives the final version of the examination report.

Each September 1\textsuperscript{st}, the MCO must notify HHSC of the anticipated date of the next issuance of a state department of insurance financial examination report, unless the last submitted financial examination report is less than two (2) years old. This annual notification should include a list of any other states in which the MCO is potentially subject to such examination reports, or a statement that there are no other states.

(l) Employee Bonus and/or Incentive Payment Plan – If a MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”
Filings with other entities, and other existing financial reports – The MCO must submit an electronic copy of the following reports or filings pertaining to the MCO, or its parent, or its parent’s parent:

1. **SEC Form 10-K.** For publicly-traded (stock-exchange-listed) for-profit corporations, submit the most-recent annual SEC Form 10K filing.

2. **IRS Form 990.** For nonprofit entities, submit the most recent annual IRS Form 990 filing, complete with any and all attachments or schedules. If a nonprofit entity is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.

3. If the MCO is a nonprofit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for the MCO and/or its parent, including all attachments, schedules, and supplements.

4. **Annual Report.** The MCO must submit this report if it is different than or supplementary to the audited financial statements or Form 10-K required herein, and if it is distributed to either shareholders, customers, employees, owner(s), parent, bank or creditor(s), donors, the community, or to any regulatory body or constituents, or is otherwise externally distributed or posted.

5. **Bond or debt rating analysis.** If the MCO or its ultimate parent has been the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most recent complete detailed report from each rating entity that has produced such a report.

All of the above such reports or filings are due to HHSC no later than 30 calendar days after such report is filed or otherwise initially distributed. Each report should include all exhibits, attachments, notes, supplemental data, management letters, auditor letters, etc., and any updates, revisions, clarifications, or supplemental filings. If the reporting entity has a regular required due date for any of the above reports, and receives an extension on the filing deadline, then the MCO should notify HHSC of any such extension and the estimated revised filing date.

### 8.1.18 Management Information System Requirements

The MCO must maintain a Management Information System (MIS) that supports all functions of the MCO’s processes and procedures for the flow and use of MCO data. If the MCO subcontracts a MIS function, the Subcontractor’s MIS must comply with the requirements of this section.

The MCO must have hardware, software, and a network and communications system with the capability and capacity to handle and operate all MIS subsystems for the following operational and administrative areas:

1. Enrollment/Eligibility Subsystem;
2. Provider Subsystem;
3. Encounter/Claims Processing Subsystem;
4. Financial Subsystem;
5. Utilization/Quality Improvement Subsystem;
6. Reporting Subsystem;
7. Interface Subsystem; and
8. TPL/TPR Subsystem, as applicable to each MCO Program.

The MIS must enable the MCO to meet the Contract requirements, including all applicable state and federal laws, rules, and regulations. The MIS must have the capacity and capability to capture and utilize various data elements required for MCO administration.
The MCO must have a system that can be adapted to changes in Business Practices/Policies within the timeframes negotiated by the Parties. The MCO is expected to cover the cost of such systems modifications over the life of the Contract.

The MCO is required to participate in the HHSC Systems Work Group.

The MCO must provide HHSC written notice of major systems changes and implementations no later than 180 days prior to the planned change or implementation, including any changes relating to Material Subcontractors, in accordance with the requirements of this Contract and Attachment A, "Uniform Managed Care Contract Terms and Conditions." HHSC retains the right to modify or waive the notification requirement contingent upon the nature of the request from the MCO.

The MCO must provide HHSC any updates to the MCO’s organizational chart relating to MIS and the description of MIS responsibilities at least 30 days prior to the effective date of the change. The MCO must provide HHSC official points of contact for MIS issues on an ongoing basis.

HHSC, or its agent, may conduct a Systems Readiness Review to validate the MCO’s ability to meet the MIS requirements as described in Section 7, “Transition Phase Requirements.” The System Readiness Review may include a desk review and/or an onsite review and must be conducted for the following events:

1. a new plan is brought into the MCO Program;
2. an existing plan begins business in a new Service Area or a Service Area expansion;
3. an existing plan changes location;
4. an existing plan changes its processing system, including changes in Material Subcontractors performing MIS or claims processing functions; and
5. an existing plan in one (1) or two (2) HHSC MCO Programs is initiating a Contract to participate in any additional MCO Programs.

If HHSC determines that it is necessary to conduct an onsite review, the MCO is responsible for all reasonable travel costs associated with such onsite reviews. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking, and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

If for any reason an MCO does not fully meet the MIS requirements, then the MCO must, upon request by HHSC, either correct such deficiency or submit to HHSC a Corrective Action Plan and Risk Mitigation Plan to address such deficiency. Immediately upon identifying a deficiency, HHSC may impose contractual remedies according to the severity of the deficiency. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 12 and Attachment B-3, “Deliverables/Liquidated Damages Matrix,” for additional information regarding remedies and damages. Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.1.2, “Additional Readiness Reviews and Monitoring Efforts,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.18.1 Encounter Data

The MCO must provide complete Encounter Data for all Covered Services, including Value-added Services. Encounter Data must follow the format and data elements as described in the HIPAA-compliant 837 Companion Guides and Encounter Submission Guidelines. HHSC will specify the method of transmission, the submission schedule, and any other requirements in Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix." The MCO must submit Encounter Data transmissions at least monthly, and include all Encounter Data and Encounter Data adjustments processed by the MCO. Encounter Data quality validation must incorporate assessment standards developed jointly by the MCO and HHSC. The MCO must submit complete and accurate Encounter Data not later than the 30th calendar day after the last day of the month in which the claim was adjudicated. The MCO must make original records available for inspection by HHSC for validation purposes. Encounter Data that does not meet quality standards must be corrected and returned within a time period specified by HHSC.
For reporting claims processed by the MCO and submitted on Encounter 837 and NCPDP format, the MCO must use the procedure codes, diagnosis codes, provider identifiers, and other codes as directed by HHSC. Any exceptions will be considered on a code-by-code basis after HHSC receives written notice from the MCO requesting an exception.

The MCO's Provider Agreements must require Network Providers to comply with the requirements of Texas Government Code § 531.024161, regarding reimbursement of claims based on orders or referrals by supervising providers.

8.1.18.2 MCO Deliverables related to MIS Requirements

At the beginning of each State Fiscal Year, the MCO must submit the following documents and corresponding checklists for HHSC’s review and approval:

1. Disaster Recovery Plan;*
2. Business Continuity Plan;* and

* The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

Additionally, at the beginning of each State Fiscal Year, if the MCO modifies the following documents, it must submit the revised documents and corresponding checklists for HHSC’s review and approval:

1. Joint Interface Plan;
2. Risk Management Plan; and

The MCO must submit plans and checklists in accordance with the Uniform Managed Care Manual Chapter 5.2, “Information Concerning MIS Deliverables;” Chapter 7, “Management Information Systems;” and Chapter 5.0, “Consolidated Deliverables Matrix.” Additionally, if a Systems Readiness Review is triggered by one of the events described in Section 8.1.18, the MCO must submit all of the deliverables identified in this Section 8.1.18.2 in accordance with an HHSC-approved timeline.

The MCO must follow all applicable Joint Interface Plans (JIPs) and all required file submissions for HHSC’s Administrative Services Contractor, External Quality Review Organization (EQRO), and HHSC Medicaid Claims Administrator. The JIPs can be accessed through Uniform Managed Care Manual Chapter 7.1, “Joint Interface Plans (JIP).”

8.1.18.3 System-wide Functions

The MCO’s MIS system must include key business processing functions and/or features, which must apply across all subsystems as follows:

1. process electronic data transmission or media to add, delete or modify membership records with accurate begin and end dates;
2. track Covered Services received by Members through the system, and accurately and fully maintain those Covered Services as HIPAA-compliant Encounter transactions;
3. transmit or transfer Encounter Data transactions on electronic media in the HIPAA format to the contractor designated by HHSC to receive the Encounter Data;
4. maintain a history of changes and adjustments and audit trails for current and retroactive data;
5. maintain procedures and processes for accumulating, archiving, and restoring data in the event of a system or subsystem failure;

6. employ industry standard medical billing taxonomies (procedure codes, diagnosis codes, NDC codes) to describe services delivered and Encounter transactions produced;

7. accommodate the coordination of benefits;

8. produce standard Explanation of Benefits (EOBs) for providers;

9. Pay financial transactions to Network Providers and Out-of-Network providers in compliance with federal and state laws, rules and regulations;

10. ensure that all financial transactions are auditable according to GAAP guidelines;

11. ensure that Financial Statistical Reports (FSRs) comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” with respect to segregating costs that are allowable for inclusion in HHSC-designed financial reports;

12. relate and extract data elements to produce report formats (provided within the Uniform Managed Care Manual) or otherwise required by HHSC;

13. ensure that written process and procedures manuals document and describe all manual and automated system procedures and processes for the MIS; and

14. maintain and cross-reference all Member-related information with the most current Medicaid, or CHIP Program Provider number.

8.1.18.4 Health Insurance Portability and Accountability Act (HIPAA) Compliance

The MCO’s MIS system must comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to the Health Insurance Portability and Accountability Act (HIPAA) of 1996, P.L. 104-191 (August 21, 1996), as amended or modified. The MCO must comply with HIPAA Electronic Data Interchange (EDI) requirements, including the HIPAA-compliant format version. MCO’s enrollment files must be in the 834 HIPAA-compliant format. Eligibility inquiries must be in the 270/271 HIPAA-compliant format, with the exception of pharmacy services. Pharmacies may submit eligibility inquiries in the NCPDP E1 HIPAA-compliant format. Claim transactions for pharmacy services must be in the NCPDP B1/B2 HIPAA-compliant formats; all others must be in the 837/835 HIPAA-compliant format.

The MCO must also be 5010 compliant by January 2012. The following website includes the final rules for 5010 Compliancy and ICD-10 Compliancy: www.cms.hhs.gov/TransactionCodeSetsStands/02_TransactionsandCodeSetsRegulations.asp.

The MCO must provide its Members with a privacy notice as required by HIPAA. The MCO must provide HHSC with a copy of its privacy notice during Readiness Review and any changes to the notice prior to distribution.

8.1.18.5 Claims Processing Requirements

The MCO must process and adjudicate all provider claims for Medically Necessary health care Covered Services that are filed within the timeframes specified in Uniform Managed Care Manual Chapter 2.0, "Claims Manual," and pharmacy claims in that are filed in accordance with the timeframes specified in Uniform Managed Care Manual Chapter 2.2, "Pharmacy Claims Manual." The MCO is subject to contractual remedies, including liquidated damages and interest, if the MCO does not process and adjudicate claims in accordance with the procedures and the timeframes listed in Uniform Managed Care Manual Chapters 2.0 and 2.2.

The MCO must administer an effective, accurate, and efficient claims payment process in compliance with federal laws and regulations, applicable state laws and rules, and the Contract, including Uniform Managed Care Manual Chapters 2.0 and 2.2. In addition, a Medicaid MCO must be able to accept and process provider claims in compliance with the Texas Medicaid Provider Procedures Manual. The MCO and its Subcontractors cannot directly or indirectly charge or hold a Member or Provider responsible for claims adjudication or transaction fees.
The MCO must maintain an automated claims processing system that registers the date a claim is received by the MCO, the detail of each claim transaction (or action) at the time the transaction occurs, and has the capability to report each claim transaction by date and type to include interest payments. The claims system must maintain information at the claim and line detail level. The claims system must maintain adequate audit trails and report accurate claims performance measures to HHSC.

The MCO's claims system must maintain online and archived files. The MCO must keep online automated claims payment history for the most current 18 months. The MCO must retain other financial information and records, including all original claims forms, for the time period established in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 9.01, "Record Retention and Audit." All claims data must be easily sorted and produced in formats as requested by HHSC.

The MCO must offer its Providers/Subcontractors the option of submitting and receiving claims information through electronic data interchange (EDI) that allows for automated processing and adjudication of claims. EDI processing must be offered as an alternative to the filing of paper claims. Electronic claims must use HIPAA-compliant electronic formats.

HHSC reserves the right to require the MCO to receive initial electronic claims through an HHSC-contracted vendor at a future date. This function will allow Providers to send claims to one location, which will then identify where the claim should be submitted. The MCO will be expected to have an interface that allows receipt of these electronic submissions. If HHSC implements this requirement, then the MCO must maintain a mechanism to receive claims in addition to the HHSC claims portal. Providers must be able to send claims directly to the MCO or its Subcontractor.

The MCO must provide a web portal that supports Batch Processing for Network Providers. Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. Specifically in managed care, batch billing is a technique that allows providers to send billing information all at once in a "batch" rather than in separate individual transactions.

The MCO must make an electronic funds transfer (EFT) payment process (for direct deposit) available to Network Providers.

The MCO may deny a claim submitted by a provider for failure to file in a timely manner as provided for in Uniform Managed Care Manual Chapters 2.0 and 2.2. The MCO must not pay any claim submitted by a provider:

1. excluded or suspended from the Medicare, Medicaid, or CHIP programs for Fraud, Abuse, or Waste;
2. on payment hold under the authority of HHSC or its authorized agent(s);
3. with pending accounts receivable with HHSC;
4. for neonatal services provided on or after September 1, 2017, if submitted by a Hospital that does not have a neonatal level of care designation from HHSC; or
5. for maternal services provided on or after September 1, 2019, if submitted by a Hospital that does not have a maternal level of care designation from HHSC.

In accordance with Texas Health and Safety Code § 241.186, the restrictions on payment identified in items 4-5 above do not apply to emergency services that must be provided or reimbursed under state or federal law.

With the following exceptions, the MCO must complete all audits of a provider claim no later than two years after receipt of a clean claim, regardless of whether the provider participates in the MCO's Network. This limitation does not apply in cases of provider Fraud, Waste, or Abuse that the MCO did not discover within the two-year period following receipt of a claim. In addition, the two-year limitation does not apply when the officials or entities identified in Attachment A, Section 9.02(c), conclude an examination, audit, or inspection of a provider more than two years after the MCO received the claim. Finally, the two-year limitation does not apply when HHSC has recovered a capitation from the MCO based on a Member's ineligibility. If an exception to the two-year limitation applies, then the MCO may recoup related payments from providers.

If an additional payment is due to a provider as a result of an audit, the MCO must make the payment no later than 30 days after it completes the audit. If the audit indicates that the MCO is due a refund from the provider, the MCO must send the provider written notice of the basis and specific reasons for the recovery no later than 30 days after it completes the audit. If the provider disagrees with the MCO's request, the MCO must give the provider an opportunity to appeal, and may not attempt to recover the payment until the provider has exhausted all appeal rights.
The MCO's provider agreement must specify that program violations arising out of performance of the contract are subject to administrative enforcement by the Health and Human Services Commission Office of Inspector General (OIG) as specified in 1 Tex. Admin. Code, Chapter 371, Subchapter G.

The MCO is subject to the requirements related to coordination of benefits for secondary payors in the Texas Insurance Code Section 843.349(e-f).

The MCO must notify HHSC of major claim system changes in writing no later than 180 days prior to implementation. The MCO must provide an implementation plan and schedule of proposed changes. HHSC reserves the right to require a desk or onsite Readiness Review of the changes.

The MCO must make available to Providers claims coding and processing guidelines for the applicable provider type. Providers must receive 90 days notice prior to the MCO's implementation of changes to claims guidelines.

8.1.18.6 National Correct Coding Initiative

MCOs must comply with the requirements of Section 6507 of the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), regarding “Mandatory State Use of National Correct Coding Initiatives,” including all applicable rules, regulations, and methodologies implemented as a result of this initiative.

8.1.19 Fraud and Abuse

A MCO is subject to all state and federal laws and regulations relating to Fraud, Abuse, and Waste in health care and the Medicaid and CHIP programs. The MCO must cooperate and assist HHSC and any state or federal agency charged with the duty of identifying, investigating, sanctioning or prosecuting suspected Fraud, Abuse or Waste. In order to facilitate cooperation with the Office of Inspector General (OIG) at HHSC, the MCO must have staff available for Special Investigative Unit (SIU) representation located in the state. The MCO must allow access to premises and provide originals and/or copies of all records and information requested free of charge to the Inspector General for the Texas Health and Human Services System, HHSC or its authorized agent(s), the Centers for Medicare and Medicaid Services (CMS), the U.S. Department of Health and Human Services (DHHS), Federal Bureau of Investigation, the Office of the Attorney General, TDI, or other units of state government.

Each MCO must designate one primary and one secondary contact person for all HHSC OIG records requests. HHSC OIG records requests will be sent to the designated MCO contact person(s) in writing via email, fax or regular mail, and will provide the specifics of the information being requested (see below). The MCO will respond to the appropriate HHSC OIG staff member within the timeframe designated in the request. If the MCO is unable to provide all of the requested information with in the designated timeframe, an extension may be granted and must be request in writing (email) by the MCO no less than two (2) Business Days prior to the due date. When a request for data is provided to the MCO, the MCO's response must include data for all data fields, as available. If any data field is left blank, an explanation must accompany the response. The data must be provided in the order and format requested. The MCO must not include any additional data fields in its response. All requested information must be accompanied by a notarized Business Records Affidavit unless indicated otherwise in HHSC OIG's record request.

The most common requests will include:

- 1099 data and other financial information - three (3) Business Days.
- Claims data for sampling - 5 Business Days.
- Urgent claims data requests - three (3) Business Days (with OIG manager's approval).
- Provider education information - 10 Business Days.
- Files associated with an HMO conducted investigation - 15 Business Days.
- Other time-sensitive requests - as needed.

The MCO must submit a written Fraud and Abuse compliance plan to the HHSC OIG for approval each year. The plan must be submitted 90 days prior to the start of the State Fiscal Year. (See Section 7, Transition Phase Requirements. for requirements regarding timeframes for submitting the original plan.) If an MCO has not made any changes to its plan from the previous year, it may notify the HHSC OIG that: (1) no changes have been made to the previously-approved plan, (2) the plan will remain in place for the upcoming State Fiscal Year. The notification must be signed and certified by an officer or director of the MCO that...
is responsible for carrying out the Fraud and Abuse compliance plan. Upon receipt of a written request from the HHSC OIG, the MCO must submit the complete Fraud and Abuse compliance plan.

The MCO is subject to and must meet all requirements in Section 531.113 of the Texas Government Code, Section 533.012 of the Texas Government Code, Title 1 Texas Administrative Code (TAC), Part 15, Chapter 353, Subchapter F, Rule 353.501-353.505, and Title 1 Texas Administrative Code (TAC), Part 15, Chapter 370, Subchapter F, Rule 370.501-370.505 as well as all laws specified in Attachment A, Section 7.02. Failure to comply with any requirement of 8.1.19 and 8.1.20.2(c) and (d) subjects the MCO to enforcement pursuant to 1 TEX. ADMIN. CODE Chapter 371 Subchapter G in addition to any other legal remedy.

42 C.F.R. § 455.23 requires the State Medicaid agency to suspend all Medicaid payments to a provider after the agency determines there is a credible allegation of fraud for which an investigation is pending under the Medicaid program against an individual or entity unless the agency has good cause to not suspend payments or suspend payment only in part. In Texas, HHSC OIG is responsible for evaluating allegations of fraud and imposing payment suspensions when appropriate. The rules governing payment suspensions based upon pending investigations of credible allegations of fraud apply to Medicaid managed care entities. Managed care capitation payments may be included in a suspension when an individual network provider is under investigation based upon credible allegations of fraud, depending on the allegations at issue.

The MCO is required to cooperate with HHSC OIG when payment suspensions are imposed. When HHSC OIG sends notice that payments to a provider have been suspended, the MCO must also suspend payments to the provider within 1 business day. When such notice is received, the MCO must respond to the notice within 3 business days and inform HHSC OIG of whether the MCO has implemented the suspension.

The MCO must also report all of the following information to HHSC OIG after it suspends payments to the provider: date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, amount of payments held, and, if applicable, the good cause rationale for not suspending payment (for example, the provider is not enrolled in the MCO's network) or imposing a partial payment suspension. If the MCO does not suspend payments to the provider, HHSC may impose contractual or other remedies.

For payment suspensions initiated by the MCO, the MCO must report the following information to HHSC OIG: the nature of the suspected fraud, basis for the suspension, date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, the amount of payments held, and, if applicable, the good cause rationale for imposing a partial payment suspension.

**Additional Requirements for STAR and STAR+PLUS MCOs:**

In accordance with Section 1902(a)(68) of the Social Security Act, STAR and STAR+PLUS MCOs and their Subcontractors that receive or make annual Medicaid payments of at least $5 million must:

1. Establish written policies for all employees, managers, officers, contractors, Subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information about the False Claims Act, administrative remedies for false claims and statements, any state laws about civil or criminal penalties for false claims, and whistleblower protections under such laws, as described in Section 1902(a)(68)(A).
2. Include as part of such written policies detailed provisions regarding the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.
3. Include in any employee handbook a specific discussion of the laws described in Section 1902(a)(68)(A), the rights of employees to be protected as whistleblowers, and the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.

HHSC OIG's Lock-in Program (OIG-LP) restricts, or locks in, a Medicaid Member to a designated provider or pharmacy if it finds that the Member used Medicaid services, including drugs, at a frequency or amount that is duplicative, excessive, contraindicated, or conflicting; or that the Member's actions indicate abuse, misuse, or fraud. The MCO is required to maintain, and provide to OIG upon request, written policies for all employees, managers, officers, contractors, subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information related to the "HHSC OIG Lock-in Program MCO Policies and Procedures" about overutilization of prescription medications.

**8.1.20 General Reporting Requirements**
The MCO must provide and must require its Subcontractors to provide at no cost to the Texas Health and Human Services Commission (HHSC):

1. all information required under the Contract, including but not limited to, the reporting requirements or other information related to the performance of its responsibilities hereunder as reasonably requested by the HHSC; and
2. any information in its possession sufficient to permit HHSC to comply with the Federal Balanced Budget Act of 1997 or other federal or state laws, rules, and regulations. All information must be provided in accordance with the timelines, definitions, formats and instructions as specified by HHSC. Where practicable, HHSC may consult with MCOs to establish timeframes and formats reasonably acceptable to both parties.

Any deliverable or report in Section 8.1.20 without a specified due date is due quarterly on the last day of the month following the end of the reporting period. Where the due date states 30 days, the MCO is to provide the deliverable by the last day of the month following the end of the reporting period. Where the due date states 45 days, the MCO is to provide the deliverable by the 15th day of the second month following the end of the reporting period. (See Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix.")

8.1.20.1 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Statistical Performance Measures

The MCO must provide to HHSC or its designee all information necessary to analyze the MCO's provision of quality care to Members using measures to be determined by HHSC in consultation with the MCO. These measures must be consistent with HEDIS or other externally based measures or measurement sets, and involve collection of information beyond that present in Encounter Data. The Performance Indicator Dashboards, found in Uniform Managed Care Manual Chapter 10.1 provides additional information on the role of the MCO and the EQRO in the collection and calculation of HEDIS, Consumer Assessment of Healthcare Providers and Systems (CAHPS), and other performance measures.

8.1.20.2 Reports

The MCO must provide the following reports, in addition to the Financial Reports described in Section 8.1.17 and the reporting requirements listed elsewhere in the Contract. Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix," includes a list of all required reports, and a description of the format, content, file layout and submission deadlines for each report.

For the following reports, MCO must integrate CHIP Perinatal Program data into CHIP Program reports. With the exception of FSR reporting, separate CHIP Perinatal Program reports generally are not required. Where appropriate, HHSC will designate specific attributes within the CHIP Program reports that the CHIP MCOs must complete to allow HHSC to extract data particular to the CHIP Perinatal population.

(a) Claims Summary Report - The MCO must submit quarterly Claims Summary Reports by MCO Program, Service Area and claim type by the 30th day following the end of the reporting period unless otherwise specified. Claim Types include facility and/or professional services for Acute Care, Behavioral Health, Vision, Pharmacy, and Long Term Services and Supports. Within each claim type, claims data must be reported separately by applicable claim form. The format for the Claims Summary Report is contained in Uniform Managed Care Manual Chapter 5.6.1.

(b) QAPI Program Annual Summary Report - The MCO must submit a QAPI Program Annual Summary in a format and timeframe as specified in Uniform Managed Care Manual Chapter 5.7, "Quality Reports."

(c) Fraudulent Practices Report - Utilizing the HHSC-Office of Inspector General (OIG) fraud referral form, the MCO's assigned officer or director must report and refer all possible acts of Waste, Abuse, or Fraud to the HHSC-OIG within 30 Business Days of receiving the reports of possible acts of Waste, Abuse, or Fraud from the MCO's Special Investigative Unit (SIU). The report and referral must include: an investigative report identifying the allegation, statutes/regulations violated or considered, and the results of the investigation; copies of program rules and regulations violated for the time period in question; copies of any HMO contractual provisions, policies, published HMO program bulletins, policy notification letters, or provider policy or procedure manuals that apply to the alleged conduct for the time period in question; the estimated overpayment identified; a summary of the interviews conducted; the Encounter Data submitted by the provider for the time in question; and all supporting documentation obtained as the result of the investigation. This requirement applies to all reports of possible acts of Waste, Abuse, and Fraud.

Additional reports required by the Office of the Inspector General relating to Waste, Abuse, or Fraud are listed in Uniform Managed Care Manual Chapter 5.5, "Fraud Deliverable/Report Formats."
Provider Termination Report: (CHIP, STAR, and STAR+PLUS) - MCO must submit a quarterly report that identifies any Providers who cease to participate in MCO's Provider Network, either voluntarily or involuntarily. The report must be submitted in the format specified by HHSC, no later than 30 days after the end of the reporting period.

PCP Network & Capacity Report: (CHIP only) - For the CHIP Program, MCO must submit a quarterly report listing all unduplicated PCPs in the MCO's Provider Network. For the CHIP Perinatal Program, the Perinate Newborn Members are assigned PCPs that are part of the CHIP PCP Network. Perinate Members are not assigned PCPs. The report must be submitted in the format specified by HHSC no later than 30 days after the end of the reporting quarter.

Summary Report of Member Complaints and Appeals - The MCO must submit quarterly Member Complaints and Appeals reports. The MCO must include in its reports Complaints and Appeals submitted to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides Member services. The MCO must submit the Complaints and Appeals reports electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified in Uniform Managed Care Manual Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Member Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

Summary Report of Provider Complaints - The MCO must submit Provider complaints reports on a quarterly basis. The MCO must include in its reports complaints submitted by providers to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides provider services. The complaint reports must be submitted electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified by HHSC in Uniform Managed Care Manual Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Provider Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

Hotline Reports - The MCO must submit quarterly status reports of the Member Hotline, the Behavioral Health Services Hotline, and the Provider Hotline performance compared to the performance standards set out in Sections 8.1.4.7, 8.1.5.6, and 8.1.15.3, using the format specified by HHSC in Uniform Managed Care Manual Chapter 5.4.3, "Hotline Reports."

If the MCO is not meeting a hotline performance standard, HHSC may require the MCO to submit monthly hotline performance reports and implement corrective actions until the hotline performance standards are met. If a MCO has a single hotline serving multiple Service Areas, multiple MCO Programs, or multiple hotline functions, (i.e. Member, Provider, Behavioral Health Services hotlines), HHSC may request on an annual basis that the MCO submit certain hotline response information by MCO Program, Service Area, and hotline function, as applicable to the MCO. HHSC may also request additional hotline information if a MCO is not meeting a hotline performance standard.

Historically Underutilized Business (HUB) Reports - Upon contract award, the MCO must attend a post award meeting, which will be scheduled by the HHSC HUB Program Office, to discuss the development and submission of a HUB Subcontracting Plan (HSP) Progress Assessment Report (PAR) for the inclusion of HUBs. The MCO must maintain its original HSP and submit monthly PAR reports documenting the MCO's good faith effort to comply with the originally submitted HSP. The report must be in the format included in Uniform Managed Care Manual Chapter 5.4.4.4 for the HUB monthly reports. The MCO must comply with the HUB Program's HSP and PAR requirements for all Subcontractors.

Medicaid Managed Care Texas Health Steps Medical Checkups Reports - Medicaid MCOs must submit reports identifying the number of New Members and Existing Members receiving Texas Health Steps medical checkups, or refusing to obtain the medical checkups. Medicaid MCOs must also document and report those Members refusing to obtain the medical checkups. The documentation must include the reason the Member refused the checkup or the reason the checkup was not received.

The definitions, timeframe, format, and details of the reports are contained and described in Uniform Managed Care Manual Chapters 12.4, 12.5, and 12.6.
(k) **Children of Migrant Farm Workers Annual Plan** - Medicaid MCOs must submit an annual plan in the timeframe and format described in **Uniform Managed Care Manual** Chapters 12.1 and 12.2 that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers (FWC).

(l) **Children of Migrant Farm Workers Annual Report (FWC Annual Report)** - Medicaid MCOs must submit an annual report, in the timeframe and format described in **Uniform Managed Care Manual** Chapters 12.1, 12.3, 12.25, and 12.26 about the identification of and delivery of services to Children of Migrant Farm Workers (FWC).

(m) **Frew Quarterly Monitoring Report** - Each calendar year quarter, HHSC prepares a report for the court that addresses the status of the Consent Decree paragraphs of the Frew v. Janek lawsuit. Medicaid MCOs must prepare responses to questions posed by HHSC on the Frew Quarterly Monitoring Report template. The timeframe, format, and details of the report are set forth in **Uniform Managed Care Manual** Chapter 12.

(n) **Frew Annual Provider Training Report** - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must compile a summary of the training health care and pharmacy providers receive throughout the year for the October Quarterly Monitoring Report for the court. Medicaid MCOs must report to HHSC health care and pharmacy provider training conducted throughout the year to be included in this report. The training report must include, at a minimum, the number of Medicaid enrolled healthcare and pharmacy providers that received the training and a description of provider feedback received on the subject matter and methodology of the training. The timeframe, format, and details of the report are contained and described in **Uniform Managed Care Manual** Chapter 12.

(o) **Frew Provider Recognition Report** - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must recognize Medicaid enrolled healthcare and pharmacy providers who complete Frew, Texas Health Steps, and/or pharmacy benefit education training. Medicaid MCOs must collect and track provider training recognition information for all Frew, Texas Health Steps, and/or pharmacy benefit education trainings conducted and report the names of those Medicaid enrolled healthcare and pharmacy providers who consent to being recognized to HHSC quarterly. The timeframe, format, and details of the report are contained and described in **Uniform Managed Care Manual** Chapter 12.

(p) **Medicaid Disproportionate Share Hospital (DSH) Reports** - Medicaid MCOs must file preliminary and final Medicaid DSH Reports so that HHSC can identify and reimburse Hospitals that qualify for Medicaid DSH funds. The preliminary and final DSH Reports must include the data elements and be submitted in the form and format specified by HHSC in **Uniform Managed Care Manual** Chapter 5.3.9, "Disproportionate Share Hospital Report." The preliminary DSH Reports are due on or before March 1 of the year following the federal fiscal reporting year. The final DSH Reports are due no later than April 1 of the year following the federal fiscal reporting year.

(q) **Out-of-Network Utilization Reports** - The MCO must file quarterly Out-of-Network Utilization Reports in accordance with **Uniform Managed Care Manual** Chapter 5.3.8, "Out Of Network (OON) Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(r) **Drug Utilization Review (DUR) Reports** - MCOs must submit the DUR reports in accordance with the requirements of HHSC's Uniform Managed Care Manual.

(s) **Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports** - For each State Fiscal Quarter, Medicaid MCOs must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups. The time frame, format, and details of the report are contained and described in **Uniform Managed Care Manual** Chapter 12.

(t) **STAR+PLUS Long Term Services and Supports (LTSS) Utilization Quarterly Reports** - The STAR+PLUS MCO must file quarterly LTSS Utilization Reports in accordance with **Uniform Managed Care Manual** Chapter 5.4.5.1, "STAR+PLUS LTSS Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(u) **Service Coordination Report** - STAR+PLUS MCOs must submit annual reports regarding the number and types of visits conducted by Service Coordinators, as described in the Uniform Managed Care Manual. The reports are due 30 days after the end of each State Fiscal Year.

### 8.1.21 Pharmacy Services

The MCO must provide pharmacy-dispensed prescriptions as a Covered Service.
The MCO must submit pharmacy clinical guidelines and prior authorization policies and for review and approval during Readiness Review, then after the Operational Start Date prior to any changes. In determining whether to approve these materials, HHSC will review factors such as the clinical efficacy and Members' needs.

The MCO must allow pharmacies to fill prescriptions for covered drugs ordered by any licensed provider regardless of Network participation and must encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO is responsible for negotiating reasonable pharmacy provider reimbursement rates, including individual MCO maximum allowable cost (MAC) rates, as described in Section 8.1.21.11, "Maximum Allowable Cost Requirements." The MCO must ensure that, as an aggregate, rates comply with 42 C.F.R. Part 50, Subpart E, regarding upper payment limits.

8.1.21.1 Formulary and Preferred Drug List

The MCO must provide access to covered outpatient drugs and biological products through formularies and a preferred drug list (PDL) developed by HHSC. HHSC will maintain separate Medicaid and CHIP formularies, and a Medicaid PDL. The MCO must administer the PDL in a way that allows access to all non-preferred drugs that are on the formulary through a structured PA process.

The MCO must educate Network Providers about how to access HHSC's formularies and the Medicaid PDL on HHSC's website. In addition, no later than November 1, 2013, the MCO must allow Network Providers access to the formularies and Medicaid PDL through a free, point-of-care web-based application accessible on smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs, Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly.

8.1.21.2 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies

The MCO must adopt PA policies and procedures that are consistent with Section 8.1.8.1, "Compliance with State and Federal Prior Authorization Requirements."

The MCO must adhere to HHSC's PDL for Medicaid. Preferred drugs must adjudicate as payable without PA, unless they are subject to Clinical Edits. HHSC will identify Clinical Edits that the MCO must implement on the Vendor Drug Program website, and HHSC approval is required for all other Clinical Edit policies and any revisions. HHSC will respond to Clinical Edit approval requests within 30 calendar days. If a requested drug is subject to more than one edit (e.g., the drug is both non-preferred and subject to a Clinical Edit), the MCO must process all edits concurrently.

HHSC's Medicaid PA, PDL, Clinical Edit, and other policies for the fee-for-service Vendor Drug Program are available on HHSC's Vendor Drug Program website at http://www.txvendordrug.com/index.shtml. HHSC's website also includes exception criteria for each drug class included on HHSC's Medicaid PDL. These exception criteria describe the circumstances under which a non-preferred drug may be dispensed without a PA. If HHSC modifies the policies described above on the Vendor Drug Program website, HHSC will notify MCOs.

The MCO may require a prescriber's office to request a PA as a condition of coverage or pharmacy payment if the PA request is approved or denied within 24 hours of receipt. If a prescription cannot be filled when presented to the pharmacist due to a PA requirement and the prescriber's office cannot be reached, then the MCO must instruct the pharmacy to dispense a 72-hour emergency supply of the prescription. The pharmacy is not required to dispense a 72-hour supply if the dispensing pharmacist determines that taking the prescribed medication would jeopardize the Member's health or safety, and he or she has made good faith efforts to contact the prescriber. The pharmacy may fill consecutive 72-hour supplies if the prescriber's office remains unavailable. The MCO must reimburse the pharmacy for dispensing the temporary supply of medication.

The MCO must provide access to a toll-free call center for prescribers to call to request a PA for non-preferred drugs or drug that are subject to Clinical Edits. If the prescriber's office calls the MCO's PA call center, the MCO must provide a PA approval or denial immediately. For all other PA requests, the MCO must notify the prescriber's office of a PA denial or approval no later than 24 hours after receipt. If the MCO cannot make a timely PA determination, the MCO must allow the Member to receive a sufficient supply (e.g., a 72-hour supply) of the medication pending resolution of the PA request.

The MCO's PA system must accept PA requests from prescribers that are sent electronically, by phone, fax, or mail. The MCO may not charge pharmacies for PA transaction, software, or related costs for processing PA requests.
If the MCO or its PBM operates a separate call center for PA requests, the PA call center must meet the provider hotline performance standards set forth in Section 8.1.4.7, "Provider Hotline." The MCO must train all PA, provider hotline, and pharmacy call center staff on the requirements for dispensing 72-hour emergency supplies of medication.

The MCO may not require a PA for any drug exempted from PA requirements by federal law.

For drug products purchased by a pharmacy through the Health Resources Services Administration (HRSA) 340B discount drug program, the MCO may only impose Clinical Edit PA requirements. These drugs must be exempted from all PDL PA requirements.

A provider may appeal PA denials on a Member's behalf, in accordance with Sections 8.2.6 (Medicaid) and 8.4.2 (CHIP).

If a Member changes Medicaid or CHIP health plans, the MCO must provide the new health plan information about the Member's PA and medication history at no cost and upon request. The MCO, in consultation with HHSC, will develop a standard process and timeline for implementing a standard format for sharing member medication and PA history. HHSC expects the former MCO to respond with the requested information within 72-hours of the new MCO's request.

8.1.21.3 Coverage Exclusions

In accordance with 42 U.S.C. § 1396r-8, the MCO must exclude coverage for any drug marketed by a drug company (or labeler) that does not participate in the federal drug rebate program. The MCO is not permitted to provide coverage for any drug product, brand name or generic, legend or non-legend, sold or distributed by a company that did not sign an agreement with the federal government to provide Medicaid rebates for that product.

8.1.21.4 DESI Drugs

The MCO must not provide coverage under any circumstances for drug products that have been classified as less-than-effective by the Food and Drug Administration (FDA) Drug Efficacy Study Implementation (DESI).

8.1.21.5 Pharmacy Rebate Program

Under the provisions of, 42 U.S.C. §1396r-8, drug companies that wish to have their products covered through the Texas Medicaid Program must sign an agreement with the federal government to provide the pharmacy claims information that is necessary to return federal rebates to the state.

The MCO is not authorized to negotiate rebates with drug companies for preferred pharmaceutical products. HHSC or its designee will negotiate rebate agreements. If the MCO or its PBM has an existing rebate agreement with a manufacturer, all Medicaid and CHIP outpatient drug claims, including provider-administered drugs, must be exempt from such rebate agreements. The MCO must include National Drug Codes (NDCs) on all encounters for outpatient drugs and biological products, including physician-administered drugs.

The MCO must implement a process to timely support HHSC's Medicaid and CHIP rebate dispute resolution processes.

a. The MCO must allow HHSC or its designee to contact Network pharmacy Providers to verify information submitted on claims, and upon HHSC's request, assist with this process.

b. The MCO must establish a single point of contact where HHSC's designee can send information or request clarification.

c. HHSC will notify the MCO of claims submitted with incorrect information. The MCO must correct this information on the next scheduled pharmacy encounter data transmission.

8.1.21.6 Drug Utilization Review Program

The MCO must have a process in place to conduct prospective and retrospective utilization review of prescriptions that is consistent with Medicare Part D drug utilization review standards (see 42 C.F.R. § 423.153). Prospective review should take place at the dispensing pharmacy's point-of-sale (POS). The prospective review at the POS should compare the prescribed medication against previous drug history for drug-to-drug, interactions, ingredient duplication, therapeutic duplication, age or
gender contraindications, drug-allergy contraindications, overutilization or underutilization, incorrect dosage, and high dose situations. The MCO's retrospective review should monitor prescriber and contracted pharmacies for outlier activities. Retrospective reviews should also determine whether services were delivered as prescribed and consistent with the MCO's payment policies and procedures. The MCO must provide a summary of the quarterly retrospective reviews, including outcomes, as described in UMCM Chapter 5.13.1, "MCO Drug Utilization Review (DUR) Quarterly Report Template."

Prior to the Operational Start Date, HHSC will transmit a file with up to one year of medication history for Members with recent Medicaid eligibility, moving from the fee-for-service program. Outgoing MCOs will transfer this data for members moving to a new MCO.

8.1.21.7 Pharmacy Benefit Manager (PBM)

The MCO must use a PBM to process prescription claims.

The MCO must identify the proposed PBM and the ownership of the proposed PBM. If the PBM is owned wholly or in part by a retail pharmacy provider, chain drug store or pharmaceutical manufacturer, the MCO will submit a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information. The MCO must provide a plan documenting how it will monitor these Subcontractors. These assurances and procedures must be submitted for HHSC's review during Readiness Review (see Section 7, "Transition Phase Requirements") then prior to initiating any PBM Subcontract after the Operational Start Date.

The MCO must ensure its subcontracted PBM follows all pharmacy-related Contract, UMCM, state, and federal law requirements related to the provision of pharmacy services.

8.1.21.8 Financial Disclosures for Pharmacy Services

The MCO must disclose all financial terms and arrangements for remuneration of any kind that apply between the MCO and any prescription drug manufacturer or labeler, including formulary management, drug-switch programs, educational support, claims processing, pharmacy network fees, data sales fees, and any other fees. Article 9 of Attachment A, "Uniform Managed Care Contract Terms and Conditions," provides HHSC with the right to audit this information at any time. HHSC agrees to maintain the confidentiality of information disclosed by the MCO pursuant to this section, to the extent that the information is confidential under state or federal law.

8.1.21.9 Limitations Regarding Registered Sex Offenders

HHSC's Medicaid and CHIP formularies do not include sexual performance enhancing medications. If these medications are added to the Medicaid or CHIP formulary, then the MCO must comply with the requirements of Texas Government Code §531.089 prohibiting the provision of sexual performance enhancing medication to persons required to register as sex offenders under Chapter 62, Texas Code of Criminal Procedure.

8.1.21.10 Specialty Drugs

The MCO must develop policies and procedures for reclassifying prescription drugs from retail to specialty drugs for purposes of entering into selective contracting arrangements for specialty drugs. The MCO's policies and procedures must comply with 1 Tex. Admin. Code § 353.905 and § 354.1853 and include processes for notifying Network Pharmacy Providers.

8.1.21.11 Maximum Allowable Cost Requirements

The MCO must develop maximum allowable cost (MAC) prices and lists that comply with state and federal laws, including Texas Government Code § 533.005(a)(23)(K). To place an outpatient drug on a MAC list, the MCO must ensure that:

- the drug is listed as "A" or "B" rated in the most recent version of the United States Food and Drug Administration's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book, has an "NR" or "NA" rating or similar rating by a nationally recognized reference; and
- the drug is generally available for purchase by pharmacies in Texas from national or regional wholesalers and is not obsolete.
The MCO cannot set a MAC on a drug that is both preferred on HHSC’s PDL and a brand name drug.

The MCO must provide a Network pharmacy the sources used to determine the MAC pricing at contract execution, renewal, and upon request. When determining MAC prices, the MCO may only compare drugs listed as therapeutically equivalent in the most recent version of the Orange Book to formulate the MAC price.

The MCO must review and update MAC prices at least once every seven days to reflect any modifications of MAC pricing, and establish a process for eliminating products from the MAC list or modifying MAC prices in a timely manner to remain consistent with pricing changes and product availability in the Service Area.

The MCO must implement a process for allowing Network pharmacies to challenge a MAC price no later than September 1, 2013. The MCO must submit the process for HHSC’s review and approval prior to implementation and modification. The MCO must respond to a challenge by the 15th day after it is made. If the challenge is successful, the MCO must adjust the drug price, effective on the date the challenge is resolved, and apply the new price to all similarly situated Network pharmacies, as appropriate and determined by the MCO. If the challenge is denied, the MCO must provide the pharmacy the reasons for the denial. The MCO must provide a quarterly report regarding MAC price challenges in the manner and format specified in the UMCM.

No later than March 1, 2014, the MCO must implement a process that allows a Network pharmacy to readily access the pharmacy's MAC price through a website. The MCO must submit the process for HHSC’s review and approval prior to implementation and modification. As described in Texas Government Code § 533.005(a-2), a MAC price list that is specific to a Network pharmacy is confidential for all other purposes.

The MCO must inform HHSC no later than 21 days after implementing a MAC price list for drugs dispensed at retail pharmacies but not by mail.

8.1.21.12 Mail-Order and Delivery

The MCO may include mail-order pharmacies in its pharmacy Network, but cannot require Members to use a mail-order pharmacy. The MCO cannot charge a Member who opts to use a mail order pharmacy any fees for using this service, including postage or handling for standard or expedited deliveries.

In Medicaid fee-for-service, the Vendor Drug Program pays qualified community retail pharmacies for pharmaceutical delivery services. The MCO must implement a process to ensure that Medicaid and CHIP Members receive free outpatient pharmaceutical deliveries from community retail pharmacies in their Service Areas, or through other methods approved by HHSC. Mail order delivery is not an appropriate substitute for delivery from a qualified community retail pharmacy unless requested by the Member. The MCO's process must be approved by HHSC, submitted using HHSC's template, and include all qualified community retail pharmacies identified by HHSC.

8.1.21.13 Health Resources and Services Administration 340B Discount Drug Program

The MCO must use a shared-savings approach for reimbursing Network Providers that participate in the federal Health Resources and Services Administration's (HRSA's) 340B discount drug program. The MCO cannot require a Network Provider to submit its actual acquisition cost (AAC) on outpatient drugs and biological products purchased through the 340B program, consistent with UMCM Chapter 2.2, "Pharmacy Claims Manual." In addition, the MCO cannot impose PA requirements based on non-preferred status ("PDL PAs") for these drugs and products.

8.1.21.14 Pharmacy Claims and File Processing

The MCO must process claims in accordance with UMCM Chapter 2.2, "Pharmacy Claims Manual," and Texas Insurance Code § 843.339. This law requires the MCO to pay clean claims that are submitted electronically no later than 18 days after adjudication, and no later than 21 days after adjudication if the claim is not submitted electronically. In addition, the MCO must comply with Sections 8.2.1 (Medicaid) and 8.4.3 (CHIP) regarding payment of out-of-network pharmacy claims.

HHSC will provide the MCO or its designee with pharmacy interface files, including formulary, PDL, third party liability, master provider, and drug exception files. The MCO must ensure all applicable MIS systems (including pharmacy claims
adjudication systems) are updated to include the data provided in the pharmacy interface files within one calendar day. Additionally, the MCO must be able to perform off-cycle formulary and PDL updates at HHSC’s request.

Due to the point-of-sale nature of outpatient pharmacy benefits, the MCO must ensure that all enrollment and eligibility files in the Joint Interface Plan are loaded into the pharmacy claims adjudication system within two calendar days of receipt.

8.1.21.15 Pharmacy Audits

The MCO must comply with the requirements of Texas Insurance Code § 843.3401, regarding audits of pharmacists and pharmacies, including the prohibition on the use of extrapolation.

8.1.21.16 E-Prescribing

The MCO must provide the appropriate data to the national e-prescribing network, which at a minimum will support: eligibility confirmation, PDL benefit confirmation, identification of preferred drugs that can be used in place of non-preferred drugs ("alternative drugs"), medication history, and prescription routing.

8.1.22 Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)

The MCO must make reasonable efforts to include FQHCs and RHCs (freestanding and Hospital-based) in its Provider Network. If a Member visits an FQHC or RHC (or a Municipal Health Department’s public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must pay full encounter rates to FQHCs and RHCs for Medically Necessary Covered Services provided to Medicaid and CHIP Members using the prospective payment methodology described in Sections 1902(bb) and 2107(e)(1) of the Social Security Act. Because the MCO is responsible for the full payment amount in effect on the date of service, HHSC cost settlements (or "wrap payments") will not apply.

8.1.23 Payment by Members.

Except as provided in Section 8.1.23.1, MCOs, Network Providers, and Out-of-Network Providers are prohibited from billing or collecting any amount from a Member for Covered Services. MCOs must inform Members of their responsibility to pay the costs for non-covered services, and must require its Network Providers to:

1. inform Members of costs for non-covered services prior to rendering such services; and

2. obtain a signed private pay form from such Members.

8.1.23.1 Cost Sharing

CHIP Network Providers and Out-of-Network Providers may collect copayments authorized in the CHIP State Plan from CHIP Members.

CHIP families that meet the enrollment period cost share limit requirement must report it to the HHSC Administrative Services Contractor. The HHSC Administrative Service Contractor notifies the MCO that a family’s cost share limit has been reached. Upon notification from the HHSC Administrative Services Contractor that a family has reached its cost-sharing limit for the term of coverage, the MCO will generate and mail to the CHIP Member a new Member ID card within five calendar days, showing that the CHIP Member’s cost-sharing obligation for that term of coverage has been met. No cost-sharing may be collected from these CHIP Members for the balance of their term of coverage.
Providers are responsible for collecting all Member copayments at the time of service. Copayments that families must pay vary according to their income level.

Copayments do not apply, at any income level, to Covered Services that qualify as well-baby and well-child care services, preventive services, or pregnancy-related services as defined by 42 C.F.R. §457.520 and SSA § 2103(e)(2).

Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the copayments outlined in the CHIP Cost Sharing Table in Uniform Managed Care Manual Chapter 6.3, “CHIP Cost Sharing,” are the only amounts that an MCO may impose and a provider may collect from a CHIP-eligible family. As required by 42 C.F.R. §457.515, this includes, without limitation, Emergency Services that are provided at an Out-of-Network facility. Cost sharing for such Emergency Services is limited to the copayment amounts set forth in the CHIP Cost Sharing Table. If the MCO would have paid a lesser amount than the CHIP copayment in the absence of a CHIP copayment, then the copayment amount will be capped at the lesser amount.

Federal law prohibits charging premiums, deductibles, coinsurance, copayments, or any other cost-sharing to Members of Native Americans or Alaskan Natives. The HHSC Administrative Services Contractor will notify the MCO of Members who are not subject to cost sharing requirements. The MCO is responsible for educating Providers regarding the cost sharing waiver for this population.

An MCO’s monthly Capitation Payment will not be adjusted for a family’s failure to make its CHIP premium payment. There is no relationship between HHSC’s Capitation Payment to the MCO for coverage provided during a month and the family’s payment of its CHIP premium obligation for that month.

Cost sharing does not apply to CHIP Perinatal Program Members. The exemption from cost sharing applies through the end of the enrollment period.

As of the Effective Date of the Contract, cost sharing does not apply to Medicaid Members. If HHSC implements cost-sharing for Medicaid Members after the Effective Date of this Contract, the requirements of this section will apply, and HHSC will amend the Uniform Managed Care Manual to include Medicaid Cost Sharing Tables. Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the Medicaid copayments outlined in the Uniform Managed Care Manual will be the only amounts that an MCO may impose and a provider may collect from a Medicaid-eligible family.

8.1.24 Immunizations

The MCO must educate Providers on the Immunization Standard Requirements set forth in Chapter 161, Health and Safety Code; the standards in the Advisory Committee on Immunization Practices (ACIP) Immunization Schedule; the AAP Periodicity Schedule for CHIP Members; and the ACIP Immunization Schedule for Medicaid Members. The MCO must educate Providers that Medicaid Members birth through age 20 must be immunized during the Texas Health Steps checkup according to the ACIP routine immunization schedule. The MCO shall also educate Providers that the screening provider is responsible for administration of the immunization and should not refer children to Local Health Departments to receive immunizations.

The MCO must educate Providers about, and require Providers to comply with, the requirements of Chapter 161, Health and Safety Code, relating to the Texas Immunization Registry (ImmTrac), to include parental consent on the Vaccine Information Statement.

The MCO must notify Medicaid and CHIP Providers that they may enroll, as applicable, as Texas Vaccines for Children Providers. In addition, the MCO must work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry.

8.1.25 Dental Coverage

The MCO is not responsible for reimbursing dental providers for preventive and therapeutic dental services obtained by Medicaid or CHIP Members, with the exception of the dental services available to STAR+PLUS Members in the enrolled in the HCBS STAR+PLUS Waiver. However, medical and/or Hospital charges, such as anesthesia, that are necessary in order for
Medicaid or CHIP Members to access standard therapeutic dental services, are Covered Services for Medicaid or CHIP Members. The MCO must provide access to facilities and physician services that are necessary to support the dentist who is providing dental services to a Medicaid or CHIP Member under general anesthesia or intravenous (IV) sedation.

The MCO must inform Network facilities, anesthesiologists, and PCPs what authorization procedures are required, and how Providers are to be reimbursed for the preoperative evaluations by the PCP and/or anesthesiologist and for the facility services. For dental-related medical Emergency Services, the MCO must reimburse Network and Out-of-Network providers in accordance with federal and state laws, rules, and regulations.

8.1.26 Health Home Services

The MCO must provide Health Home Services. The MCOs must include a designated Provider to serve as the health home. The designated provider must meet the qualifications as established by the U.S. Secretary of Health and Human Services. The designated provider may be a provider operating with a team of health professionals, or a health team selected by the enrollee. The Health Home Services must be part of a person-based approach and holistically address the needs of persons with multiple chronic conditions or a single serious and persistent mental or health condition.

Health Home Services must include:

1. patient self-management education;
2. provider education;
3. evidence-based models and minimum standards of care;
4. standardized protocols and participation criteria;
5. provider-directed or provider-supervised care;
6. a mechanism to incentivize providers for provision of timely and quality care;
7. implementation of interventions that address the continuum of care;
8. mechanisms to modify or change interventions that are not proven effective;
9. mechanisms to monitor the impact of the Health Home Services over time, including both the clinical and the financial impact.
10. comprehensive care management;
11. care coordination and health promotion;
12. comprehensive traditional care, including appropriate follow-up, from inpatient to other settings;
13. patient and family support (including authorized representatives);
14. referral to community and social support services, if relevant, and;
15. use of health information technology to link services, as feasible and appropriate.

The Health Home Services requirements do not apply to Dual Eligible Members unless HHSC enters into a Dual Eligible Demonstration Project with the CMS. Under a demonstration project, STAR+PLUS MCOs will be required to coordinate health home initiatives with their affiliated Medicare Advantage/Special Needs Plans.

8.1.26.1 Health Home Services and Participating Providers

HHSC encourages MCOs to develop provider incentive programs for designated Providers who meet the requirements for patient-centered medical homes found in Texas Government Code §533.0029.

At a minimum, the MCO must:

1. maintain a system to track and monitor all Health Home Services participants for clinical, utilization, and cost measures;
2. implement a system for Providers to request specific Health Home interventions;
3. inform Providers about differences between recommended prevention and treatment and actual care received by Members enrolled in a Health Home Services program and Members' adherence to a service plan; and
4. provide reports on changes in a Member's health status to his or her PCP for Members enrolled in a Health Home Services program.

8.1.26.2 MCO Health Home Services Evaluation

HHSC or its EQRO will evaluate the MCO's Health Home Services program.

8.1.27 Cancellation of Product Orders
If a Network Provider offers delivery services for covered products, such as durable medical equipment (DME), home health supplies, or outpatient drugs or biological products, then the MCO’s Network Provider Agreement must require the Provider to reduce, cancel, or stop delivery at the Member’s or the Member's authorized representative's written or oral request. The Provider must maintain records documenting the request.

### 8.2 Additional Medicaid MCO Scope of Work

The following provisions apply to any MCO participating in the STAR or STAR+PLUS MCO Program.

#### 8.2.1 Continuity of Care and Out-of-Network Providers

The MCO must ensure that the care of newly enrolled Members is not disrupted or interrupted. The MCO must take special care to provide continuity in the care of newly enrolled Members whose health or behavioral health condition has been treated by specialty care providers or whose health could be placed in jeopardy if Medically Necessary Covered Services are disrupted or interrupted. See Section 8.1.14, “Disease Management/Health Home Services,” for specific requirements for new Members transferring to the MCO’s Disease Management/Health Home Service Program.

The MCO is required to ensure that Expansion Service Area clients receiving acute care services through a prior authorization as of the STAR and STAR+PLUS Operational Start Date receive continued authorization of those services for the shorter of: (1) 90 calendar days after Operational Start Date, or (2) until the expiration date of the prior authorization. The MCO is also required to ensure that Expansion Service Area clients receiving Community-based Long Term Care Services as of the STAR+PLUS Operational Start Date receive continued authorization of those services for up to six (6) months after the Operational Start Date, unless a new assessment has been completed and new authorizations issued as described in Section 8.3.4. During transition, an HHSC’s Administrative Services Contractor or an HHS Agency will provide the MCO with files identifying clients with prior authorizations for acute care services and clients receiving Community-based Long Term Care Services. The MCO is required to work with HHSC, its Administrative Services Contractor, and DADS to ensure that all necessary authorizations are in place within the MCO’s system(s) for the continuation of Community-based Long Term Care Services and prior authorized acute care services. The MCO must describe the process it will use to ensure continuation of these services in its Transition/Implementation Plan for the Expansion Service Areas as noted in Section 7.3.1.1 Contract Start-Up and Planning. The MCO is also required to ensure that Community-based Long Term Care Services Providers in the Expansion Service Areas are educated about and trained regarding the process for continuing such services prior to the Operational Start Date (see Section 8.3.6.1).

As described in Section 8.1.3.2, the MCO must allow pregnant Members past the 24th week of pregnancy to remain under the care of the Member’s current OB/GYN through the Member’s postpartum checkup, even if the provider is Out-of-Network. If a Member wants to change her OB/GYN to one who is in the Network, she must be allowed to do so if the Provider to whom she wishes to transfer agrees to accept her in the last trimester of pregnancy.

The MCO must pay a Member’s existing Out-of-Network providers for Medically Necessary Covered Services until the Member’s records, clinical information, and care can be transferred to a Network Provider, or until such time as the Member is no longer enrolled in that MCO, whichever is shorter. Payment to Out-of-Network providers must be made within the time period required for Network Providers. The MCO must comply with Out-of-Network provider reimbursement rules as adopted by HHSC.

With the exception of pregnant Members who are past the 24th week of pregnancy, this Article does not extend the obligation of the MCO to reimburse the Member’s existing Out-of-Network providers for ongoing care for:

1. more than 90 days after a Member enrolls in the MCO’s Program, or
2. for more than nine (9) months in the case of a Member who, at the time of enrollment in the MCO, has been diagnosed with and receiving treatment for a terminal illness and remains enrolled in the MCO.

The MCO’s obligation to reimburse the Member’s existing Out-of-Network provider for services provided to a pregnant Member past the 24th week of pregnancy extends through delivery of the child, immediate postpartum care, and the follow-up checkup within the first six (6) weeks of delivery.
If a Member moves out of a Service Area, the MCO must provide or pay Out-of-Network providers in the new Service Area who provide Medically Necessary Covered Services to Members through the end of the period for which the MCO received a Capitation Payment for the Member.

If Covered Services are not available within the MCO’s Network, the MCO must provide Members with timely and adequate access to Out-of-Network services for as long as those services are necessary and not available in the Network, in accordance with 42 C.F.R. §438.206(b)(4). The MCO will not be obligated to provide a Member with access to Out-of-Network services if such services become available from a Network Provider.

The MCO must ensure that each Member has access to a second opinion regarding the use of any Medically Necessary Covered Service. A Member must be allowed access to a second opinion from a Network Provider or Out-of-Network provider if a Network Provider is not available, at no cost to the Member, in accordance with 42 C.F.R. §438.206(b)(3).

8.2.2 Provisions Related to Covered Services for Medicaid Members

8.2.2.1 Emergency Services

MCO policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws, rules, and regulations including 42 C.F.R. §438.114, whether the provider is Network or Out-of-Network. MCO policies and procedures must be consistent with the prudent layperson definition of an Emergency Medical Condition and the claims adjudication processes required under the Contract and 42 C.F.R. §438.114.

The MCO must pay for professional, facility, and ancillary services provided in a Hospital emergency department that are Medically Necessary to perform the medical screening examination and stabilization of a Member presenting with an Emergency Medical Condition or an Emergency Behavioral Health Condition, whether rendered by Network Providers or Out-of-Network providers.

The MCO cannot require prior authorization as a condition for payment for an Emergency Medical Condition, an Emergency Behavioral Health Condition, or labor and delivery. The MCO cannot limit what constitutes an Emergency Medical Condition on the basis of lists of diagnoses or symptoms. The MCO cannot refuse to cover Emergency Services based on the Member’s screening and treatment within ten (10) calendar days of presentation for Emergency Services. The MCO may not hold the Member who has an Emergency Medical Condition liable for payment of subsequent screening and treatment needed to diagnose the specific condition or stabilize the patient. The MCO must accept the emergency physician or provider’s determination of when the Member is sufficiently stabilized for transfer or discharge.

A medical screening examination needed to diagnose an Emergency Medical Condition must be provided in a Hospital based emergency department that meets the requirements of the Emergency Medical Treatment and Active Labor Act (EMTALA) (42 C.F.R. §§489.20, 489.24 and 438.114(b)&(c)). The MCO must pay for the emergency medical screening examination, as required by 42 U.S.C. §1395dd. The MCO must reimburse for both the physician's services and the Hospital's Emergency Services, including the emergency room and its ancillary services.

When the medical screening examination determines that an Emergency Medical Condition exists, the MCO must pay for Emergency Services performed to stabilize the Member. The emergency physician must document these services in the Member's medical record. The MCO must reimburse for both the physician's and Hospital's emergency stabilization services including the emergency room and its ancillary services.

The MCO must cover and pay for Post-Stabilization Care Services in the amount, duration, and scope necessary to comply with 42 C.F.R. §438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii). The MCO is financially responsible for post-stabilization care services obtained within or outside the Network that are not pre-approved by a Provider or other MCO representative, but administered to maintain, improve, or resolve the Member’s stabilized condition if:

1. the MCO does not respond to a request for pre-approval within one (1) hour;
2. the MCO cannot be contacted; or
3. the MCO representative and the treating physician cannot reach an agreement concerning the Member’s care and a Network physician is not available for consultation. In this situation, the MCO must give the treating physician the opportunity to consult with a Network physician and the treating physician may continue with care of the patient until an Network physician is reached. The MCO’s financial responsibility ends as follows: the Network physician with privileges at the treating Hospital assumes responsibility for the Member’s care; the Network physician assumes responsibility for the Member’s care through transfer; the MCO representative and the treating physician reach an agreement concerning the Member’s care; or the Member is discharged.

8.2.2.2 Family Planning - Specific Requirements

The MCO must provide access to confidential family planning services.

The MCO must require, through Provider contract provisions, that Members requesting contraceptive services or family planning services are also provided counseling and education about the family planning and family planning services available to Members. The MCO must develop outreach programs to increase community support for family planning and encourage Members to use available family planning services.

The MCO must ensure that Members have the right to choose any Medicaid-enrolled family planning provider, whether the provider chosen by the Member is in or outside the Provider Network. The MCO must provide Members access to information about available providers of family planning services and the Member’s right to choose any Medicaid-enrolled family planning provider.

The MCO must provide, at a minimum, the full scope of services available under the Texas Medicaid program for family planning services. The MCO will reimburse family planning agencies no less than the Medicaid fee-for service amounts for family planning services, including Medically Necessary medications, contraceptives, and supplies and will reimburse Out-of-Network family planning providers in accordance with HHSC’s administrative rules. The MCO cannot require prior authorization for family planning services whether rendered by a Network or Out-of-Network provider.

The MCO must provide medically approved methods of contraception to Members, provided that the methods of contraception are Covered Services. Contraceptive methods must be accompanied by verbal and written instructions on their correct use. The MCO must establish mechanisms to ensure all medically approved methods of contraception are made available to the Member, either directly or by referral to a Subcontractor.

The MCO must develop, implement, monitor, and maintain standards, policies and procedures for providing information regarding family planning to Providers and Members, specifically regarding State and federal laws governing Member confidentiality (including minors). Providers and family planning agencies cannot require parental consent for minors to receive family planning services. The MCO must require, through contractual provisions, that Subcontractors have mechanisms in place to ensure Member’s (including minor’s) confidentiality for family planning services.

8.2.2.3 Texas Health Steps (EPSDT)

8.2.2.3.1 Medical Checkups

The MCO must develop effective methods to ensure that children birth through age 20 receive Texas Health Steps services when due and according to the recommendations established by the Texas Health Steps periodicity schedule for children. The MCO must arrange for Texas Health Steps services for all eligible Members, except when Members or their representatives knowingly and voluntarily decline or refuse services after receiving sufficient information to make an informed decision.

For New Members birth through age 20, overdue or upcoming Texas Health Steps medical checkups should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. A Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due beginning on the child’s birthday and is considered timely if it occurs no later than 364 calendar days after the child’s birthday. For purposes of this requirement, the terms “New Member” and “Existing Member” are defined in Chapter 12.4 of the Uniform Managed Care Manual.

The MCO must have mechanisms in place to ensure that all newborn Members have an initial newborn checkup before discharge from the Hospital and in accordance with the Texas Health Steps periodicity schedule.

8.2.2.3.2 Oral Evaluation and Fluoride Varnish
The MCO must educate Providers on the availability of the Oral Evaluation and Fluoride Varnish (OEFV) Medicaid benefit that can be rendered and billed by certified Texas Health Steps providers when performed on the same day as the Texas Health Steps medical checkup. The Provider education must include information about how to assist a Member with referral to a dentist to establish a dental home.

8.2.2.3.3 Lab

The MCO must require Providers to send all Texas Health Steps newborn screens to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code. Providers must include detailed identifying information for all screened newborn Members and the Member's mother to allow DSHS to link the screens performed at the Hospital with screens performed at the newborn follow up Texas Health Steps medical checkup.

All laboratory specimens collected as a required component of a Texas Health Steps checkup (see Texas Medicaid Provider Procedures Manual for age-specific requirements) must be submitted to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code for analysis unless the Texas Medicaid Provider Procedures Manual, Children’s Services Handbook provides otherwise. The MCO must educate Providers about Texas Health Steps Program requirements for submitting laboratory tests to the DSHS Laboratory Services Section.

8.2.2.3.4 Education/Outreach

The MCO must ensure that Members are provided information and educational materials about the services available through the Texas Health Steps Program, and how and when they may obtain the services. The information should tell the Member how they can obtain dental benefits, services through the Medical Transportation Program, and advocacy assistance from the MCO. Standard language describing Texas Health Steps services, including medical, dental and case management services is provided in the UMCM. The MCO should use this language for Member Materials. Any additions to or deviations from the standard language must be reviewed and approved by HHSC prior to publication and distribution to Members.

The MCO will encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO must provide outreach to Members to ensure they receive prompt services and are effectively informed about available Texas Health Steps services. Each month, the MCO must retrieve from the HHSC Administrative Services Contractor Bulletin Board System a list of Members who are due and overdue Texas Health Steps services. Using these lists and its own internally generated list, the MCO will contact such Members to schedule the service as soon as possible. The MCO outreach staff must coordinate with Texas Health Steps outreach unit to ensure that Members have access to the Medical Transportation Program, and that any coordination with other agencies is maintained.

The MCO must cooperate and coordinate with the State, outreach programs and Texas Health Steps regional program staff and agents to ensure prompt delivery of services to Children of Migrant Farm Workers and other migrant populations who may transition into and out of the MCO’s Program more rapidly and/or unpredictably than the general population.

The MCO must make an effort to coordinate and cooperate with existing community and school-based health and education programs that offer services to school-aged children in a location that is both familiar and convenient to the Members. The MCO must make a good faith effort to comply with Head Start’s requirement that Members participating in Head Start receive their Texas Health Steps checkup no later than 45 days after enrolling into either program.

8.2.2.3.5 Training

The MCO must provide appropriate training to all Network Providers and Provider staff in the Providers' area of practice regarding the scope of benefits available and the Texas Health Steps Program. Training must include:

1. Texas Health Steps benefits;
2. the periodicity schedule for Texas Health Steps medical checkups and immunizations;
3. the required elements of Texas Health Steps medical checkups;
4. providing or arranging for all required lab screening tests (including leadscreening), and Comprehensive Care Program (CCP) services available under the Texas Health Steps program to Members birth through age 20 years;
5. Medical Transportation services available to Members such as rides to healthcare service by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, meals and lodging when away from home;
6. importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
MCO must also educate and train Providers regarding the requirements imposed on HHSC and contracting MCOs under the Consent Decree and Corrective Action Orders entered in Frew v. Janek, et. al. Providers should be educated and trained to treat each Texas Health Steps visit as an opportunity for a comprehensive assessment of the Member.

8.2.2.3.6 Data Validation

The MCO must require all Texas Health Steps Providers to submit claims for services paid (either on a capitated or fee-for-service basis) on the CMS 1500 claim form and use the HIPAA compliant code set required by HHSC. Encounter Data will be validated by chart review of a random sample of Texas Health Steps eligible enrollees against monthly Encounter Data reported by the MCO. HHSC or its designee will conduct chart reviews to validate that all screens are performed when due and as reported, and that reported data is accurate and timely. Substantial deviation between reported and charted Encounter Data could result in the MCO and/or Network Providers being investigated for potential Fraud, Abuse, or Waste without notice to the MCO or the Provider.

8.2.4.2 Perinatal Services

The MCO's perinatal Health Care Services must ensure appropriate care is provided to women and infant Members from the preconception period through the infant's first year of life. The MCO's perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act) and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems;
6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems; and
7. education and care coordination for Members who are at high-risk for preterm labor, including education on the availability of medication regimens to prevent preterm birth, such as hydroxyprogesterone caproate. The MCO should also educate Providers on the prior authorization processes for these benefits and services.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member that meets the eligibility criteria to be designated in the Pregnant Woman Risk Group no later than two (2) weeks after receiving the daily Enrollment File verifying the Member's enrollment into the MCO or has a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

The MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated Caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.
The MCO must Adjudicate provider claims for services provided to a newborn Member in accordance with HHSC's claims processing requirements using the proxy ID number or State-issued Medicaid ID number. The MCO cannot deny claims based on a provider's non-use of State-issued Medicaid ID number for a newborn Member. The MCO must accept provider claims for newborn services based on mother's name and/or Medicaid ID number with accommodations for multiple births, as specified by the MCO.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO's prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

8.2.2.5 Sexually Transmitted Diseases (STDs) and Human Immunodeficiency Virus (HIV)

The MCO must provide STD services that include STD/HIV prevention, screening, counseling, diagnosis, and treatment. The MCO is responsible for implementing procedures to ensure that Members have prompt access to appropriate services for STDs, including HIV. The MCO must allow Members access to STD services and HIV diagnosis services without prior authorization or referral by a PCP.

The MCO must comply with Texas Family Code Section 32.003, relating to consent to treatment by a child. The MCO must provide all Covered Services required to form the basis for a diagnosis by the Provider as well as the STD/HIV treatment plan. The MCO must make education available to Providers and Members on the prevention, detection and effective treatment of STDs, including HIV.

The MCO must require Providers to report all confirmed cases of STDs, including HIV, to the local or regional health authority according to 25 T.A.C. §§97.131 - 97.134, using the required forms and procedures for reporting STDs. The MCO must require the Providers to coordinate with the HHSC regional health authority to ensure that Members with confirmed cases of syphilis, chancroid, gonorrhea, chlamydia and HIV receive risk reduction and partner elicitation/notification counseling.

The MCO must have established procedures to make Member records available to public health agencies with authority to conduct disease investigation, receive confidential Member information, and provide follow up activities.

The MCO must require that Providers have procedures in place to protect the confidentiality of Members provided STD/HIV services. These procedures must include, but are not limited to, the manner in which medical records are to be safeguarded, how employees are to protect medical information, and under what conditions information can be shared. The MCO must inform and require its Providers who provide STD/HIV services to comply with all state laws relating to communicable disease reporting requirements. The MCO must implement policies and procedures to monitor Provider compliance with confidentiality requirements.

The MCO must have policies and procedures in place regarding obtaining informed consent and counseling Members provided STD/HIV services.

8.2.2.6 Tuberculosis (TB)

The MCO must provide Members and Providers with education on the prevention, detection and effective treatment of tuberculosis (TB). The MCO must establish mechanisms to ensure all procedures required to screen at-risk Members and to form the basis for a diagnosis and proper prophylaxis and management of TB are available to all Members, except services referenced in Section 8.2.2.8 as Non-Capitated Services. The MCO must develop policies and procedures to ensure that Members who may be or are at risk for exposure to TB are screened for TB. An at-risk Member means a person who is susceptible to TB because of the association with certain risk factors, behaviors, drug resistance, or environmental conditions. The MCO must consult with the local TB control program to ensure that all services and treatments are in compliance with the guidelines recommended by the American Thoracic Society (ATS), the Centers for Disease Control and Prevention (CDC), and DSHS policies and standards.

The MCO must implement policies and procedures requiring Providers to report all confirmed or suspected cases of TB to the local TB control program within one (1) Business Day of identification, using the most recent DSHS forms and procedures for reporting TB. The MCO must provide access to Member medical records to DSHS and the local TB control program for all confirmed and suspected TB cases upon request.
The MCO must coordinate with the local TB control program to ensure that all Members with confirmed or suspected TB have a contact investigation and receive Directly Observed Therapy (DOT). The MCO must require, through contract provisions, that Providers report to DSHS or the local TB control program any Member who is non-compliant, drug resistant, or who is or may be posing a public health threat. The MCO must cooperate with the local TB control program in enforcing the control measures and quarantine procedures contained in Chapter 81 of the Texas Health and Safety Code.

The MCO must have a mechanism for coordinating a post-discharge plan for follow-up DOT with the local TB program. The MCO must coordinate with the DSHS South Texas Hospital and Texas Center for Infectious Disease for voluntary and court-ordered admission, discharge plans, treatment objectives and projected length of stay for Members with multi-drug resistant TB.

8.2.2.7 Objection to Provide Certain Services

In accordance with 42 C.F.R. §438.102, the MCO may file an objection based on moral or religious grounds to providing, reimbursing for, or providing coverage of a Covered Service or a counseling or referral service related to the Covered Service. The MCO must work with HHSC to develop a work plan to complete the necessary tasks and determine an appropriate date for implementation of the requested changes to the requirements related to Covered Services. The work plan will include timeframes for completing the necessary Contract and waiver amendments, adjustments to Capitation Rates, identification of the MCO and enrollment materials needing revision, and notifications to Members.

In order to meet the requirements of this section, no less than 120 days prior to the proposed effective date of a policy change, the MCO must notify HHSC of grounds for and provide detail concerning its moral or religious objections and the specific services covered under the objection.

8.2.2.8 Medicaid Non-capitated Services

The following Texas Medicaid programs, services, or benefits have been excluded from MCO Covered Services. Medicaid Members are eligible to receive these Non-capitated Services on a Fee-for-Service basis, or through a Dental MCO (for most dental services). MCOs should refer to relevant chapters in the Texas Provider Procedures Manual for more information.

1. Texas Health Steps dental (including orthodontia);
2. Texas Health Steps environmental lead investigation (ELI);
3. Early Childhood Intervention (ECI) case management/service coordination;
4. Early Childhood Intervention Specialized Skills Training;
5. DSHS Targeted Case Management - coordinated by LMHAs;
6. DSHS mental health rehabilitation;
7. Case Management for Children and Pregnant Women;
8. Texas School Health and Related Services (SHARS);
9. Department of Assistive and Rehabilitative Services Blind Children's Vocational Discovery and Development Program;
10. tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation);
11. Health and Human Services Commission's Medical Transportation;
12. DADS hospice services;
13. Court-Ordered Commitments to inpatient mental health facilities as a condition of probation;
14. for STAR, Personal Care Services for persons birth through age 20 are Non-capitated Services;
15. for STAR+PLUS, nursing facility services are Non-capitated Services; and
16. for Members who are enrolled in STAR or STAR+PLUS during an Inpatient Stay under one of the exceptions identified in Attachment A, Section 5.06(a)(2), Hospital facility charges associated with the Inpatient Stay are Non-Capitated Services under the circumstances described in Attachment A, Section 5.06(a)(2).

8.2.2.9 Referrals for Non-capitated Services

Although Medicaid MCOs are not responsible for paying or reimbursing for Non-capitated Services, MCOs are responsible for educating Members about the availability of Non-capitated Services, and for providing appropriate referrals for Members to obtain or access these services. The MCO is responsible for informing Providers that bills for all Non-capitated Services must be submitted to HHSC’s Claims Administrator for reimbursement.

8.2.2.10 Cooperation with Immunization Registry
The MCO must work with HHSC and health care providers to improve the immunization rate of Medicaid clients and the reporting of immunization information for inclusion in the Texas Immunization Registry, called “ImmTrac.”

8.2.2.11 Case Management for Children and Pregnant Women

The MCO must coordinate services with Case Management for Children and Pregnant Women. This coordination includes, but is not limited to, client education, outreach, case collaboration and referrals to Case Management for Children and Pregnant Women. The MCO is required to follow referral procedures as outlined by the State. Referrals to Case Management for Children and Pregnant Women are to be based upon guidelines provided by the State, assessment, plan of care, change in client's physical, mental or psychosocial condition, or at client's request.

Annually, all MCO Care Coordination/Case Management Staff must complete the Texas Health Steps Online module titled: Case Management Services in Texas and maintain proof of completion.

8.2.2.12 Children of Migrant Farm Workers (FWC)

The MCO must cooperate and coordinate with the State, outreach programs, and Texas Health Steps regional program staff and agents to ensure prompt delivery of services, in accordance with the Contract’s timeframes, to FWC Members and other migrant populations who may transition into and out of the MCO more rapidly and/or unpredictably than the general population.

The MCO must provide accelerated services to FWC Members. For purposes of this section, “accelerated services” are services that are provided to FWC Members prior to their leaving Texas for work in other states. Accelerated services include the provision of preventive Health Care Services that will be due during the time the FWC Member is out of Texas. The need for accelerated services must be determined on a case-by-case and according to the FWC Member’s age, periodicity schedule and health care needs.

The MCO must develop an annual plan identifying the process and methods it will use to identify/validate FWC and provide accelerated services to such Members in accordance with Chapter 12 of the Uniform Managed Care Manual.

8.2.3 Medicaid Significant Traditional Providers

In the first three (3) operational years of a Medicaid MCO Program, the MCO must offer Network Provider agreements to all Medicaid Significant Traditional Providers (STPs) identified by HHSC. Medicaid STPs are defined as pharmacy providers and providers of Acute and Long Term Services and Supports and, for STAR+PLUS, Community-based Long Term Care providers in a county that provided a significant level of care to Medicaid clients.

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs). For STAR MCOs, the STP requirements for other provider types apply only in the Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, the STP requirements for other types of providers apply to the Jefferson, El Paso, Lubbock, and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. The Procurement Library includes a list of Medicaid STPs by Service Area.

The STP requirement will be in place for three (3) years after the Operational Start Date. During that time, providers who believe they meet the STP requirements may contact HHSC to request HHSC’s consideration for STP status.

The MCO must give STPs the opportunity to participate in its Network for at least three (3) years. However, the STP provider must:

1. agree to accept the MCO’s Provider reimbursement rate for the provider type; and
2. meet the standard credentialing requirements of the MCO, provided that lack of board certification or accreditation by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) is not the sole grounds for exclusion from the Provider Network.
The MCO may terminate a Network Provider agreement with an STP after demonstrating, to the satisfaction of HHSC, good cause for the termination. Good cause may include evidence of provider fraud, waste, or abuse.

8.2.4 Provider Complaints and Appeals

8.2.4.1 Provider Complaints

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider complaints. Within this process, the MCO must respond fully and completely to each complaint and establish a tracking mechanism to document the status and final disposition of each Provider complaint. The MCO must resolve Provider complaints within 30 days from the date the complaint is received. The HMO is subject to remedies, including liquidated damages, if at least 98 percent of Provider Complaints are not resolved within 30 days of receipt of the Complaint by the HMO. Please see the Attachment A “Uniform Managed Care Contract Terms & Conditions” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

MCOs must also resolve Provider complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will generally provide MCOs ten (10) Business Days to resolve such complaints. If an MCO cannot resolve a complaint by the due date indicated on the notification form, it may submit a request to extend the deadline. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages if Provider complaints are not resolved by the timeframes indicated herein.

8.2.4.2 Appeal of Provider Claims

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider appeals related to claims payment, as required by Texas Government Code § 533.005(a)(15). Within this process, the MCO must respond fully and completely to each Medicaid Provider’s claims payment appeal and establish a tracking mechanism to document the status and final disposition of each appeal. The MCO must allow Community-based Long Term Services and Supports providers to appeal claims that the MCO has not paid or denied by the 31st day following receipt. In addition, the MCO's process must comply with Texas Government Code § 533.005(a)(19).

MCOs must contract with non-network physicians to resolve claims disputes related to denial on the basis of Medical Necessity that remain unresolved subsequent to a provider appeal. The determination of the physician resolving the dispute must be binding on the MCO and a Network Provider. The physician resolving the dispute must hold the same specialty or a related specialty as the appealing provider. HHSC reserves the right to amend this process to include an independent review process established by HHSC for final determination on these disputes.

8.2.5 Member Rights and Responsibilities

In accordance with 42 C.F.R. §438.100, MCOs must maintain written policies and procedures for informing Members of their rights and responsibilities, and must notify Members of their right to request a copy of these rights and responsibilities. The Member Handbook must include a notice that complies with Uniform Managed Care Manual Chapter 3.4.

8.2.6 Medicaid Member Complaint and Appeal System

The MCO must develop, implement, and maintain a Member Complaint and Appeal system that complies with the requirements in applicable federal and state laws and regulations, including 42 C.F.R. §431.200; 42 C.F.R. Part 438, Subpart F, “Grievance System”; and the provisions of 1 T.A.C. Chapter 357, relating to Medicaid managed care organizations.

The Complaint and Appeal system must include a Complaint process, an Appeal process, and access to HHSC’s Fair Hearing System. The procedures must be the same for all Members and must be reviewed and approved in writing by HHSC or its...
8.2.6.1 Member Complaint Process

The MCO must have written policies and procedures for receiving, tracking, responding to, reviewing, reporting and resolving Complaints by Members or their authorized representatives. For purposes of Section 8.2.6 an “authorized representative” is any person or entity acting on behalf of the Member and with the Member’s written consent. A Provider may be an authorized representative.

MCOs also must resolve Member Complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will provide MCOs up to ten (10) Business Days to resolve such Complaints, depending on the severity and/or urgency of the Complaint. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless the HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages, if Member Complaints are not resolved by the timeframes indicated herein.

The MCO must resolve Complaints within 30 days from the date the Complaint is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of receipt of the Complaint by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix." The Complaint procedure must be the same for all Members. The Member or Member’s authorized representative may file a Complaint either orally or in writing. The MCO must also inform Members how to file a Complaint directly with HHSC, once the Member has exhausted the MCO’s Complaint process.

The MCO must designate an officer of the MCO who has primary responsibility for ensuring that Complaints are resolved in compliance with written policy and within the required timeframe. For purposes of Section 8.2.6.2, an “officer” of the MCO means a president, vice president, secretary, treasurer, or chairperson of the board for a corporation, the sole proprietor, the managing general partner of a partnership; or a person having similar executive authority in the organization.

The MCO must have a routine process to detect patterns of Complaints. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Complaints.

The MCO’s Complaint procedures must be provided to Members in writing and through oral interpretive services. A written description of the MCO’s Complaint procedures must be available in prevalent non-English languages for Major Population Groups identified by HHSC, at no more than a 6th grade reading level.

The MCO must include a written description of the Complaint process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TeleTypewriter/Telecommunications Device for the Deaf (TTY/TDD) and interpreter capabilities for making Complaints. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every Complaint received in person, by telephone, or in writing must be acknowledged and recorded in a written record and logged with the following details:

1. date;
2. identification of the individual filing the Complaint;
3. identification of the individual recording the Complaint;
4. nature of the Complaint;
5. disposition of the Complaint (i.e., how the MCO resolved the Complaint);
6. corrective action required; and
7. date resolved.
For Complaints that are received in person or by telephone, the MCO must provide Members or their representatives with written notice of resolution if the Complaint cannot be resolved within one working day of receipt.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making a Complaint.

If the Member makes a request for disenrollment, the MCO must give the Member information on the disenrollment process and direct the Member to the HHSC Administrative Services Contractor. If the request for disenrollment includes a Complaint by the Member, the Complaint will be processed separately from the disenrollment request, through the Complaint process.

The MCO will cooperate with the HHSC’s Administrative Services Contractor and HHSC or its designee to resolve all Member Complaints. Such cooperation may include, but is not limited to, providing information or assistance to internal Complaint committees.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the MCO’s Complaint system. The MCO’s Member Advocates must assist Members in writing or filing a Complaint and monitoring the Complaint through the MCO’s Complaint process until the issue is resolved.

8.2.6.2 Medicaid Standard Member Appeal Process

The MCO must develop, implement and maintain an Appeal procedure that complies with state and federal laws and regulations, including 42 C.F.R.§ 431.200 and 42 C.F.R. Part 438, Subpart F, “Grievance System.” An Appeal is a disagreement with an MCO Action as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.” The Appeal procedure must be the same for all Members. When a Member or his or her authorized representative expresses orally or in writing any dissatisfaction or disagreement with an Action, the MCO must regard the expression of dissatisfaction as a request to Appeal an Action.

A Member must file a request for an Appeal with the MCO within 30 days from receipt of the notice of the Action. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Appeals are not resolved within 30 days of receipt of the Appeal by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” To ensure continuation of currently authorized services, however, the Member must file the Appeal on or before the later of: (1) ten (10) days following the MCO’s mailing of the notice of the Action, or (2) the intended effective date of the proposed Action. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved in compliance with written policy and within the 30-day time limit.

The provisions of Chapter 4201, Texas Insurance Code, relating to a Member’s right to Appeal an Adverse Determination made by the MCO or a utilization review agent to an independent review organization, do not apply to a Medicaid recipient. Chapter 4201 is preempted by federal Fair Hearings requirements.

The MCO must have policies and procedures in place outlining the Medical Director’s role in an Appeal of an Action. The Medical Director must have a significant role in monitoring, investigating and hearing Appeals. In accordance with 42 C.F.R.§ 438.406, the MCO’s policies and procedures must require that individuals who make decisions on Appeals are not involved in any previous level of review or decision-making, and are health care professionals who have the appropriate clinical expertise in treating the Member’s condition or disease.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the Appeal process. The MCO’s Member Advocates must assist Members in writing or filing an Appeal and monitoring the Appeal through the MCO’s Appeal process until the issue is resolved.

The MCO must have a routine process to detect patterns of Appeals. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Appeals.

The MCO’s Appeal procedures must be provided to Members in writing and through oral interpretive services. A written description of the Appeal procedures must be available in prevalent non-English languages identified by HHSC, at no more than a 6th grade reading level. The MCO must include a written description of the Appeals process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TTY/TDD and interpreter capabilities for requesting an Appeal of an Action. The MCO must provide such oral interpretive service to callers free of charge.
The MCO’s process must require that every oral Appeal received must be confirmed by a written, signed Appeal by the Member or his or her representative, unless the Member or his or her representative requests an expedited resolution. All Appeals must be recorded in a written record and logged with the following details:

1. date notice is sent;
2. effective date of the Action;
3. date the Member or his or her representative requested the Appeal;
4. date the Appeal was followed up in writing;
5. identification of the individual filing;
6. nature of the Appeal; and

7. disposition of the Appeal, including a copy of the notice of disposition and the date it was sent to Member.

The MCO must send a letter to the Member within five (5) Business Days acknowledging receipt of the Appeal request. Except for the resolution of an Expedited Appeal as provided in Section 8.2.6.3, the MCO must complete the entire standard Appeal process within 30 calendar days after receipt of the initial written or oral request for Appeal. The timeframe for a standard Appeal may be extended up to 14 calendar days if the Member or his or her representative requests an extension, or the MCO shows that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved within these timeframes and in accordance with the MCO’s written policies.

During the Appeal process, the MCO must provide the Member a reasonable opportunity to present evidence and any allegations of fact or law in person as well as in writing. The MCO must inform the Member of the time available for providing this information and that, in the case of an expedited resolution, limited time will be available.

The MCO must provide the Member and his or her representative opportunity, before and during the Appeal process, to examine the Member’s case file, including medical records and any other documents considered during the Appeal process. The MCO must include, as parties to the Appeal, the Member and his or her representative, including the legal representative of a deceased Member’s estate.

In accordance with 42 C.F.R.§ 438.420, the MCO must continue the Member’s benefits currently being received by the Member, including the benefit that is the subject of the Appeal, if all of the following criteria are met:

1. the Member or his or her representative files the Appeal timely as defined in this Contract;
2. the Appeal involves the termination, suspension, or reduction of a previously authorized course of treatment;
3. the services were ordered by an authorized provider;
4. the original period covered by the original authorization has not expired; and
5. the Member requests an extension of the benefits.

If, at the Member’s request, the MCO continues or reinstates the Member’s benefits while the Appeal is pending, the benefits must be continued until one of the following occurs:

1. the Member withdraws the Appeal;
2. ten (10) days pass after the MCO mails the notice resolving the Appeal against the Member, unless the Member, within the 10-day timeframe, has requested a Fair Hearing with continuation of benefits. In such a case, the benefits will continue until a Fair Hearing decision can be reached; or
3. A State Fair Hearing Officer issues a hearing decision adverse to the Member or the time period or service limits of a previously authorized service has been met.

In accordance with 42 C.F.R. § 438.420(d), if the final resolution of the Appeal is adverse to the Member and upholds the MCO’s Action, then to the extent that the services were furnished to comply with the Contract, the MCO may recover such costs from the Member.

If the MCO or State Fair Hearing Officer reverses a decision to deny, limit, or delay services that were not furnished while the Appeal was pending, the MCO must authorize or provide the disputed services promptly and as expeditiously as the Member’s health condition requires.

If the MCO or State Fair Hearing Officer reverses a decision to deny authorization of services and the Member received the disputed services while the Appeal was pending, the MCO is responsible for the payment of services.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making an Appeal.

8.2.6.3 Expedited Medicaid MCO Appeals

In accordance with 42 C.F.R. §438.410, the MCO must establish and maintain an expedited review process for Appeals. Such expedited process will apply when the MCO determines (for a request from a Member) or the provider indicates (in making the request on the Member’s behalf or supporting the Member’s request) that taking the time for a standard resolution could seriously jeopardize the Member’s life or health. The MCO must follow all Appeal requirements for standard Member Appeals as set forth in Section 8.2.6.2, except where differences are specifically noted. The MCO must accept oral or written requests for Expedited Appeals.

Members must exhaust the MCO’s Expedited Appeal process before making a request for an expedited Fair Hearing. After the MCO receives the request for an Expedited Appeal, it must hear an approved request for a Member to have an Expedited Appeal and notify the Member of the outcome of the Expedited Appeal within three (3) Business Days, except that the MCO must complete investigation and resolution of an Appeal relating to an ongoing emergency or denial of continued Hospitalization: (1) in accordance with the medical or dental immediacy of the case; and (2) not later than one (1) Business Day after receiving the Member’s request for Expedited Appeal.

Except for an Appeal relating to an ongoing emergency or denial of continued hospitalization, the timeframe for notifying the Member of the outcome of the Expedited Appeal may be extended up to 14 calendar days if the Member requests an extension or the MCO shows (to the satisfaction of HHSC, upon HHSC’s request) that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay.

If the decision is adverse to the Member, the MCO must follow the procedures relating to the notice in Section 8.2.6.5. The MCO is responsible for notifying the Member of his or her right to access an expedited Fair Hearing from HHSC. The MCO will be responsible for providing documentation to HHSC and the Member, indicating how the decision was made, prior to HHSC’s expedited Fair Hearing.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for requesting an Expedited Appeal. The MCO must ensure that punitive action is neither taken against a provider who requests an expedited resolution or supports a Member’s request.

If the MCO denies a request for expedited resolution of an Appeal, it must:

1. transfer the Appeal to the timeframe for standard resolution, and
2. make a reasonable effort to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.4 Access to Fair Hearing for Medicaid Members

The MCO must inform Members that they have the right to access the Fair Hearing process at any time during the Appeal system provided by the MCO, with the following exception. In the case of an expedited Fair Hearing process, the MCO must inform the Member that he or she must first exhaust the MCO’s internal Expedited Appeal process prior to filing an Expedited
Fair Hearing request. The MCO must notify Members that they may be represented by an authorized representative in the Fair Hearing process.

If a Member requests a Fair Hearing, the MCO will complete the request for Fair Hearing and submit the form via facsimile to the appropriate Fair Hearings office, within five (5) calendar days of the Member's request for a Fair Hearing. Within five (5) calendar days of notification that the Fair Hearing is set, the MCO will prepare an evidence packet for submission to the HHSC Fair Hearings staff and send a copy of the packet to the Member. The evidence packet must comply with HHSC’s Fair Hearings requirements.

8.2.6.5 Notices of Action and Disposition of Appeals for Medicaid Members

The MCO must notify the Member, in accordance with 1 T.A.C. Chapter 357, whenever the MCO takes an Action. The notice must, at a minimum, include any information required by the Uniform Managed Care Manual Chapters 3.21 and 3.22 regarding notices of actions and incomplete prior authorization requests.

8.2.6.6 Timeframe for Notice of Action

In accordance with 42 C.F.R. § 438.404(c), the MCO must mail a notice of Action within the following timeframes:

1. for termination, suspension, or reduction of previously authorized Medicaid-covered services, within the timeframes specified in 42 C.F.R. §§ 431.211, 431.213, and 431.214;
2. for denial of payment, at the time of any Action affecting the claim;
3. for standard service authorization decisions that deny or limit services, within the timeframe specified in 42 C.F.R. § 438.210(d)(1);
4. if the MCO extends the timeframe in accordance with 42 C.F.R. §438.210(d)(1), it must:
   a. give the Member written notice of the reason for the decision to extend the timeframe and inform the Member of the right to file an Appeal if he or she disagrees with that decision; and
   b. issue and carry out its determination as expeditiously as the Member’s health condition requires and no later than the date the extension expires;
5. for service authorization decisions not reached within the timeframes specified in 42 C.F.R. § 438.210(d) (which constitutes a denial and is thus an Adverse Action), on the date that the timeframes expire; and
6. for expedited service authorization decisions, within the timeframes specified in 42 C.F.R. 438.210(d).

8.2.6.7 Notice of Disposition of Appeal

In accordance with 42 C.F.R. § 438.408(e), the MCO must provide written notice of disposition of all Appeals including Expedited Appeals. The written resolution notice must include the results and date of the Appeal resolution. For decisions not wholly in the Member’s favor, the notice must contain:

1. the right to request a Fair Hearing;
2. how to request a Fair Hearing;
3. The circumstances under which the Member may continue to receive benefits pending a Fair Hearing;
4. how to request the continuation of benefits;
5. if the MCO’s Action is upheld in a Fair Hearing, the Member may be liable for the cost of any services furnished to the Member while the Appeal is pending; and
8.2.6.8 Timeframe for Notice of Resolution of Appeals

In accordance with 42 C.F.R.§ 438.408, the MCO must provide written notice of resolution of Appeals, including Expedited Appeals, as expeditiously as the Member’s health condition requires, but the notice must not exceed the timeframes provided in this Section for standard Appeals or Expedited Appeals. For expedited resolution of Appeals, the MCO must make reasonable efforts to give the Member prompt oral notice of resolution of the Appeal, and follow up with a written notice within the timeframes set forth in this Section. If the MCO denies a request for expedited resolution of an Appeal, the MCO must transfer the Appeal to the timeframe for standard resolution as provided in this Section, make reasonable efforts to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.9 Medicaid Member Advocates

The MCO must provide Member Advocates to assist Members. Member Advocates must be physically located within the Service Area unless an exception is approved by HHSC. Member Advocates must inform Members of the following:

1. their rights and responsibilities,
2. the Complaint process,
3. the Appeal process,
4. Covered Services available to them, including preventive services, and
5. Non-capitated Services available to them.

Member Advocates must assist Members in writing Complaints and are responsible for monitoring the Complaint through the MCO’s Complaint process.

Member Advocates are responsible for making recommendations to the MCO’s management on any changes needed to improve either the care provided or the way care is delivered. Member Advocates are also responsible for helping or referring Members to community resources that are available to meet Members’ needs if services are not available from the MCO as Covered Services.

8.2.7 Additional Medicaid Behavioral Health Provisions

8.2.7.1 Local Mental Health Authority (LMHA)
Assessment to determine eligibility for rehabilitative and targeted DSHS case management services is a function of the LMHA. Covered Services must be provided to Members with severe and persistent mental illness (SPMI) and severe emotional disturbance (SED), when Medically Necessary, whether or not they are also receiving Targeted Case Management or rehabilitation services through the LMHA.

The MCO must enter into written agreements with all LMHAs in the Service Area that describe the process(es) that the MCO and LMHAs will use to coordinate services for Medicaid Members with SPMI or SED. The agreements will:

1. describe the Behavioral Health Services indicated in detail in the Provider Procedures Manual and in the Texas Medicaid Bulletin, include the amount, duration, and scope of basic and Value-added Services, and the MCO’s responsibility to provide these services;
2. describe criteria, protocols, procedures and instrumentation for referral of Medicaid Members from and to the MCO and the LMHA;
3. describe processes and procedures for referring Members with SPMI or SED to the LMHA for assessment and determination of eligibility for rehabilitation or Targeted Case Management Services;
4. describe how the LMHA and the MCO will coordinate providing Behavioral Health Services to Members with SPMI or SED;

5. establish clinical consultation procedures between the MCO and LMHA including consultation to effect referrals and ongoing consultation regarding the Member's progress;

6. establish procedures to authorize release and exchange of clinical treatment records;

7. establish procedures for coordination of assessment, intake/triage, utilization review/utilization management and care for persons with SPMI or SED;

8. establish procedures for coordination of inpatient psychiatric services (including Court-ordered Commitment of Members birth through age 20) in state psychiatric facilities within the LMHA's catchment area;

9. establish procedures for coordination of emergency and urgent services to Members;

10. establish procedures for coordination of care and transition of care for new Members who are receiving treatment through the LMHA; and

11. establish that, when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by DSHS, published at: http://www.dhs.state.tx.us/mhsa/umguidelines/.

The MCO must offer licensed practitioners of the healing arts (defined in 25 T.A.C., Part 1, Chapter 419, Subchapter L), who are part of the Member's treatment team for rehabilitation services (the Treatment Team) the opportunity to participate in the MCO's Network. The practitioner must agree to accept the MCO's Provider reimbursement rate, meet the credentialing requirements, and comply with all the terms and conditions of the MCO's standard Provider contract.

MCOs must allow Members receiving rehabilitation services to choose the licensed practitioners of the healing arts who are currently a part of the Member's Treatment Team. If the Member chooses to receive these services from Out-of-Network licensed practitioners of the healing arts who are part of the Member's Treatment Team, the MCO must reimburse the provider through Out-of-Network reimbursement arrangements.

Nothing in this section diminishes the potential for the Local Mental Health Authority to seek best value for rehabilitative services by providing these services under arrangement, where possible, as specified is 25 T.A.C. §419.455.

8.2.7.2 Substance Abuse Benefit

8.2.7.2.1 Substance Abuse and Dependency Treatment Services

The requirements in this subsection apply to STAR+PLUS MCOs in all Service Areas and to STAR MCOs in all Service Areas except the Dallas Service Area. Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program.

Substance use disorder includes substance abuse and dependence as defined by the current Diagnostic and Statistical Manual of Mental Disorders (DSM).

8.2.7.2.2 Providers

Providers for the substance abuse and dependency treatment benefit include: Hospitals, chemical dependency treatment facilities licensed by the Department of State Health Services, and practitioners of the healing arts.

MCOs must include Significant Traditional Providers (STPs) of these benefits in its Network, and provide such STPs with expedited credentialing. Medicaid MCOs must enter into provider agreements with any willing Significant Traditional Provider (STP) of these benefits that meets the Medicaid enrollment requirements, MCO credentialing requirements and agrees to the MCO’s contract terms and rates. For purposes of this section, STPs are providers who meet the Medicaid enrollment requirements and have a contract with the Department of State Health Services (DSHS) to receive funding for treatment under the Federal Substance Abuse Prevention and Treatment block grant. The STP requirements described herein apply to all Service Areas, and unlike other STP requirements are not limited to the first three (3) years of operations.

MCOs must maintain a provider education process to inform substance abuse treatment Providers in the MCO’s Network on how to refer Members for treatment.

8.2.7.2.3 Care Coordination
MCOs must ensure care coordination is provided to Members with a substance use disorder. MCOs must work with providers, facilities, and Members to coordinate care for Members with a substance use disorder and to ensure Members have access to the full continuum of Covered Services (including without limitation assessment, detoxification, residential treatment, outpatient services, and medication therapy) as Medically Necessary and appropriate. MCOs must also coordinate services with the DSHS, DFPS, and their designees for Members requiring Non-Capitated Services. Non-Capitated Services includes, without limitation, services that are not available for coverage under the Contract, State Plan or Waiver that are available under the Federal Substance Abuse and Prevention and Treatment block grant when provided by a DSHS-funded provider or covered by the DFPS under direct contract with a treatment provider. MCOs must work with DSHS, DFPS, and providers to ensure payment for Covered Services is available to Out-of-Network Providers who also provide related Non-capitated Services when the Covered Services are not available through Network Providers.

8.2.7.3.4 Member Education and Self-Referral for Substance Abuse and Dependency Treatment Services

MCOs must maintain a Member education process (including hotlines, manuals, policies and other Member Materials) to inform Members of the availability of and access to substance abuse treatment services, including information on self-referral.

8.2.8 Third Party Liability and Recovery and Coordination of Benefits

Medicaid coverage is secondary when coordinating benefits with all other insurance coverage, unless an exception applies under federal law. Coverage provided under Medicaid will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with HHSC's administrative rules regarding Out-of-Network payment (1 T.A.C. §353.4).

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must be in accordance with state and federal law and regulations, including Section 1902(a)(25)(E) and (F) of the Social Security Act, which require MCOs to pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action. The projected amount of TPR that the MCO is expected to recover may be factored into the rate setting process.

HHSC will provide the MCO, by Plan code, a monthly Member file (also known as a TPR client file). The file is an extract of those Medicaid Members who are known or believed to have other insurance. The file contains any Third Party Recovery (TPR) data that HHSC's claims administration agent has on file for individual Medicaid clients, organized by name and client number, and adding additional relevant information where available, such as the insured's name/contact information, type of coverage, the insurance carrier, and the effective dates.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, "Financial Reporting Requirements."

After 120 days from the date of adjudication of a claim that is subject to TPR, HHSC has the right to attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated TPR or subrogation action.

8.2.9 Coordination with Public Health Entities

8.2.9.1 Reimbursed Arrangements with Public Health Entities

The MCO must make a good faith effort to enter into a Subcontract for Covered Services with Public Health Entities. Possible Covered Services that could be provided by Public Health Entities include, but are not limited to, the following services:

1. Sexually Transmitted Diseases (STDs) services;
2. confidential HIV testing;
3. immunizations;
4. tuberculosis (TB) care;
5. Family Planning services;
6. Texas Health Steps medical checkups, and
7. prenatal services.

If the MCO is unable to enter into a contract with Public Health Entities, the MCO must document efforts to contract with Public Health Entities, and make such documentation available to HHSC upon request.

MCO Contracts with Public Health Entities must specify the scope of responsibilities of each party, the methodology and agreements regarding billing and reimbursements, reporting responsibilities, Member and Provider educational responsibilities, and the methodology and agreements regarding sharing of confidential medical record information between the Public Health Entity and the MCO or PCP.

The MCO must:
1. identify care managers who will be available to assist public health providers and PCPs in efficiently referring Members to the public health providers, specialists, and health-related service providers either within or outside the MCO’s Network; and
2. inform Members that confidential healthcare information will be provided to the PCP, and educate Members on how to better utilize their PCPs, public health providers, emergency departments, specialists, and health-related service providers.

8.2.9.2 Non-Reimbursed Arrangements with Local Public Health Entities

The MCO must coordinate with Public Health Entities in its Service Area(s) regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. report to Public Health Entities regarding communicable diseases and/or diseases that are preventable by immunization as defined by state law;
2. notify the local Public Health Entity of communicable disease outbreaks involving Members; and
3. educate Members and Providers regarding WIC services available to Members.

To follow-up on suspected or confirmed cases of childhood lead exposure, the MCO must coordinate with local Public Health Entities that have a child lead program, or with the DSHS Childhood Lead Poisoning Prevention Program when the local Public Health Entity does not have a child lead program. In addition, the MCO must make a good faith effort to establish an effective working relationship with all state and local public health entities in its Service Area(s) to identify issues and promote initiatives addressing public health concerns.

8.2.10 Coordination with Other State Health and Human Services (HHS) Programs

The MCO must coordinate with other state HHS Programs in each Service Area regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. require Providers to use the DSHS Bureau of Laboratories for specimens obtained as part of a Texas Health Steps medical checkup, as indicated in Section 8.1.4 under Laboratory Services;
2. notify Providers of the availability of vaccines through the Texas Vaccines for Children Program;
3. work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry;
4. educate Providers and Members about services available through the Department of State Health Services (DSHS) Case Management for Children and Pregnant Women program;
5. coordinate with Case Management for Children and Pregnant Women for health care needs that are identified by Case Management for Children and Pregnant Women and referred to the MCO;

6. participate, to the extent practicable, in the community-based coalitions with the Medicaid-funded case management programs in the Department of Assistive and Rehabilitative Services (DARS), the Department of Aging and Disability Services (DADS), and DSHS;

7. cooperate with activities required of state and local public health authorities necessary to conduct the annual population and community based needs assessment;

8. report all blood lead results, coordinate and follow-up on suspected or confirmed cases of childhood lead exposure with the Childhood Lead Poisoning Prevention Program in DSHS, and follow the Centers for Disease Control and Prevention guidelines for testing children for lead and follow-up actions for children with elevated lead levels located at http://www.dshs.state.tx.us/lead/pdf_files/pb_109_physician_reference.pdf;

9. coordinate with Texas Health Steps Outreach Unit;

10. coordination of care protocols for working with Dental Contractors, as well as protocols for reciprocal referral and communication of data and clinical information regarding the Member's Medically Necessary dental Covered Services; and

11. develop a coordination plan to share with local entities regarding clients identified as requiring special needs or assistance during a disaster.

8.2.11 Advance Directives

Federal and state laws require MCOs and providers to maintain written policies and procedures for informing all adult Members 18 years of age and older about their rights to refuse, withhold or withdraw medical treatment and mental health treatment through advance directives (see Social Security Act §1902(a)(57) and §1903(m)(1)(A)). The MCO’s policies and procedures must include written notification to Members and comply with provisions contained in 42 C.F.R. § 489, Subpart I, relating to advance directives for all Hospitals, critical access Hospitals, skilled nursing facilities, home health agencies, providers of home health care, providers of personal care services and hospices. The MCO’s policies and procedures must comply with state laws and rules regarding:

1. a Member’s right to self-determination in making health care decisions;

2. the Advance Directives Act, Chapter 166, Texas Health and Safety Code, which includes:
   a. a Member’s right to execute an advance written directive to physicians and family or surrogates, or to make a non-written directive to administer, withhold or withdraw life-sustaining treatment in the event of a terminal or irreversible condition;
   b. a Member’s right to make written and non-written out-of-Hospital do-not-resuscitate (DNR) orders;
   c. a Member’s right to execute a Medical Power of Attorney to appoint an agent to make health care decisions on the Member’s behalf if the Member becomes incompetent; and

3. Chapter 137, Texas Civil Practice and Remedies Code, which includes a Member’s right to execute a Declaration for Mental Health Treatment in a document making a declaration of preferences or instructions regarding mental health treatment.

The MCO must maintain written policies for implementing a Member’s advance directive. Those policies must include a clear and precise statement of limitation if a Provider cannot or will not implement a Member’s advance directive.

The MCO cannot require a Member to execute or issue an advance directive as a condition of receiving Health Care Services.

The MCO cannot discriminate against a Member based on whether or not the Member has executed or issued an advance directive.

The MCO’s policies and procedures must require the MCO and Subcontractors to comply with the requirements of state and federal law relating to advance directives. The MCO must provide education and training to employees and Members on issues concerning advance directives.
All materials provided to Members regarding advance directives must be written at a 7th-8th grade reading comprehension level, except where a provision is required by state or federal law and the provision cannot be reduced or modified to a 7th-8th grade reading level because it is a reference to the law or is required to be included “as written” in the state or federal law.

The MCO must notify Members of any changes in state or federal laws relating to advance directives within 90 days from the effective date of the change, unless the law or regulation contains a specific time requirement for notification.

8.2.12 SSI Members

A Member’s SSI status is effective the date the State’s eligibility system identifies the Member as Type Program 13 (TP13). The State is responsible for updating the State's eligibility system within 45 days of official notice of the Member’s Federal SSI eligibility by the Social Security Administration (SSA).

8.2.13 Medicaid Wrap-Around Services

The MCO may be required to supplement Medicare coverage for STAR+PLUS Members by providing services, supplies, and outpatient drugs and biologicals that are available under the Texas Medicaid program. There are 3 categories of Medicaid wrap-around services:

1. Medicaid Only Services (i.e., services that do not have a corresponding Medicare service);
2. Medicare Services that become a Medicaid expense due to a benefit limitation on the Medicare side being met; and
3. Medicare Services that become a Medicaid expense due to coinsurance (True Cross-over Claims).

Section 8.2.13.1 includes requirements for Medicaid wrap-around services for outpatient drugs and biological products. HHSC will provide advance written notice to the MCOs identifying other types of Medicaid wrap-around services that will become Covered Services, and the effective date of coverage.

8.2.13.1 Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products

Effective March 1, 2012, STAR+PLUS MCOs will provide Medicaid wrap-around services for outpatient drugs and biological products to STAR+PLUS Members under a non-risk, cost settlement basis, as described in Attachment A, Section 10.16, "Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products." Refer to HHSC's Uniform Managed Care Manual, Chapter 2.2, "Pharmacy Claims Manual," for additional information regarding the claims processing requirements for these Medicaid wrap-around services.

8.2.14 Medical Transportation

HHSC reserves the right to amend the scope of the Contract to include medical transportation services (MTP) for Medicaid Members. For additional information regarding the MTP Program, the MCO should refer to the Nonemergency Medical Transportation (NEMT) Full Risk Broker Services RFP. MCOs should note that the MTP Program includes numerous Frew v. Janek requirements, including enhanced call center performance standards. If MTP services are added to the scope of the Contract, HHSC will provide advance written notice and conduct appropriate Readiness Review.

8.3 Additional STAR+PLUS Scope of Work

8.3.1 Covered Community-Based Long-Term Services and Supports

The MCO must ensure that STAR+PLUS Members needing Community Long-term Services and Supports are identified, and that services are referred and authorized in a timely manner. The MCO must ensure that Providers of Community Long-term
Services and Supports are licensed to deliver the services they provide. The inclusion of Community Long-term Services and Supports in a managed care model presents challenges, opportunities and responsibilities.

Community Long-term Services and Supports may be necessary as a preventative service to avoid more expensive hospitalizations, emergency room visits, or institutionalization. Community Long-term Services and Supports should also be made available to Members to assure maintenance of the highest level of functioning possible in the least restrictive setting. A Member’s need for Community Long-term Services and Supports to assist with the activities of daily living must be considered as important as needs related to a medical condition. MCOs must provide both Medically Necessary and Functionally Necessary Covered Services to Community Long-term Services and Supports Members.

8.3.1.1 Community Based Long-Term Services and Supports Available to All Members

The MCO must enter into written contracts with Providers of Personal Assistance Services and Day Activity and Health Services (DAHS) to ensure access to these services for all STAR+PLUS Members. At a minimum, these Providers must meet all of the following state licensure and certification requirements for providing the services in Attachment B-2.2, “STAR+PLUS Covered Services.”

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<th>Community-based Long-Term Services and Supports Available to All Members</th>
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<td>Primary Home Care</td>
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<td>Day Activity and Health Services (DAHS)</td>
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8.3.1.2 HCBS STAR+PLUS Waiver Services Available to Qualified Members

The HCBS STAR+PLUS Waivers provides Community Long-term Services and Supports to Medicaid Eligibles who are elderly and to adults with disabilities as a cost-effective alternative to living in a nursing facility. These Members must be age 21 or older, be a Medicaid recipient or be otherwise financially eligible for waiver services. To be eligible for HCBS STAR+PLUS Waiver Services, a Member must meet income and resource requirements for Medicaid nursing facility care, and receive a determination from HHSC on the medical necessity/level of care of the nursing facility care. The MCO must make available to STAR+PLUS Members who meet these eligibility requirements the array of services allowable through HHSC’s CMS-approved HCBS STAR+PLUS Waiver (see Attachment B-2.2, “STAR+PLUS Covered Services”).

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<tr>
<th>Community-based Long-Term Services and Supports under the HCBS STAR+PLUS Waiver</th>
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8.3.2 Service Coordination

8.3.2.1 Service Coordination Plan Requirements

The MCO must implement an HHSC-approved service coordination plan no later than October 1, 2013. At a minimum, the service coordination plan must address:

- how outreach to Members will be conducted;
- how Members are assessed and their service plans developed (the initial identification of Members' needed services and supports);
- how Members will be identified as needing an assessment when changes in their health or life circumstances occur;
- the Member's needs and preferences;
- the minimum number of service coordination contacts a Member will receive per year;
- how service coordination will be provided (face-to-face, telephone contact, etc.); and
- how these service coordination services will be tracked by the MCO.

The service coordination plan must address service planning for Members in the following categories.

- **Level 1 Members**: Highest level of utilization
  - Includes HCBS SPW recipients and Members with complex medical needs.
  - MCOs must provide Level 1 Members with a single identified person as their assigned Service Coordinator.
  - All Level 1 Members must receive a minimum of two face-to-face service coordination contacts annually.
- **Level 2 Members**: Lower risk/utilization
  - MCOs must provide Level 2 Members with a single identified person as their assigned Service Coordinator. Members and required assessments are as follows.
  - Members receiving LTSS for Personal Assistance Services or Day Activity and Health Services (PAS and DAHS) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Members with a history of behavioral health issues (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Members with a history of substance abuse (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Dual Eligibles who do not meet Level 1 requirements must receive a minimum of two telephonic service coordination contacts annually.
- **Level 3 Members**: Members who do not qualify as Level 1 or Level 2
  - MCO must make at least two telephonic service coordination outreach contacts yearly.
  - Level 3 Members are not required to have a named Service Coordinator, unless they request service coordination services.

MCOs must provide written notice to all STAR+PLUS Members (including Level 3 Members who do not have a named Service Coordinator) that includes:
MCOs must notify all STAR+PLUS Members receiving service coordination of:

- The name of their Service Coordinator;
- The phone number of their Service Coordinator;
- The minimum number of contacts they will receive every year; and
- The types of contacts they will receive.

### 8.3.2.2 Service Coordination Structure

Individuals receiving Level 1 or Level 2 Service Coordination must have a single, identified person as their assigned Service Coordinator and the MCO must notify Members within 15 Business Days of the name and phone number of their new Service Coordinator, if their Service Coordinator changes. The MCO must also post the new Service Coordinator's information on the portal within the same time period.

Service coordination teams must be led by at least one Service Coordinator. Team members must have the following expertise or access within the MCO to identified subject matter experts in the following areas.

- Behavioral health
- Substance abuse
- Local resources (e.g., basic needs like housing, food, utility assistance)
- Pediatrics
- LTSS
- End of life/advanced illness
- Acute care
- Preventive care
- Cultural competency
- Pharmacology
- Nutrition
- Texas Promoting Independence strategies
- Consumer Directed Services options
- Person-directed planning

Service Coordination teams will have an overarching philosophy of independent living, self-determination, and community integration.

All STAR+PLUS MCOs must provide dedicated toll-free service coordination phone numbers. These numbers, if not regional, must have the capabilities of warm transferring to the MCO's regional office.

The MCO must furnish a Service Coordinator to all STAR+PLUS Members who request one. The MCO should also furnish a Service Coordinator to a STAR+PLUS Member when the MCO determines one is required through an assessment of the Member's health and support needs. If the Member refuses Service Coordination, the MCO should document the refusal in the Member's case file.

At a minimum, the MCO will have three tiers of Service Coordination for all Members.

The MCO must ensure that each STAR+PLUS Member has a qualified PCP who is responsible for overall clinical direction and, in conjunction with the Service Coordinator, serves as a central point of integration and coordination of Covered Services, including primary, Acute Care, Long-term Services and Supports, and Behavioral Health Services.

The Service Coordinator must work with the Member's PCP to coordinate all STAR+PLUS Covered Services and any applicable Non-capitated Services. This requirement applies regardless of whether the PCP is in the MCO's Network particularly for Dual Eligible Members. In order to integrate the Member's care while remaining informed of the Member's needs and condition, the Service Coordinator must actively involve the Member's primary and specialty care Providers,
including Behavioral Health Service Providers, Providers of Non-capitated Services, and Medicare Advantage health plans for qualified Dual Eligible Members. When considering whether to refer a Member to a nursing facility or other long-term care facility, the MCO must consider the availability of the Program of All-Inclusive Care for the Elderly (PACE) for that Member.

Dual Eligible Members receive most Acute Care services through Medicare, rather than Medicaid.

The MCO must identify and train Members or their families to coordinate their own care, to the extent of the Member's or the family's capability and willingness to coordinate care.

8.3.2.3 Service Coordinators

The MCO must employ as Service Coordinators persons experienced in meeting the needs of vulnerable populations who have Chronic or Complex Conditions. Service Coordinators are Key MCO Personnel as described in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.02, and must meet the requirements set forth in Section 4.04.1 of Attachment A.

Service Coordinators must meet the following minimum requirements:

- A Service Coordinator for a Level 1 Member must be a registered nurse (RN) or nurse practitioner (NP). Licensed vocational nurses (LVNs) employed as Service Coordinators before March 1, 2013 will be allowed to continue in that role.
- A Service Coordinator for a Level 2 or 3 Member must have an undergraduate or graduate degree in social work or a related field or be an LVN, RN, NP, or physician's assistant (PA); or have a minimum of a high school diploma or GED and direct experience with the ABD/SSI population in three of the last five years.
- Service Coordinators for Level 3 Members must have experience in meeting the needs of the member population served (for example, people with disabilities).
- Service Coordinators must possess knowledge of the principles of most integrated settings, including federal and state requirements.
- Service Coordinators must complete 16 hours of service coordination training every two years. MCOs must administer the training, which must include:
  - information related to the population served;
  - how to assess member needs;
  - person-directed planning;
  - a refresher of available local and statewide resources; and
  - respect for cultural, spiritual, racial, and ethnic beliefs of others.

8.3.2.4 Referral to Community Organizations

The MCO must provide information about and referral to community organizations that may not be providing STAR+PLUS Covered Services, but are otherwise important to the health and wellbeing of Members. These organizations include, but are not limited to:

1. state/federal agencies (e.g., those agencies with jurisdiction over aging, public health, substance abuse, mental health/retardation, rehabilitation, developmental disabilities, income support, nutritional assistance, family support agencies, etc.);
2. social service agencies (e.g., area agencies on aging, residential support agencies, independent living centers, supported employment agencies, etc.);
3. city and county agencies (e.g., welfare departments, housing programs, etc.);
4. civic and religious organizations; and
5. consumer groups, advocates, and councils (e.g., legal aid offices, consumer/family support groups, permanency planning, etc.).

8.3.2.5 Discharge Planning

The MCO must have a protocol for quickly assessing the needs of Members discharged from a Hospital or other care or treatment facility.
The MCO’s Service Coordinator must work with the Member’s PCP, the Hospital discharge planner(s), the attending physician, the Member, and the Member’s family to assess and plan for the Member’s discharge. When Long-term Services and Supports is needed, the MCO must ensure that the Member’s discharge plan includes arrangements for receiving community-based care whenever possible. The MCO must ensure that the Member, the Member’s family, and the Member’s PCP are all well informed of all service options available to meet the Member’s needs in the community.

8.3.2.6 Transition Plan for New STAR+PLUS Members

The MCO must provide a transition plan for Members enrolled in the STAR+PLUS Program. HHSC, and/or the previous STAR+PLUS MCO contractor, will provide the MCO with detailed Care Plans, names of current providers, etc., for newly enrolled Members already receiving Long-term Services and Supports at the time of enrollment in the MCO. The MCO must ensure that current providers are paid for Medically Necessary and Functionally Necessary Covered Services that are delivered in accordance with the Member’s existing treatment/Long-Term Services and Supports plan after the Member has become enrolled in the MCO and until the transition plan is developed.

The transition planning process must include, but is not limited to, the following:

1. review of existing Long-Term Services and Supports plans prepared by DADS or another STAR+PLUS MCO;
2. preparation of a transition plan that ensures continuous care under the Member’s existing Care Plan during the transfer into the MCO’s Network while the MCO conducts an appropriate assessment and development of a new plan, if needed;
3. if durable medical equipment or supplies had been ordered prior to enrollment but have not been received by the time of enrollment, coordination and follow-through to ensure that the Member receives the necessary supportive equipment and supplies without undue delay; and
4. payment to the existing provider of service under the existing authorization for up to six (6) months, until the MCO has completed the assessment and Service Plans and issued new authorizations.

Except as provided below, the MCO must review any existing care plan and develop a transition plan within 30 days of receiving notice of the Member’s enrollment. For all existing care plans received prior to the Operational Start Date, the MCO will have additional time to complete this process, not-to-exceed 120 days after the Member’s enrollment. The transition plan will remain in place until the MCO contacts the Member or the Member’s representative and coordinates modifications to the Member’s current treatment/Long-Term Services and Supports plan. The MCO must ensure that the existing services continue and that there are no breaks in services. For initial implementation of the STAR+PLUS program in a Service Area, the MCO must honor existing LTSS authorizations for up to six (6) months following the Operational Start Date, or until the MCO has evaluated and assessed the Member and issued new authorizations.

The Service Plan includes, but is not limited to, the following:

1. the Member’s history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide such services.

The Service Plan may include information for services outside the scope of covered benefits such as how to access affordable, integrated housing.

The MCO must ensure that the Member or the Member’s representative is involved in the assessment process and fully informed about options, is included in the development of the Service Plan, and is in agreement with the plan when completed.

8.3.2.7 Centralized Medical Record and Confidentiality
The Service Coordinator must be responsible for maintaining a centralized record related to Member contacts, assessments and service authorizations. The MCO must ensure that the organization of and documentation included in the centralized Member record meets all applicable professional standards ensuring confidentiality of Member records, referrals, and documentation of information. The MCO must have a systematic process for generating or receiving referrals and sharing confidential medical, treatment, and planning information across providers.

### 8.3.2.8 Nursing Facilities

Nursing facility care, although a part of the care continuum, presents a challenge for managed care. Because of the process for becoming eligible for Medicaid assistance in a nursing facility, there is frequently a significant time gap between entry into the nursing home and determination of Medicaid eligibility. During this gap, it is likely that the resident will have "nested" in the facility and many of the community supports are no longer available. To require participation of all nursing facility residents would result in the MCO maintaining a Member in the nursing facility without many options for managing their health. For this reason, persons who qualify for Medicaid as a result of nursing facility residency are not enrolled in STAR+PLUS.

The STAR+PLUS MCO must participate in the Promoting Independence (PI) initiative for such individuals. PI is a philosophy that aged and disabled individuals remain in the most integrated setting to receive Long-term Services and Supports. PI is Texas' response to the U.S. Supreme Court ruling in Olmstead v. L.C., which requires states to provide community-based services for persons with disabilities who would otherwise be entitled to institutional services, when:

1. the state's treatment professionals determine that such placement is appropriate;
2. the affected persons do not oppose such treatment; and
3. the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services.

In accordance with legislative direction, the MCO must designate a point of contact to receive referrals for nursing facility residents who may potentially be able to return to the community through the use of HCBS STAR+PLUS Waiver services. To be eligible for this option, an individual must reside in a nursing facility until a written plan of care for safely moving the resident back into a community setting has been developed and approved.

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The nursing facility will bill the state directly for covered nursing facility services delivered while the Member is in the nursing facility. See Section 8.3.2.7 for further information.

The MCO is responsible for the Member at the time of nursing facility entry and must utilize the Service Coordinator staff to complete an assessment of the Member within 30 days of entry in the nursing facility, and develop a plan of care to transition the Member back into the community if possible. If at this initial review, return to the community is possible, the Service Coordinator will work with the resident and family to return the Member to the community using HCBS STAR+PLUS Waiver Services.

If the initial review does not support a return to the community, the Service Coordinator will conduct a second assessment 90 days after the initial assessment to determine any changes in the individual's condition or circumstances that would allow a return to the community. The Service Coordinator will develop and implement the transition plan.

The MCO will provide these services as part of the PI initiative. The MCO must maintain the documentation of the assessments completed and make them available for state review at any time.

It is possible that the STAR+PLUS MCO will be unaware of the Member's entry into a nursing facility. It is the responsibility of the nursing facility to review the Member's Medicaid card upon entry into the facility and notify the MCO. The nursing facility is also required to notify HHSC of the entry of a new resident.

### 8.3.2.9 MCO Four-Month Liability for Nursing Facility Care

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The four (4) months do not have to be consecutive. Upon completion of four months of nursing facility care, the individual will be disenrolled from the STAR+PLUS Program and the Medicaid Fee-for-Service program will provide Medicaid benefits. A STAR+PLUS Member may not change MCOs while in a nursing facility.
Tracking the four (4) months of liability is done through a counter system. The four-month counter starts with the earlier of: (1) the date of the Medicaid admission to the nursing facility, or (2) on the 21st day of a Medicare stay, if applicable. A partial month counts as a full month. In other words, the month in which the Medicaid admission occurs or the month on which the 21st day of the Medicare stay occurs is counted as one (1) of the four (4) months. The MCO will not be responsible for the cost of care provided in a nursing facility. For Medicaid-only Members, the MCO is responsible for cost of Covered Services provided outside of the nursing facility. The MCO will not maintain nursing facilities in its Provider Network, and will not reimburse the nursing facilities for Covered Services provided in such facilities. Nursing facilities will use the traditional Fee-for-Service (FFS) system of billing HHSC rather than billing the MCO.

8.3.2.10 Prioritization Plan

Prior to the 3/1/2012 Operational Start Date of the STAR+PLUS Program in the Expansion Service Areas, HHSC and DADS will provide the MCO a plan that outlines a priority of populations and special handling procedures that the MCO must implement to help ensure timely assessments for potential enrollees and incoming Members as well as continuity of care for incoming Members. The populations that will be part of the priority list will include but are not limited to Money Follows the Person (MFP); Medically Dependent Children Program (MDCP), Comprehensive Care Program -Personal Care Services (CCP-PCS) and Comprehensive Care Program-Private Duty Nursing (CCP-PDN) aging out consumers; 217-Like Group Interest List consumers; and Supplemental Security Income (SSI) consumer. HHSC and/or DADS will also provide the MCO with information concerning Members who will be enrolled through manual processes and will need expedited access to services.

8.3.3 STAR+PLUS Assessment Instruments

The MCO must have and use functional assessment instruments to identify Members with significant health problems, Members requiring immediate attention, and Members who need or are at risk of needing Long-term Services and Supports. The MCO, a Subcontractor, or a Provider may complete assessment instruments, but the MCO remains responsible for the data recorded.

MCOs must use the DADS Form 2060, as amended or modified, to assess a Member's need for Functionally Necessary Personal Attendant Services. The MCO may adapt the form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. The DADS Form 2060 must be completed if a need for or a change in Personal Attendant Services is warranted at the initial contact, at the annual reassessment, and anytime a Member requests the services or requests a change in services. The DADS Form 2060 must also be completed at any time the MCO determines the Member requires the services or requires a change in the Personal Attendant Services that are authorized.

MCOs must use the Texas Medicaid Personal Care Assessment Form (PCAF Form) in lieu of the DADS Form 2060 for children under the age of 21 when assessing the Member's need for Functional Necessary Personal Attendant Services. MCOs may adapt the PCAF Form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. Reassessments using the PCAF Form must be completed every 12 months and as requested by the Member's parent or other legal guardian. The PCAF Form must also be completed at any time the MCO determines the Member may require a change in the number of authorized Personal Attendant Service hours.

For Members and applicants seeking or needing the HCBS STAR+PLUS Waiver services, the MCOs must use the Community Medical Necessity and Level of Care Assessment Instrument, as amended or modified, to assess Members and to supply current medical information for Medical Necessity determinations. The MCO must also complete the Individual Service Plan (ISP), Form 3671 for each Member receiving HCBS STAR+PLUS Waiver Services. The ISP is established for a one-year period. After the initial ISP is established, the ISP must be completed on an annual basis and the end date or expiration date does not change. Both of these forms (Community Medical Necessity and Level of Care Assessment Instrument and Form 3671) must be completed annually at reassessment.

The MCO is responsible for tracking the end dates of the ISP to ensure all Member reassessment activities have been completed and posted on the LTC online portal prior to the expiration date of the ISP. Note that the MCO cannot submit its initial Community Medical Necessity and Level of Care Assessment Instrument earlier than 120 days prior to the expiration date of the ISP. An Initial Community Medical Necessity and Level of Care determination will expire 120 days after it is approved by the HHSC Claims Administrator. The MCO cannot submit a renewal of the Community Medical Necessity and
Level of Care Assessment Instrument earlier than 90 days prior to the expiration date of the ISP. Such renewal will expire 90 days after it is approved by the HHSC Claims Administrator.

8.3.4 HCBS STAR+PLUS Waiver Service Eligibility

Recipients of HCBS STAR+PLUS Waiver services must meet level of care criteria for participation in the waiver and must have a plan of care at initial determination of eligibility in which the plan's annualized cost is equal to or less than 202% of the annualized cost of care if the individual were to enter a nursing facility. If the MCO determines that the recipient's cost of care will exceed the 202% limit, the MCO will submit to HHSC's Health Plan Operations Unit a request to consider the use of State General Revenue Funds to cover costs over the 202% allowance, as per HHSC's policy and procedures related to use of general revenue for HCBS STAR+PLUS Waiver participants. If HHSC approves the use of State General Revenue Funds, the MCO will be allowed to provide waiver services as per the Individual Service Plan, and non-waiver services (services in excess of the 202% allowance) utilizing State General Revenue Funds. Non-waiver services are not Medicaid Allowable Expenses, and may not be reported as such on the FSRs. The MCO will submit reports documenting expenses for non-waiver services in an HHSC-approved format. HHSC will reimburse the MCO for such expenses.

8.3.4.1 For Members

Members can request to be tested for eligibility into the HCBS STAR+PLUS Waiver. The MCO can also initiate HCBS STAR+PLUS Waiver eligibility testing on a STAR+PLUS Member if the MCO determines that the Member would benefit from the HCBS STAR+PLUS Waiver services.

To be eligible for the HCBS STAR+PLUS Waiver, the Member must meet Medical Necessity/Level of Care and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that that Member has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost limit. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the Member and the MCO of the eligibility determination, which will be based on results of the assessments and the information provided by the MCO. If the STAR+PLUS Member is eligible for HCBS STAR+PLUS Waiver services, HHSC will notify the Member of the effective date of eligibility. If the Member is not eligible for HCBS STAR+PLUS Waiver services, HHSC will provide the Member information on right to Appeal the Adverse Determination. The MCO is responsible for preparing any requested documentation regarding its assessments and ISPs, and if requested by HHSC, attending the Fair Hearing. Regardless of the HCBS STAR+PLUS Waiver eligibility determination, HHSC will send a copy of the Member notice to the MCO.

8.3.4.2 For 217-Like Group Non-Member Applicants

Non-member persons who are not eligible for Medicaid in the community may apply for participation in the HCBS STAR+PLUS Waiver under the financial and functional eligibility requirements for the 217-Like Group (this group is described in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver). HHSC will inform the non-member applicant that services are provided through an MCO and allow the applicant to select the MCO. HHSC will provide the selected MCO an authorization form to initiate pre-enrollment assessment services required under the HCBS STAR+PLUS Waiver for the applicant. The MCO's initial home visit with the applicant must occur within 14 days of the receipt of the referral. To be eligible for HCBS STAR+PLUS Waiver, the applicant must meet financial eligibility and Medical Necessity/Level of Care, and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that the applicant has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS
STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost ceiling. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the applicant and the MCO of the results of its eligibility determination. If the applicant is eligible, HHSC will notify the applicant and the MCO will be notified of the effective date of eligibility, which will be the first day of the month following the determination of eligibility. The MCO must initiate the Individual Service Plan (ISP) on the date of enrollment.

If the applicant is not eligible, the HHSC notice will provide information on the applicant's right to Appeal the Adverse Determination. HHSC will also send notice to the MCO if the applicant is not eligible for HCBS STAR+PLUS Waiver services. The MCO is responsible for preparing any requested documentation regarding its assessments and service plans, and if requested by HHSC, attending the Fair Hearing.

8.3.4.3 Annual Reassessment

Prior to the end date of the annual ISP, the MCO must initiate an annual reassessment to determine and validate continued eligibility for HCBS STAR+PLUS Waiver services for each Member receiving these services. As part of the assessment, the MCO must inform the Member about Consumer Directed Services options. The MCO will be expected to complete the same activities for each annual reassessment as required for the initial eligibility determination.

8.3.4.4 STAR+PLUS Utilization Reviews

HHSC will conduct STAR+PLUS utilization reviews, as described in Texas Government Code § 533.00281. The reviews will include the MCO's assessment processes used to determine HCBS waiver eligibility. If HHSC recoups money from the MCO as a result of a utilization review conducted under this section, the MCO cannot hold a Network service provider liable for the good faith provision of services based on the MCO's authorization.

8.3.5 Consumer Directed Services Options

There are three (3) options available to STAR+PLUS Members desiring to self-direct the delivery of:

1. Primary Home Care (PHC) (which is available to all STAR+PLUS Members), and
2. Personal Attendant Services (PAS); in-home or out-of-home respite; nursing; physical therapy (PT); occupational therapy (OT); and/or speech/language therapy (SLT) for (which are available to Members in the HCBS STAR+PLUS Waivers).

These three (3) options are: 1) Consumer-Directed; 2) Service Related; and 3) Agency. The MCO must provide information concerning the three (3) options to all Members: (1) who meet the functional requirements for PHC Services and the requirements for PAS (the functional criteria for these services are described in the Form 2060), (2) who are eligible for in-home or out-of-home respite services in the SPW; and (3) who are eligible for nursing, PT, OT and/or SLT in the SPW. In addition to providing information concerning the three (3) options, the MCO must provide Member orientation in the option selected by the Member. The MCO must provide the information to any STAR+PLUS Member receiving PHC/PAS and/or in-home or out-of-home respite:

1. at initial assessment;
2. at annual reassessment or annual contact with the STAR+PLUS Member;
3. at any time when a STAR+PLUS Member receiving PHC/PAS/Respite/Nursing/PT/OT/SLT requests the information; and
4. in the Member Handbook.

The MCO must contract with providers who are able to offer PHC/PAS in-home or out-of-home respite, nursing, PT, TO, and/or SLT and must also educate/train the MCO Network Providers regarding the three (3) PAS options. Network Providers must meet licensure/certification requirements as indicated in Attachment B-1, Sections 8.3.11 and 8.3.1.2 of the Uniform Managed Care Contract.

In all three (3) options, the Service Coordinator and the Member work together in developing the Individual Service Plan.
A more comprehensive description of Consumer Directed Services is found in the STAR+PLUS Handbook: 
http://www.dads.state.tx.us/handbooks/sph/8000/8000.htm#sec8120

**8.3.5.1 Consumer-Directed Option Model**

In the Consumer-Directed Model, the Member or the Member's legal guardian is the employer of record and retains control over the hiring, management, and termination of an individual providing PHC/PAS in-home or out-of-home respite; nursing, PT, TO, and/or SLT. The Member is responsible for ensuring that the employee meets the requirements for PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT; including the criminal history check. The Member uses a Consumer Directed Services agency (CDSA) to handle the employer-related administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT.

**8.3.5.2 Service Related Option Model**

In the Service Related Option Model, the Member or the Member's legal guardian is actively involved in choosing their personal attendant, respite provider, nurse, physical therapist, occupational therapist and/or speech/language therapist but is not the employer of record. The Home and Community Support Services agency (HCSSA) in the MCO Provider Network is the employer of record for the personal attendant employee and respite provider. In this model, the Member selects the personal attendant and/or respite provider from the HCSSA's personal attendant employees. The personal attendant's/respite provider's schedule is set up based on the Member's input, and the Member manages the PHC/PAS, in-home or out-of-home respite. The Member retains the right to supervise and train the personal attendant. The Member may request a different personal attendant and the HCSSA would be expected to honor the request as long as the new attendant is a Network Provider. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite. In this model, the Member selects the nurse, physical therapist, occupational therapist, and/or speech/language therapist from the MCO's Provider Network. The nurse, physical therapist, occupational therapist, and/or speech/language therapist's schedule is set up based on the Member's input, and the Member manages the nursing, PT, OT, and/or SLT services. The Member retains the right to supervise and train the nurse, physical therapist, occupational therapist, and/or speech/language therapist. The Member may request a different nurse, physical therapist, occupational therapist, and/or speech/language therapist and the MCO must honor the request as long as the nurse, physical therapist, occupational therapist, and/or speech/language therapist is a Network Provider. The MCO establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of nursing, PT, OT, and/or SLT services.

**8.3.5.3 Agency Model**

In the Agency Model, the MCO contracts with a Home and Community Support Services agency (HCSSA) for the delivery of waiver services. The HCSSA is the employer of record for the personal attendant, respite provider, nurse, physical therapist, occupational therapist, and speech language therapist. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite.

**8.3.6 Community Based Long-term Services and Supports Providers**

**8.3.6.1 Training**

The MCO must comply with Section 8.1.4.6 regarding Provider Manual and Provider training specific to the STAR+PLUS Program. The MCO must train all Community Long-term Services and Supports Providers regarding the requirements of the Contract and special needs of STAR+PLUS Members. The MCO must establish ongoing STAR+PLUS Provider training addressing the following issues at a minimum:

1. Covered Services and the Provider’s responsibilities for providing such services to STAR+PLUS Members and billing the MCO. The MCO must place special emphasis on Community Long-term Services and Supports and STAR+PLUS requirements, policies, and procedures that vary from Medicaid Fee-for-Service and commercial coverage rules, including payment policies and procedures;

2. relevant requirements of the STAR+PLUS Contract, including the role of the Service Coordinator;
3. processes for making referrals and coordinating Non-capitated Services;
4. the MCO’s quality assurance and performance improvement program and the Provider’s role in such programs; and
5. the MCO’s STAR+PLUS policies and procedures, including those relating to Network and Out-of-Network referrals.
6. For STAR+PLUS in the El Paso, Hidalgo and Lubbock Service Areas with an Operational Start Date of 3/1/2012, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process.

8.3.6.2 LTSS Provider Billing
Long-term Services and Supports providers serving clients in the traditional Fee-for-Service Medicaid program have not been required to utilize the billing systems that most medical facilities use on a regular basis. For this reason, the MCO must make accommodations to the claims processing system for such providers to allow for a smooth transition from traditional Medicaid to STAR+PLUS.

HHSC has developed a standardized method for Long-term Services and Supports billing. All STAR+PLUS MCOs are required to utilize the standardized method, as found in Uniform Managed Care Manual Chapters 2.1.1 and 2.1.2.

8.3.6.3 Rate Enhancement Payments for Agencies Providing Attendant Care
All MCOs participating in the STAR+PLUS Program must allow their Long-term Services and Supports Providers to participate in the STAR+PLUS Attendant Care Enhancement Program.

Uniform Managed Care Manual Chapter 2.1.3, “STAR+PLUS Attendant Care Enhanced Payment Methodology,” includes the methodology that the STAR+PLUS MCO will use to implement and pay the enhanced payments, including a description of the timing of the payments. Such methodology must comply with the requirements in the Uniform Managed Care Manual and the intent of T.A.C. Title 1, Part 15, Chapter 355, Subchapter A, §355.112.

8.3.6.4 STAR+PLUS Handbook
The STAR+PLUS Handbook contains HHSC-approved policies and procedures related to the STAR+PLUS Program, including policies and procedures relating to the Texas Healthcare Transformation and Quality Improvement Program 1115 waiver. The STAR+PLUS Handbook includes additional requirements regarding the STAR+PLUS Program and guidance for the MCOs, the STAR+PLUS Support Units at DADS, and HHSC staff for administrating and managing STAR+PLUS Program operations. The STAR+PLUS Handbook is incorporated by reference into the Contract.

8.3.6.5 Annual Contact with STAR+PLUS Members
The MCO is required to contact each STAR+PLUS Member a minimum of two (2) times per calendar year. This contact can be written, telephonic, or an onsite visit to the Member’s residence, depending upon the Member’s level of need. The MCO must document the mechanisms, number and method of contacts, and outcomes within the MCO’s Service Coordination system.

8.3.7 Additional Requirements Regarding Dual Eligibles

8.3.7.1 Coordination of Services for Dual Eligibles
The STAR+PLUS MCOs must coordinate Medicare and Medicaid services for Dual Eligible recipients. To facilitate such coordination, the MCO must be contracted with the CMS and operating as a MA Dual SNP in the most populous counties in the Service Area(s), as identified by HHSC, no later than January 1, 2013. After January 1, 2013, the MCO must maintain its
status as an MA DUAL SNP contractor throughout the term of the Contract. Failure to do so may result in HHSC’s assessment of contractual remedies, including Contract termination.

8.3.7.2 MA Dual SNP Agreement

As part of the integrated care initiative for Dual Eligible STAR+PLUS Members, the MCO may maintain a separate capitation agreement with HHSC whereby the MCO’s MA Dual SNP plan reimburses Medicare providers for the cost-sharing obligations that the State would otherwise be required to pay on behalf of qualified STAR+PLUS Dual Eligible Members. The final Texas MA Dual SNP Agreement, as amended or modified, will be incorporated by reference into the STAR+PLUS Contract. The MCO will be required to provide all enrolled STAR+PLUS Dual Eligible Members with the coordinated care and other services described in the Texas MA Dual SNP Agreement, and any violations of the Texas MA Dual SNP Agreement with respect to STAR+PLUS Members will also be a violation of the STAR+PLUS Contract. Note that, for STAR+PLUS Members who are also enrolled in the MA Dual SNP’s Medicare plan, the Parties may develop alternative methods for verifying Member eligibility and submitting encounter data. Any modifications to these processes or other requirements identified in the Texas MA Dual SNP Agreement will be included in the Texas MA Dual SNP Agreement.

8.3.8 Minimum Wage Requirements for STAR+PLUS Attendants in Community Settings

The MCO must ensure that facilities and agencies that provide attendant services in community settings pay attendants at or above the minimum rates described below. This requirement applies to the following types of services, whether or not the Member chooses to self-direct these services (see Section 8.3.5, "Consumer Directed Services Options:"

- Day Activity Health Care Services (DAHS);
- Primary Home Care (PHC);
- Personal Assistance Services (PAS); and
- Texas Health Steps Personal Care Services (PCS).

This requirement does not apply to attendant services provided by non-institutional facilities, such as assisted living, adult foster care, residential care, and nursing facilities.

8.3.8.1 State Fiscal Year 2014

The MCO must ensure that attendants are paid no less than $7.50 per hour for dates of service in SFY 2014 (September 1, 2013 to August 31, 2014).

8.3.8.2 State Fiscal Year 2015 and After

The MCO must ensure that attendants are paid no less than $7.86 per hour for dates of service on or after September 1, 2014.

8.4 Additional CHIP Scope of Work

The following provisions only apply to MCOs participating in CHIP.

8.4.1 CHIP Provider Complaint and Appeals

CHIP Provider complaints and claims payment appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. The MCO must resolve Provider complaints and claims payment appeals within 30 days from the date of receipt.

8.4.2 CHIP Member Complaint and Appeal Process

CHIP Member Complaints and Appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. HHSC will require the MCO to resolve Member Complaints and Appeals (that are not elevated to TDI)
within 30 days from the date the Member Complaint or Appeal is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints and Member Appeals are not resolved within 30 days of receipt of the Complaint or Appeal by the MCO. Please see the Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 12, and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Any person, including those dissatisfied with a MCO’s resolution of a Member Complaint or Appeal, may report an alleged violation to TDI.

8.4.3 Third Party Liability and Recovery, and Coordination of Benefits

CHIP coverage is secondary when coordinating benefits with all other insurance coverage. Coverage provided under CHIP will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with TDI's rules regarding usual and customary payment.

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must comply with state and federal law and regulations. Consistent with Medicaid requirements, MCOs must pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action.

If a Member visits an FQHC or RHC (or a Municipal Health Department's public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, Financial Reporting Requirements. After 120 days from the date of adjudication (on any claim, encounter, or other Medicaid related payment made by the MCO, wherein the claim, encounter, or payment is subject to Third Party Recovery), HHSC may attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated recovery or subrogation action.

8.4.4 Perinatal Services for Traditional CHIP Members

The MCO’s perinatal Health Care Services must ensure appropriate care is provided to women and infant Members of the MCO from the preconception period through the infant’s first year of life. The MCO’s perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act), and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems; and
6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member with a confirmed diagnosis indicating pregnancy.
The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

Except as provided in Attachment A, Section 5.06, the MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO’s prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 9

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9. Turnover Requirements

9.1 Introduction

This section presents the Turnover Requirements. Turnover is defined as those activities that the MCO is required to perform prior to or upon termination of the Contract in situations where the MCO will transition data and documentation acquired under the Contract to HHSC or a subsequent contractor.

9.2 Turnover Plan

Twelve (12) months after the Effective Date of the Contract, the MCO must provide a Turnover Plan covering the turnover of the records and information maintained to either HHSC or a subsequent contractor. The Turnover Plan will be a comprehensive document detailing the proposed schedule, activities, and resource requirements associated with the turnover tasks. The Turnover Plan must describe the MCO’s policies and procedures that will assure:

1. The least disruption in the delivery of Covered Services to Members during the transition to a subsequent contractor.

2. Cooperation with HHSC and a subsequent contractor in notifying Members of the transition, as requested and in the form required or approved by HHSC.

3. Cooperation with HHSC and a subsequent contractor in transferring information to HHSC or a subsequent contractor, as requested and in the form required or approved by HHSC.

The Turnover Plan must be approved by HHSC, and include at a minimum:

1. The MCO’s approach and schedule for the transfer of data and information, as described above.

2. The quality assurance process that the MCO will use to monitor Turnover activities.

3. The MCO’s approach to training HHSC or a subsequent contractor’s staff in the operation of its business processes.

HHSC is not limited or restricted in the ability to require additional information from the MCO or modify the Turnover Plan as necessary.

9.3 Transfer of Data

The MCO must transfer to HHSC or a subsequent contractor all data and information necessary to transition operations, including: data and reference tables; data entry software; third-party software and modifications; documentation relating to software and interfaces; functional business process flows; and operational information, including correspondence, documentation of ongoing or outstanding issues, operations support documentation, and operational information regarding Subcontractors. For purposes of this provision, "documentation" means all operations, technical and user manuals used in conjunction with the software, Services and Deliverables, in whole or in part, that HHSC determines are necessary to view and extract application data in a proper format. The MCO must provide the documentation in the formats in which such documentation exists at the expiration or termination of the Contract. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 15.03, “Ownership and Licenses” for additional information concerning intellectual property rights.

In addition, the MCO will provide to HHSC the following:
1. Data, information and services necessary and sufficient to enable HHSC to map all Texas data from the MCO's system(s) to the replacement system(s) of HHSC or a successor contractor, including a comprehensive data dictionary as defined by HHSC.

2. All necessary data, information and services will be provided in the format defined by HHSC, and must be HIPAA compliant.

3. All of the data, information and services mentioned in this section must be provided and performed in a manner by the MCO using its best efforts to ensure the efficient administration of the contract. The data and information must be supplied in media and format specified by HHSC and according to the schedule approved by HHSC in the Turnover Plan. The data, information and services provided pursuant to this section must be provided at no additional cost to HHSC.

All relevant data and information must be received and verified by HHSC or a subsequent contractor. If HHSC determines that data or information are not accurate, complete, nor HIPAA compliant, HHSC reserves the right to hire an independent contractor to assist HHSC in obtaining and transferring all the required data and information and to ensure that all the data are HIPAA compliant. The reasonable cost of providing these services will be the responsibility of the MCO.

9.4 Turnover Services

Six (6) months prior to the end of the Contract Period, including any extensions, the MCO must revise its Turnover Plan. If HHSC terminates the Contract prior to the expiration of the Contract Period, then HHSC may require the MCO to submit an updated Turnover Plan sooner than six (6) months prior to the termination date. In such cases, HHSC’s notice of termination will include the date the Turnover Plan is due.

9.5 Post-Turnover Services

Thirty (30) days following Turnover of operations, the MCO must provide HHSC with a Turnover Results Report documenting the completion and results of each step of the Turnover Plan. Turnover will not be considered complete until this document is approved by HHSC. HHSC may withhold up to 20% of the last month’s Capitation Payment until the Turnover activities are complete and the Turnover Plan is approved by HHSC.

If the MCO does not provide the required data or information necessary for HHSC or a subsequent contractor to assume the operational activities successfully, the MCO agrees to reimburse HHSC for all reasonable costs and expenses, including, but not limited to: transportation, lodging, and subsistence to carry out inspection, audit, review, analysis, reproduction and transfer functions at the location(s) of such records; and attorneys’ fees and costs. This section does not limit HHSC’s ability to impose remedies or damages as set forth in the Contract.
## DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2, “STAR Covered Services.”</td>
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<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2 is modified to reinstate the waiver of the three prescription limit for adults language and to clarify the waiver of the $200,000 individual annual limit on inpatient services. STAR Covered Services is modified to add “Cancer screening, diagnostic, and treatment services” and “Prenatal care services rendered in a birthing center” as clarification items and to clarify the requirements for services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting.</td>
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<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2, &quot;STAR Covered Services.&quot;</td>
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<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>STAR Covered Services is modified to remove the reference to Dual Eligible STAR Members in the MRSA</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
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<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2, “STAR Covered Services.”</td>
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<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>STAR Covered Services is modified to remove the reference to the Texas Medicaid Bulletin.</td>
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3 Brief description of the changes to the document made in the revision.

## STAR Covered Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR Program.

STAR MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, **RFP Section 8.2.2.8**. Non-capitated services are not included in the STAR MCOs’ Capitation Rates;
however, STAR MCOs must coordinate care these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and noncapitated.

STAR MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following three (3) exceptions. Adult STAR Members are provided with three (3) enhanced benefits compared to the traditional, fee for-service Medicaid coverage:

1 waiver of the three (3) prescription per-month limit;
2 waiver of the 30-day spell-of-illness limitation; and
3 waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR MCOs should refer to the current Texas Medicaid Provider Procedures Manual, which can be accessed online at: http://www.tmhp.com.

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

**STAR Covered Services include, but are not limited to, Medically Necessary:**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Children (birth through age 20)
  - Acute inpatient mental health services for Adults
  - Outpatient mental health services
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Outpatient substance use disorder treatment services including:
    - Assessment
    - Detoxification services
    - Counseling treatment
    - Medication assisted therapy
  - Residential substance use disorder treatment services including:
    - Detoxification services
    - Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.
• Birthing services provided by a physician and certified nurse midwife (CNM) in a licensed birthing center
• Birthing services provided by a licensed birthing center
• Cancer screening, diagnostic, and treatment services
• Chiropractic services
• Dialysis
• Durable medical equipment and supplies
• Early Childhood Intervention (ECI) services
• Emergency Services
• Family planning services
• Home health care services
• Hospital services, including inpatient and outpatient
  o The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.
  o The MCO may provide substance use disorder treatment services in a chemical dependency treatment facility in lieu of an acute care inpatient hospital setting.
• Laboratory
• Mastectomy, breast reconstruction, and related follow-up procedures, including:
  • inpatient services; outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and physician and professional services provided in an office, inpatient, or outpatient setting for:
    o all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
    o surgery and reconstruction on the other breast to produce symmetrical appearance;
    o treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    o prophylactic mastectomy to prevent the development of breast cancer.
  • external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.
• Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program
• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children 6 months through 35 months of age.
• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals
• Drugs and biologicals provided in an inpatient setting
• Podiatry

• Prenatal care

• Prenatal care provided by a physician, certified nurse midwife (CNM), nurse practitioner (NP), clinical nurse specialist (CNS), and physician assistant (PA) in a licensed birthing center

• Primary care services

• Preventive services including an annual adult well check for patients 21 years of age and over

• Radiology, imaging, and X-rays

• Specialty physician services

• Therapies – physical, occupational and speech

• Transplantation of organs and tissues

• Vision (Includes optometry and glasses. Contact lenses are only covered if they are medically necessary for vision correction, which can not be accomplished by glasses.)
Subject: Attachment B-2.1 - CHIP Covered Services

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<th>STATUS</th>
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<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2.1, “CHIP Covered Services.”</td>
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<tr>
<td>Revision 2.1</td>
<td>March 1, 2012</td>
<td>“Birthing Center Services” is added as a clarification item. “Services Rendered by a Certified Nurse Midwife or physician in a licensed birthing center” is added as a clarification item. Attachment B-2.1 is modified to clarify Drug Benefits for CHIP Perinate Members. CHIP Exclusions from Covered Services is modified to clarify that over the counter drugs, contraceptives, and medications prescribed for weight loss or gain are not a covered benefit.CHIP Exclusions from Covered Services for CHIP Perinates is modified to clarify that over the counter drugs contraceptives, and medications prescribed for weight loss or gain are not a covered benefit.</td>
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<tr>
<td>Revision 2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.1, “CHIP Covered Services.”</td>
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<td>Revision 2.3</td>
<td>September 1, 2012</td>
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<td>Revision 2.4</td>
<td>March 1, 2013</td>
<td>CHIP Exclusions from Covered Services is modified to add Coverage while traveling outside of the United States and U.S. Territories.</td>
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<td>Revision 2.5</td>
<td>June 1, 2013</td>
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<td>Revision 2.6</td>
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CHIP Covered Services

Covered CHIP services must meet the CHIP definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays apply until a family reaches its specific cost-sharing maximum.

Covered CHIP Perinatal services must meet the definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays do not apply to CHIP Perinatal Members. CHIP Perinate Newborns are eligible for 12-months continuous coverage, beginning with the month of enrollment as a CHIP Perinate.
<table>
<thead>
<tr>
<th>Covered Benefit</th>
<th>CHIP Members and CHIP Perinate Newborn Members</th>
<th>CHIP Perinate Members (Unborn Child)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inpatient General Acute and Inpatient Rehabilitation Hospital Services</strong></td>
<td>Services include, but are not limited to, the following:</td>
<td>For CHIP Perinates in families with incomes at or below 185% of the Federal Poverty Level, the facility charges are not a covered benefit; however, professional services charges associated with labor with delivery are a covered benefit.</td>
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<tr>
<td></td>
<td>- Hospital-provided Physician or Provider services</td>
<td>For CHIP Perinates in families with incomes above 185% to 200% of the Federal Poverty Level, benefits are limited to professional service charges and facility charges associated with labor with delivery until birth, and services related to miscarriage or a non-viable pregnancy.</td>
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<td>- Semi-private room and board (or private if medically necessary as certified by attending)</td>
<td>Services include:</td>
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<td>- General nursing care</td>
<td>- Operating, recovery and other treatment rooms</td>
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<td></td>
<td>- Special duty nursing when medically necessary</td>
<td>- Anesthesia and administration (facility technical component)</td>
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<td>- ICU and services</td>
<td>Medically necessary surgical services are limited to services that directly relate to the delivery of the unborn child, and services related to miscarriage or non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero).</td>
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<td>- Patient meals and special diets</td>
<td>Inpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) are a covered benefit. Inpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
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<td>- Operating, recovery and other treatment rooms</td>
<td>- dilation and curettage (D&amp;C) procedures;</td>
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<td></td>
<td>- Anesthesia and administration (facility technical component)</td>
<td>- appropriate provider-administered medications;</td>
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<td>- Surgical dressings, trays, casts, splints</td>
<td>- ultrasounds, and</td>
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<td>- Drugs, medications and biologicals</td>
<td>- histological examination of tissue samples.</td>
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<td>- Blood or blood products that are not provided free-of-charge to the patient and their administration</td>
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<td>- X-rays, imaging and other radiological tests (facility technical component)</td>
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<td>- Laboratory and pathology services (facility technical component)</td>
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<td>- Machine diagnostic tests (EEGs, EKGs, etc.)</td>
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<td>- Oxygen services and inhalation therapy</td>
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<td>- Radiation and chemotherapy</td>
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<td></td>
<td>- Access to DSHS-designated Level III perinatal centers or Hospitals meeting equivalent levels of care</td>
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<td>- In-network or out-of-network facility and Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.</td>
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<td>- Hospital, physician and related medical services, such as anesthesia, associated with dental care</td>
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<td></td>
<td>- Inpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Inpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
<td></td>
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</tbody>
</table>
- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.

**Surgical implants**
- Other artificial aids including surgical implants
- Inpatient services for a mastectomy and breast reconstruction include:
  - all stages of reconstruction on the affected breast;
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed
  - surgery and reconstruction on the other breast to produce symmetrical appearance; and
  - treatment of physical complications from the mastectomy and treatment of lymphedemas.
- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit
- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

<table>
<thead>
<tr>
<th>Skilled Nursing Facilities (Includes Rehabilitation Hospitals)</th>
<th>Services include, but are not limited to, the following:</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>☐ Semi-private room and board</td>
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<td></td>
<td>☐ Regular nursing services</td>
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<td></td>
<td>☐ Rehabilitation services</td>
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<tr>
<td></td>
<td>☐ Medical supplies and use of appliances and equipment furnished by the facility</td>
</tr>
<tr>
<td>Services include, but are not limited to, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:</td>
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<tr>
<td>- X-ray, imaging, and radiological tests (technical component)</td>
<td></td>
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<tr>
<td>- Laboratory and pathology services (technical component)</td>
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<tr>
<td>- Machine diagnostic tests</td>
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<tr>
<td>- Ambulatory surgical facility services</td>
<td></td>
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<tr>
<td>- Drugs, medications and biologicals</td>
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<tr>
<td>- Casts, splints, dressings</td>
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<tr>
<td>- Preventive health services</td>
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<tr>
<td>- Physical, occupational and speech therapy</td>
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<tr>
<td>- Renal dialysis</td>
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<tr>
<td>- Respiratory services</td>
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<tr>
<td>- Radiation and chemotherapy</td>
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<tr>
<td>- Blood or blood products that are not provided free-of-charge to the patient and the administration of these products</td>
<td></td>
</tr>
<tr>
<td>- Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
<td></td>
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<tr>
<td>- dilation and curettage (D&amp;C) procedures;</td>
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<tr>
<td>- appropriate provider-administered medications;</td>
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<tr>
<td>- ultrasounds, and</td>
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<tr>
<td>- histological examination of tissue samples.</td>
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<tr>
<td>- Facility and related medical services, such as anesthesia, associated with dental care, when provided in a licensed ambulatory surgical facility.</td>
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<tr>
<td>- Surgical implants</td>
<td></td>
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<tr>
<td>- Other artificial aids including surgical implants</td>
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<tr>
<td>- Outpatient services provided at an outpatient hospital and ambulatory health care center for a mastectomy and breast reconstruction as clinically appropriate, include:</td>
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<tr>
<td>- all stages of reconstruction on the affected breast;</td>
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<tr>
<td>- external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed</td>
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<tr>
<td>- surgery and reconstruction on the other breast to produce symmetrical appearance; and</td>
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<td>- treatment of physical complications from the mastectomy and treatment of lymphedemas.</td>
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<td>- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit</td>
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<tr>
<td>- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:</td>
<td></td>
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<tr>
<td>- cleft lip and/or palate; or</td>
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<tr>
<td>- severe traumatic skeletal and/or congenital craniofacial deviations; or severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.</td>
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<thead>
<tr>
<th>Services include, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:</th>
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<td>- Renal dialysis</td>
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<tr>
<td>- Respiratory services</td>
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<tr>
<td>- Blood or blood products that are not provided free-of-charge to the patient and the administration of these products</td>
</tr>
<tr>
<td>- Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
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<td>- ultrasounds, and</td>
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<td>- Facility and related medical services, such as anesthesia, associated with dental care, when provided in a licensed ambulatory surgical facility.</td>
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<td>- Surgical implants</td>
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<td>- Outpatient services provided at an outpatient hospital and ambulatory health care center for a mastectomy and breast reconstruction as clinically appropriate, include:</td>
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<td>- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:</td>
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<td>- severe traumatic skeletal and/or congenital craniofacial deviations; or severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.</td>
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<tr>
<td>Services include, but are not limited to, the following:</td>
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<tr>
<td>- American Academy of Pediatrics recommended well-child exams and preventive health services (including, but not limited to, vision and hearing screening and immunizations)</td>
</tr>
<tr>
<td>- Physician office visits, inpatient and outpatient services</td>
</tr>
<tr>
<td>- Laboratory, x-rays, imaging and pathology services, including technical component and/or professional interpretation</td>
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<tr>
<td>- Medications, biologicals and materials administered in Physician’s office</td>
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<tr>
<td>- Allergy testing, serum and injections</td>
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<td>- Professional component (in/outpatient) of surgical services, including:</td>
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<tr>
<th>Services include, but are not limited to the following:</th>
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<tbody>
<tr>
<td>- Medically necessary physician services are limited to prenatal and postpartum care and/or the delivery of the covered unborn child until birth</td>
</tr>
<tr>
<td>- Physician office visits, inpatient and outpatient services</td>
</tr>
<tr>
<td>- Laboratory, x-rays, imaging and pathology services including technical component and/or professional interpretation</td>
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<tr>
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</table>
- surgery and reconstruction on the other breast to produce symmetrical appearance; and

- treatment of physical complications from the mastectomy and treatment of lymphedemas.

- In-network and out-of-network Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.

- Physician services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Physician services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.

- Physician services medically necessary to support a dentist providing dental services to a CHIP member such as general anesthesia or intravenous (IV) sedation.

- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

- Professional component of the ultrasound of the pregnant uterus when medically indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, or gestational age confirmation.

- Professional component of Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasonic Guidance for Amniocentesis, Cordocentesis, and FIUT.

- Professional component associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Professional services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.
## Prenatal Care and Pre-Pregnancy Family Services and Supplies

Covered, unlimited prenatal care and medically necessary care related to diseases, illness, or abnormalities related to the reproductive system, and limitations and exclusions to these services are described under inpatient, outpatient and physician services.

Primary and preventive health benefits do not include pre-pregnancy family reproductive services and supplies, or prescription medications prescribed only for the purpose of primary and preventive reproductive health care.

Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include:

1. One (1) visit every four (4) weeks for the first 28 weeks of pregnancy;
2. One (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and
3. One (1) visit per week from 36 weeks to delivery.

More frequent visits are allowed as Medically Necessary. Benefits are limited to:

- Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained in the physician’s files and is subject to retrospective review.

Visits after the initial visit must include:

- Interim history (problems, marital status, fetal status);
- Physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and
- Laboratory tests (urinalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client).

### Birthing Center Services

Covers birthing services provided by a licensed birthing center. Limited to facility services (e.g., labor and delivery)

Limitation: Applies only to CHIP members.

Covers birthing services provided by a licensed birthing center. Limited to facility services related to labor with delivery.

Applies only to CHIP Perinate Members (unborn child) with incomes at 180% FPL to 200% FPL.
| Services Rendered by a Certified Nurse Midwife or physician in a licensed birthing center | CHIP Members: Covers prenatal services and birthing services rendered in a licensed birthing center. CHIP Perinate Newborn Members: Covers services rendered to a newborn immediately following delivery. | Covers prenatal services and birthing services rendered in a licensed birthing center. Prenatal services subject to the following limitations: Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include: (1) one (1) visit every four (4) weeks for the first 28 weeks or pregnancy; (2) one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and (3) one (1) visit per week from 36 weeks to delivery. More frequent visits are allowed as Medically Necessary. Benefits are limited to: Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained and is subject to retrospective review. Visits after the initial visit must include: □ interim history (problems, marital status, fetal status); □ physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and □ laboratory tests (urinalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client). |
| **Durable Medical Equipment (DME), Prosthetic Devices and Disposable Medical Supplies** | $20,000 12-month period limit for DME, prosthetics, devices and disposable medical supplies (diabetic supplies and equipment are not counted against this cap). Services include DME (equipment which can withstand repeated use and is primarily and customarily used to serve a medical purpose, generally is not useful to a person in the absence of Illness, Injury, or Disability, and is appropriate for use in the home), including devices and supplies that are medically necessary and necessary for one or more activities of daily living and appropriate to assist in the treatment of a medical condition, including:

- Orthotic braces and orthotics
- Dental devices
- Prosthetic devices such as artificial eyes, limbs, braces, and external breast prostheses
- Prosthetic eyeglasses and contact lenses for the management of severe ophthalmologic disease
- Hearing aids

Diagnosis-specific disposable medical supplies, including diagnosis-specific prescribed specialty formula and dietary supplements. (See Attachment A)

| **Home and Community Health Services** | Services that are provided in the home and community, including, but not limited to:

- Home infusion
- Respiratory therapy
- Visits for private duty nursing (R.N., L.V.N.)
- Skilled nursing visits as defined for home health purposes (may include R.N. or L.V.N.).

- Home health aide when included as part of a plan of care during a period that skilled visits have been approved.
- Speech, physical and occupational therapies.
- Services are not intended to replace the CHILD'S caretaker or to provide relief for the caretaker
- Skilled nursing visits are provided on intermittent level and not intended to provide 24-hour skilled nursing services

Services are not intended to replace 24-hour inpatient or skilled nursing facility services

| **Not a covered benefit** | Not a covered benefit. |
| Inpatient Mental Health Services | Mental health services, including for serious mental illness, furnished in a free-standing psychiatric hospital, psychiatric units of general acute care hospitals and state-operated facilities, including, but not limited to:  
- Neuropsychological and psychological testing.  
- When inpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
- Does not require PCP referral | Not a covered benefit. |
| Outpatient Mental Health Services | Mental health services, including for serious mental illness, provided on an outpatient basis, including, but not limited to:  
- The visits can be furnished in a variety of community-based settings (including school and home-based) or in a state-operated facility  
  - Neuropsychological and psychological testing  
  - Medication management  
  - Rehabilitative day treatments  
  - Residential treatment services  
  - Sub-acute outpatient services (partial hospitalization or rehabilitative day treatment)  
  - Skills training (psycho-educational skill development)  
- When outpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
- A Qualified Mental Health Provider – Community Services (QMHP-CS), is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C., Part I, Chapter 412, Subchapter G, Division 1, §412.303(48). QMHP-CSs shall be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs shall be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services | Not a covered benefit. |
<table>
<thead>
<tr>
<th>Inpatient Substance Abuse Treatment Services</th>
<th>Services include, but are not limited to:</th>
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<tbody>
<tr>
<td>☐ Inpatient and residential substance abuse treatment services including detoxification and crisis stabilization, and 24-hour residential rehabilitation programs</td>
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<tr>
<td>☐ Does not require PCP referral</td>
<td></td>
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<tr>
<th>Outpatient Substance Abuse Treatment Services</th>
<th>Services include, but are not limited to, the following:</th>
</tr>
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<tbody>
<tr>
<td>☐ Prevention and intervention services that are provided by physician and non-physician providers, such as screening, assessment and referral for chemical dependency disorders.</td>
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<tr>
<td>☐ Intensive outpatient services</td>
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<tr>
<td>☐ Partial hospitalization</td>
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<tr>
<td>☐ Intensive outpatient services is defined as an organized non-residential service providing structured group and individual therapy, educational services, and life skills training which consists of at least 10 hours per week for four to 12 weeks, but less than 24 hours per day</td>
<td></td>
</tr>
<tr>
<td>☐ Outpatient treatment service is defined as consisting of at least one to two hours per week providing structured group and individual therapy, educational services, and life skills training</td>
<td></td>
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<tr>
<td>☐ Does not require PCP referral</td>
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<tr>
<th>Rehabilitation Services</th>
<th>Services include, but are not limited to, the following:</th>
</tr>
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<tbody>
<tr>
<td>☐ Habilitation (the process of supplying a child with the means to reach age-appropriate developmental milestones through therapy or treatment) and rehabilitation services include, but are not limited to the following:</td>
<td></td>
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<tr>
<td>☐ Physical, occupational and speech therapy</td>
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<tr>
<td>☐ Developmental assessment</td>
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<tr>
<th>Hospice Care Services</th>
<th>Services include, but are not limited to:</th>
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<tbody>
<tr>
<td>☐ Palliative care, including medical and support services, for those children who have six (6) months or less to live, to keep patients comfortable during the last weeks and months before death</td>
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<tr>
<td>☐ Treatment services, including treatment related to the terminal illness</td>
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<tr>
<td>☐ Up to a maximum of 120 days with a 6 month life expectancy</td>
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<tr>
<td>☐ Patients electing hospice services may cancel this election at anytime</td>
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<tr>
<td>☐ Services apply to the hospice diagnosis</td>
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</tr>
</tbody>
</table>

Not a covered benefit.
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<thead>
<tr>
<th>Emergency Services, including Emergency Hospitals, Physicians, and Ambulance Services</th>
<th>MCO cannot require authorization as a condition for payment for emergency conditions or labor and delivery. Covered services include, but are not limited to, the following:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>‣ Emergency services based on prudent layperson definition of emergency health condition</td>
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<tr>
<td></td>
<td>‣ Hospital emergency department room and ancillary services and physician services 24 hours a day, seven (7) days a week, both by in-network and out-of-network providers</td>
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<td>‣ Medical screening examination</td>
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<td>‣ Stabilization services</td>
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<td></td>
<td>‣ Access to DSHS designated Level 1 and Level II trauma centers or hospitals meeting equivalent levels of care for emergency services</td>
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<td></td>
<td>‣ Emergency ground, air and water transportation</td>
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<td></td>
<td>‣ Emergency dental services, limited to fractured or dislocated jaw, traumatic damage to teeth, removal of cysts, and treatment relating to oral abscess of tooth or gum origin.</td>
</tr>
<tr>
<td>Transplants</td>
<td>Services include, but are not limited to, the following:</td>
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<td></td>
<td>‣ Using up-to-date FDA guidelines, all non-experimental human organ and tissue transplants and all forms of non-experimental corneal, bone marrow and peripheral stem cell transplants, including donor medical expenses.</td>
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<tr>
<td>Vision Benefit</td>
<td>The health plan may reasonably limit the cost of the frames/lenses. Services include:</td>
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<td>‣ One (1) examination of the eyes to determine the need for and prescription for corrective lenses per 12-month period, without authorization</td>
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<td></td>
<td>‣ One (1) pair of non-prosthetic eyewear per 12-month period</td>
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<tr>
<td>Chiropractic Services</td>
<td>Services do not require physician prescription and are limited to spinal subluxation</td>
</tr>
<tr>
<td>Tobacco Cessation Program</td>
<td>Covered up to $100 for a 12-month period limit for a plan-approved program</td>
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<td></td>
<td>‣ Health Plan defines plan-approved program.</td>
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<tr>
<td></td>
<td>‣ May be subject to formulary requirements.</td>
</tr>
</tbody>
</table>

MCO cannot require authorization as a condition for payment for emergency conditions related to labor with delivery. Covered services are limited to those emergency services that are directly related to the delivery of the unborn child until birth.

- Emergency services based on prudent layperson definition of emergency health condition
- Medical screening examination to determine emergency when directly related to the delivery of the covered unborn child.
- Stabilization services related to the labor with delivery of the covered unborn child.
- Emergency ground, air and water transportation for labor and threatened labor is a covered benefit
- Emergency ground, air and water transportation for an emergency associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) is a covered benefit.

Benefit limits: Post-delivery services or complications resulting in the need for emergency services for the mother of the CHIP Perinate are not a covered benefit.

Not a covered benefit.

Not a covered benefit.

Not a covered benefit.
| Case Management and Care Coordination Services | These services include outreach informing, case management, care coordination and community referral. | Covered benefit. |
| Drug Benefits | Services include, but are not limited to, the following:  
- Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals; and  
- Drugs and biologicals provided in an inpatient setting. | Not a covered benefit unless identified elsewhere in this table. |

### Value-added services

See RFP Attachment B-2.1

### CHIP Exclusions from Covered Services

- Inpatient and outpatient infertility treatments or reproductive services other than prenatal care, labor and delivery, and care related to disease, illnesses, or abnormalities related to the reproductive system
  - Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e., cannot be prescribed for family planning)

- Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment of sickness or injury

- Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community

- Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court

- Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.

- Mechanical organ replacement devices including, but not limited to artificial heart

- Hospital services and supplies when confinement is solely for diagnostic testing purposes, unless otherwise pre-authorized by Health Plan

- Prostate and mammography screening

- Elective surgery to correct vision

- Gastric procedures for weight loss

- Cosmetic surgery/services solely for cosmetic purposes

- Dental devices solely for cosmetic purposes

- Out-of-network services not authorized by the Health Plan except for emergency care and physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section
Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity, except for the services associated with the treatment for morbid obesity as part of a treatment plan approved by the Health Plan

Medications prescribed for weight loss or gain

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Replacement or repair of prosthetic devices and durable medical equipment due to misuse, abuse or loss when confirmed by the Member or the vendor

Corrective orthopedic shoes

Convenience items

Over-the-counter medications

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists a child with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a parent. This care does not require the continuing attention of trained medical or paramedical personnel.) This exclusion does not apply to hospice services.

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training and vision therapy

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered except when ordered by a Physician/PCP

Donor non-medical expenses

Charges incurred as a donor of an organ when the recipient is not covered under this health plan

Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa)
For CHIP Perinates in families with incomes at or below 185% of the Federal Poverty Level, inpatient facility charges are not a covered benefit if associated with the initial Perinatal Newborn admission. "Initial Perinatal Newborn admission" means the hospitalization associated with the birth.

Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e. cannot be prescribed for family planning)

Inpatient and outpatient treatments other than prenatal care, labor with delivery, services related to (a) miscarriage and (b) a non-viable pregnancy, and postpartum care related to the covered unborn child until birth.

Inpatient mental health services.
Outpatient mental health services.
Durable medical equipment or other medically related remedial devices.
Disposable medical supplies.
Home and community-based health care services.
Nursing care services.
Dental services.
Inpatient substance abuse treatment services and residential substance abuse treatment services.
Outpatient substance abuse treatment services.
Physical therapy, occupational therapy, and services for individuals with speech, hearing, and language disorders.
Hospice care.
Skilled nursing facility and rehabilitation hospital services.
Emergency services other than those directly related to the labor with delivery of the covered unborn child.
Transplant services.
Tobacco Cessation Programs.
Chiropractic Services.
Medical transportation not directly related to labor or threatened labor, miscarriage or non-viable pregnancy, and/or delivery of the covered unborn child.
Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment related to labor with delivery or post partum care.
Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community
Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court
Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.
Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa).

Mechanical organ replacement devices including, but not limited to artificial heart

Hospital services and supplies when confinement is solely for diagnostic testing purposes and not a part of labor with delivery

Prostate and mammography screening

Elective surgery to correct vision

Gastric procedures for weight loss

Cosmetic surgery/services solely for cosmetic purposes

Out-of-network services not authorized by the Health Plan except for emergency care related to the labor with delivery of the covered unborn child.

Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Corrective orthopedic shoes

Convenience items

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a caregiver. This care does not require the continuing attention of trained medical or paramedical personnel.)

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training, vision therapy, or vision services

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered

Donor non-medical expenses

Charges incurred as a donor of an organ
### CHIP DME/SUPPLIES

Note: DME/SUPPLIES are not a covered benefit for CHIP Perinate Members (Unborn Child).

<table>
<thead>
<tr>
<th>SUPPLIES</th>
<th>COVERED</th>
<th>EXCLUDED</th>
<th>COMMENTS / MEMBER CONTRACT PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ace Bandages</td>
<td>X</td>
<td></td>
<td>Exception: If provided by and billed through the clinic or home care agency it is covered as an incidental supply.</td>
</tr>
<tr>
<td>Alcohol, rubbing</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Alcohol, swabs (diabetic)</td>
<td>X</td>
<td></td>
<td>Over-the-counter supply not covered, unless RX provided at time of dispensing.</td>
</tr>
<tr>
<td>Alcohol, swabs</td>
<td>X</td>
<td></td>
<td>Covered only when received with IV therapy or central line kits/supplies.</td>
</tr>
<tr>
<td>Ana Kit Epinephrine</td>
<td>X</td>
<td></td>
<td>A self-injection kit used by patients highly allergic to bee stings.</td>
</tr>
<tr>
<td>Arm Sling</td>
<td>X</td>
<td></td>
<td>Dispensed as part of office visit.</td>
</tr>
<tr>
<td>Attends (Diapers)</td>
<td>X</td>
<td></td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.</td>
</tr>
<tr>
<td>Bandages</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Basal Thermometer</td>
<td></td>
<td>X</td>
<td>For covered DME items.</td>
</tr>
<tr>
<td>Batteries – initial</td>
<td>X</td>
<td></td>
<td>For covered DME when replacement is necessary due to normal use.</td>
</tr>
<tr>
<td>Batteries – replacement</td>
<td>X</td>
<td></td>
<td>See IV therapy supplies.</td>
</tr>
<tr>
<td>Betadine</td>
<td>X</td>
<td></td>
<td>For monitoring of diabetes.</td>
</tr>
<tr>
<td>Books</td>
<td>X</td>
<td></td>
<td>See Ostomy Supplies.</td>
</tr>
<tr>
<td>Clinitest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colostomy Bags</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Devices</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contraceptive Jelly</td>
<td>X</td>
<td></td>
<td>Over-the-counter supply. Contraceptives are not covered under the plan.</td>
</tr>
<tr>
<td>Cranial Head Mold</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Dental Devices</td>
<td>X</td>
<td></td>
<td>Coverage limited to dental devices used for treatment of craniofacial anomalies requiring surgical intervention.</td>
</tr>
<tr>
<td>Diabetic Supplies</td>
<td>X</td>
<td></td>
<td>Monitor calibrating solution, insulin syringes, needles, lancets, lancet device, and glucose strips.</td>
</tr>
<tr>
<td>Diapers/Incontinent Briefs/Chux</td>
<td>X</td>
<td></td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.</td>
</tr>
<tr>
<td>Diaphragm</td>
<td></td>
<td>X</td>
<td>Contraceptives are not covered under the plan. For monitoring diabetes.</td>
</tr>
<tr>
<td>Diastix</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diet, Special</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Distilled Water</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Eligibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Central Line</td>
<td>X Syringes, needles, Tegaderm, alcohol swabs, Betadine swabs or ointment, tape. Many times these items are dispensed in a kit when includes all necessary items for one dressing site change.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Decubitus</td>
<td>X Eligible for coverage only if receiving covered home care for wound care.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Peripheral IV Therapy</td>
<td>X Eligible for coverage only if receiving home IV therapy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Other</td>
<td>X尘 mask X Ear Molds X Electrodes X Enema Supplies X Enteral Nutrition Supplies</td>
<td>Custom made, post inner or middle ear surgery Eligible for coverage when used with a covered DME. Necessary supplies (e.g., bags, tubing, connectors, catheters, etc.) are eligible for coverage. Enteral nutrition products are not covered except for those prescribed for hereditary metabolic disorders, a non-function or disease of the structures that normally permit food to reach the small bowel, or malabsorption due to disease</td>
<td></td>
</tr>
<tr>
<td>Eye Patches</td>
<td>X Covered for patients with amblyopia.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Formula  

X

Exception: Eligible for coverage only for chronic hereditary metabolic disorders a non-function or disease of the structures that normally permit food to reach the small bowel; or malabsorption due to disease (expected to last longer than 60 days when prescribed by the physician and authorized by plan.) Physician documentation to justify prescription of formula must include:

- Identification of a metabolic disorder, dysphagia that results in a medical need for a liquid diet, presence of a gastrostomy, or disease resulting in malabsorption that requires a medically necessary nutritional product

Does not include formula:

- For members who could be sustained on an age-appropriate diet.
- Traditionally used for infant feeding
- In pudding form (except for clients with documented oropharyngeal motor dysfunction who receive greater than 50 percent of their daily caloric intake from this product)
- For the primary diagnosis of failure to thrive, failure to gain weight, or lack of growth or for infants less than twelve months of age unless medical necessity is documented and other criteria, listed above, are met.

Food thickeners, baby food, or other regular grocery products that can be blenderized and used with an enteral system that are not medically necessary, are not covered, regardless of whether these regular food products are taken orally or parenterally.

<table>
<thead>
<tr>
<th>Gloves</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrogen Peroxide</td>
<td>X</td>
</tr>
<tr>
<td>Hygiene Items</td>
<td>X</td>
</tr>
<tr>
<td>Incontinent Pads</td>
<td>X</td>
</tr>
<tr>
<td>Insulin Pump (External) Supplies</td>
<td>X</td>
</tr>
<tr>
<td>Irrigation Sets, Wound Care</td>
<td>X</td>
</tr>
<tr>
<td>Irrigation Sets, Urinary</td>
<td>X</td>
</tr>
</tbody>
</table>

Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.

Supplies (e.g., infusion sets, syringe reservoir and dressing, etc.) are eligible for coverage if the pump is a covered item.

Eligible for coverage when used during covered home care for wound care.

Eligible for coverage for individual with an indwelling urinary catheter.
<table>
<thead>
<tr>
<th>IV Therapy Supplies</th>
<th>X</th>
<th>Tubing, filter, cassettes, IV pole, alcohol swabs, needles, syringes and any other related supplies necessary for home IV therapy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-Y Jelly</td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Lancet Device</td>
<td>X</td>
<td>Limited to one device only.</td>
</tr>
<tr>
<td>Lancets</td>
<td>X</td>
<td>Eligible for individuals with diabetes.</td>
</tr>
<tr>
<td>Med Ejector</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Needles and Syringes/Diabetic</td>
<td></td>
<td>See Diabetic Supplies</td>
</tr>
<tr>
<td>Needles and Syringes/IV and Central Line</td>
<td></td>
<td>See IV Therapy and Dressing Supplies/Central Line.</td>
</tr>
<tr>
<td>Needles and Syringes/Other</td>
<td>X</td>
<td>Eligible for coverage if a covered IM or SubQ medication is being administered at home.</td>
</tr>
<tr>
<td>Normal Saline</td>
<td>X</td>
<td>See Saline, Normal</td>
</tr>
<tr>
<td>Novopen</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Ostomy Supplies</td>
<td>X</td>
<td>Items eligible for coverage include: belt, pouch, bags, wafer, face plate, insert, barrier, filter, gasket, plug, irrigation kit/sleeve, tape, skin prep, adhesives, drain sets, adhesive remover, and pouch deodorant. Items not eligible for coverage include: scissors, room deodorants, cleaners, rubber gloves, gauze, pouch covers, soaps, and lotions.</td>
</tr>
<tr>
<td>Parenteral Nutrition/Supplies</td>
<td>X</td>
<td>Necessary supplies (e.g., tubing, filters, connectors, etc.) are eligible for coverage when the Health Plan has authorized the parenteral nutrition.</td>
</tr>
<tr>
<td>Saline, Normal</td>
<td>X</td>
<td>Eligible for coverage: a) when used to dilute medications for nebulizer treatments; b) as part of covered home care for wound care; c) for indwelling urinary catheter irrigation.</td>
</tr>
<tr>
<td>Stump Sleeve</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Stump Socks</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Suction Catheters</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Syringes</td>
<td></td>
<td>See Needles/Syringes.</td>
</tr>
<tr>
<td>Tape</td>
<td></td>
<td>See Dressing Supplies, Ostomy Supplies, IV Therapy Supplies.</td>
</tr>
<tr>
<td>Tracheostomy Supplies</td>
<td>X</td>
<td>Cannulas, Tubes, Ties, Holders, Cleaning Kits, etc. are eligible for coverage.</td>
</tr>
<tr>
<td>Under Pads</td>
<td></td>
<td>See Diapers/Incontinent Briefs/Chux.</td>
</tr>
<tr>
<td>Unna Boot</td>
<td>X</td>
<td>Eligible for coverage when part of wound care in the home setting. Incidental charge when applied during office visit.</td>
</tr>
<tr>
<td>Urinary, External Catheter &amp; Supplies</td>
<td>X</td>
<td>Exception: Covered when used by incontinent male where injury to the urethra prohibits use of an indwelling catheter ordered by the PCP and approved by the plan</td>
</tr>
<tr>
<td>Urinary, Indwelling Catheter &amp; Supplies</td>
<td>X</td>
<td>Cover catheter, drainage bag with tubing, insertion tray, irrigation set and normal saline if needed.</td>
</tr>
<tr>
<td>Condition</td>
<td>Covered (X)</td>
<td>Description</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Urinary, Intermittent</td>
<td>X</td>
<td>Cover supplies needed for intermittent or straight catheterization.</td>
</tr>
<tr>
<td>Urine Test Kit</td>
<td>X</td>
<td>When determined to be medically necessary.</td>
</tr>
<tr>
<td>Urostomy supplies</td>
<td></td>
<td>See Ostomy Supplies.</td>
</tr>
</tbody>
</table>
### Document History Log

<table>
<thead>
<tr>
<th>Status</th>
<th>Document Revision</th>
<th>Effective Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2.2 is modified to reinstate the waiver of the three prescription limit for adults language and to add the waiver of the $200,000 individual annual limit on inpatient services. STAR+PLUS Covered Services is modified to clarify the requirements regarding services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting. Services included under the HMO capitation payment is modified to clarify the requirements for &quot;Prenatal care services rendered in a birthing center.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Community Based Long Term Care Services is modified to replace references to “1915(c) STAR+PLUS Waiver” and “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Acute Care Services is modified to remove the waiver of the 30-day spell of illness as required by Article II, Rider 51 of the General Appropriations Act (83R), and to remove the reference to the Texas Medicaid Bulletin.</td>
</tr>
</tbody>
</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

### STAR+PLUS Covered Services

#### Acute Care Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR+PLUS Program.

STAR+PLUS MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-captitated Services. Non-captitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated Services are not included in the STAR+PLUS MCOs’ Capitation Rates; however, STAR+PLUS MCOs must coordinate care for Members for these Non-captitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and non-capitated.

STAR+PLUS MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMC Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR+PLUS Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following two exceptions. Adult STAR+PLUS Members are provided with two enhanced benefits compared to the traditional, fee-for-service Medicaid coverage:

1. waiver of the three prescription per month limit, for members not covered by Medicare; and
2. waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR+PLUS MCOs should refer to the current Texas Medicaid Provider Procedures Manual, which can be accessed online at: http://www.tmhp.com.

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

Services included under the MCO capitation payment

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Adults and Children
  - Outpatient mental health services for Adults and Children
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Substance use disorder treatment services, including
    - Outpatient services, including:
      - Assessment
      - Detoxification services
      - Counseling treatment
      - Medication assisted therapy
    - Residential services, including
      - Detoxification services
      - Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

- Birthing services provided by a physician or Advanced Practice Nurse in a licensed birthing center
- Birthing services provided by a licensed birthing center
- Cancer screening, diagnostic, and treatment services
- Chiropractic services
- Dialysis
• Durable medical equipment and supplies
• Early Childhood Intervention (ECI) services
• Emergency Services
• Family planning services
• Home health care services
• Hospital services, inpatient and outpatient
• Laboratory
• Mastectomy, breast reconstruction, and related follow-up procedures, including:
  o outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and
  physician and professional services provided in an office, inpatient, or outpatient setting for:
    o all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been
      performed;
    o surgery and reconstruction on the other breast to produce symmetrical appearance;
    o treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    o prophylactic mastectomy to prevent the development of breast cancer.
  o external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have
    been performed.
• Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the
  Texas Health Steps Program
• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for
  children six (6) months through 35 months of age.
• Optometry, glasses, and contact lenses, if medically necessary
• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and
  biologicals
• Drugs and biologicals provided in an inpatient setting
• Podiatry
• Prenatal care
• Primary care services
• Preventive services including an annual adult well check for patients 21 years of age and over
• Radiology, imaging, and X-rays
• Specialty physician services
• Therapies – physical, occupational and speech
Community Based Long Term Care Services

The following is a non-exhaustive, high-level listing of Community Based Long Term Care Covered Services included under the STAR+PLUS Medicaid managed care program.

- Community Based Long Term Care Services for all Members
  - Personal Attendant Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Personal Attendant Services (PAS).
  - Day Activity and Health Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Day Activity and Health Care Services (DAHS).
- HCBS STAR+PLUS Waiver Services for those Members who qualify for such services The state provides an enriched array of services to clients who would otherwise qualify for nursing facility care through a Home and Community Based Medicaid Waiver. In traditional Medicaid, this is known as the Community Based Alternatives (CBA) waiver. The STAR+PLUS MCO must also provide medically necessary services that are available to clients through the CBA waiver in traditional Medicaid to those clients that meet the functional and financial eligibility for the HCBS STAR+PLUS Waiver.
  - Personal Attendant Services (including the three (3) service delivery options: Self-Directed; Agency Model, Self-Directed; and Agency Model)
  - In-Home or Out-of-Home Respite Services
  - Nursing Services (in home)
  - Emergency Response Services (Emergency call button)
  - Home Delivered Meals
  - Minor Home Modifications
  - Adaptive Aids and Medical Equipment
  - Medical Supplies not available under the Texas Medicaid State Plan/ Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver
  - Physical Therapy, Occupational Therapy, Speech Therapy
  - Day Activity Health Services (DAHS) (for members in 217-Like STAR+PLUS eligibility group, as identified in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver, whose income exceeds 150% FPL)
  - Adult Foster Care
  - Assisted Living
  - Transition Assistance Services (These services are limited to a maximum of $2,500.00. If the MCO determines that no other resources are available to pay for the basic services/items needed to assist a Member, who is leaving a nursing facility, with setting up a household, the MCO may authorize up to $2,500.00 for Transition Assistance Services (TAS). The $2,500.00 TAS benefit is part of the expense ceiling when determining the Total Annual Individual Service Plan (ISP) Cost.)
### DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
</tbody>
</table>
| Revision | 2.3 | September 1, 2012 | Item 27 is modified to remove the quarterly reports for item (a), add pharmacy to items (d) and (e), and to add item (f) Medicaid Managed Care Texas Health Checkups Medical Checkups Quarterly Utilization Reports.  
Item 28 is modified to replace references to “1915 (c) Waiver” with “HCBS STAR +PLUS Waiver”. |
| Revision | 2.4 | March 1, 2013 | Item 19 is modified to clarify liquidated damage assessment and variance. |
| Revision | 2.5 | June 1, 2013 | Contract amendment did not revise Attachment B-3, "Deliverables/Liquidated Damages Matrix." |
| Revision | 2.6 | September 1, 2013 | Items 4, 6, 7, 16, 23, 24, 26, 27, 28, 29, 30, and 31 are modified to add “not submitted” to the LD.  
Items 10 and 21 are modified and items 28-31 are added to include pharmacy requirements. All subsequent items are renumbered.  
Items 21 and 22 are modified to include pharmacy claims.  
Item 24 is modified to change the name of the report.  
Item 27 is modified to remove quarterly from the measurement period. |

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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
<table>
<thead>
<tr>
<th>#</th>
<th>Service/Component¹</th>
<th>Performance Standard²</th>
<th>Measurement Period³</th>
<th>Measurement Assessment⁴</th>
<th>Liquidated Damages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>General Requirement: Failure to Perform an Administrative Service Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions”, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely perform an MCO Administrative Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure either: (1) results in actual harm to a Member or places a Member at risk of imminent harm, or (2) materially affects HHSC’s ability to administer the Program(s).</td>
<td>Ongoing</td>
<td>Each incident of non-compliance per MCO Program and SA</td>
<td>HHSC may assess up to $5,000.00 per calendar day for each incident of non-compliance per MCO Program and SA.</td>
</tr>
<tr>
<td>2.</td>
<td>General Requirement: Failure to Provide a Covered Service Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions”, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely provide a MCO Covered Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure results in actual harm to a Member or places a Member at risk of imminent harm.</td>
<td>Ongoing</td>
<td>Each calendar day of non-compliance</td>
<td>HHSC may assess up to $7,500.00 per day for each incident of non-compliance.</td>
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<tr>
<td>3.</td>
<td>Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions”, Section 4.08 Subcontractors</td>
<td>(i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract; (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting; (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and (iv) 30 calendar days prior to the termination date of any other Material Subcontract.</td>
<td>Transition, Measured Quarterly during the Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $5,000 per calendar day of non-compliance.</td>
</tr>
</tbody>
</table>
| 4. | **Contract Attachment B-1, RFP §§ 6, 7, 8 and 9**  
**Uniform Managed Care Manual** | All reports and deliverables as specified in Sections 6, 7, 8 and 9 of Attachment B-1, must be submitted according to the timeframes and requirements stated in the Contract (including all attachments) and the Uniform Managed Care Manual. (Specific Reports or deliverables listed separately in this matrix are subject to the specified liquidated damages.) | **Transition Period, Quarterly during Operations Period** | Each calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $250 per calendar day if the report/deliverable is not submitted, late, inaccurate, or incomplete. |
| 5. | **Contract Attachment B-1, RFP §7.2 Transition Phase Schedule**  
**Contract Attachment B-1, RFP §7.2.1 Contract Start-Up and Planning**  
**Contract Attachment B-1, RFP §8.1 General Scope** | The MCO must be operational no later than the agreed upon Operations Start Date. HHSC, or its agent, will determine when the MCO is considered to be operational based on the requirements in Section 7 and 8 of Attachment B-1. | **Operations Start Date** | Each calendar day of non-compliance, per MCO Program, per Service Area (SA). | HHSC may assess up to $10,000 per calendar day for each day beyond the Operations Start date that the MCO is not operational until the day that the MCO is operational, including all systems. |
| 6. | **Contract Attachment B-1, RFP §7.2.5 System Readiness Review** | The MCO must submit to HHSC or to the designated Readiness Review Contractor the following plans for review, no later than 120 days prior to Operational Start Date:  
• Joint Interface Plan;  
• Disaster Recovery Plan;  
• Business Continuity Plan;  
• Risk Management Plan; and  
• Systems Quality Assurance Plan. | **Transition Period** | Each calendar day of non-compliance, per report, per MCO Program, and per SA. | HHSC may assess up to $1,000 per calendar day for each day a deliverable is not submitted, late, inaccurate or incomplete. |
<p>| 7. | <strong>Contract Attachment B-1, RFP §7.2.7 Operations Readiness</strong> | Final versions of the Provider Directory must be submitted to the Administrative Services Contractor no later than 95 days prior to the Operational Start Date. | <strong>Transition Period</strong> | Each calendar day of non-compliance, per directory, per MCO Program and per SA. | HHSC may assess up to $1,000 per calendar day for each day the directory is not submitted, late, inaccurate or incomplete. |
| 8. | <strong>Attachment B-1, RFP Sections 7.2.8.1 and 8.1.19</strong> | The MCO must submit or comply with the requirements of the HHSC-approved Fraud and Abuse Compliance Plan. | <strong>Transition, Operations, and Turnover</strong> | Each incident of noncompliance, per MCO Program | HHSC may assess up to $250 per calendar day for each incident of noncompliance, per MCO Program. |</p>
<table>
<thead>
<tr>
<th>9.</th>
<th>Contract Attachment B-1, RFP §8.1.4 Provider Network UMCM Chapter 5.38 Out of Network Utilization Report</th>
<th>(1) No more than 15 percent of an MCO's total hospital admissions, by service delivery area, may occur in out-of-network facilities. (2) No more than 20 percent of an MCO's total emergency room visits, by service delivery area, may occur in out-of-network facilities. (3) No more than 20 percent of total dollars billed to an MCO for &quot;other outpatient services&quot; may be billed by out-of-network providers.</th>
<th>Measured Quarterly beginning March 1, 2010.</th>
<th>Per incident of non-compliance, per Medicaid MCO, per Service Area.</th>
<th>HHSC may assess up to $25,000 per quarter, per standard, per Medicaid MCO, per Service Area.</th>
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<tbody>
<tr>
<td>10.</td>
<td>Contract Attachment B-1, RFP §8.1.4.7 Provider Hotline; §8.1.21.1 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies</td>
<td>A. The MCO must operate a toll-free Provider telephone hotline for Provider inquiries from 8 AM – 5 PM, local time for the Service Area, Monday through Friday, excluding State-approved holidays. B. Performance Standards: 1. Call pickup rate – At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used. 2. Call abandonment rate—Call abandonment rate is seven percent (7%) or less. C. Average hold time is two (2) minutes or less.</td>
<td>Operations and Turnover</td>
<td>A. Each incident of non-compliance per MCO Program and SA. B. Each percentage point below the standard for 1 and each percentage point above the standard for 2 per MCO Program and SA. C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
<td>HHSC may assess: A. Per MCO Program and SA, up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan. B. Up to $100.00 per MCO Program and SA for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines. C. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time.</td>
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<td>11.</td>
<td>Contract Attachment B-1, RFP §8.1.5.6 Member Services Hotline</td>
<td>A. The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week.</td>
<td>B. Performance Standards. 1. Call pickup rate—At least 99% of calls are answered on or before the forth ring or an automated call pick up system is used. 2. Call hold rate—At least 80% of calls must be answered by toll-free line staff within 30 seconds. 3. Call abandonment rate—Call abandonment rate is seven percent (7%) or less. C. Average hold time is two (2) minutes or less.</td>
<td>Ongoing during Operations and Turnover</td>
<td>A. Each incident of non-compliance per MCO Program and SA. B. Each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3 per MCO Program and SA. C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
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<tr>
<td>12.</td>
<td>Contract Attachment B-1, RFP §8.1.5.9 Member Complaint and Appeal Process</td>
<td>The MCO must resolve at least 98% of Member and Provider Complaints within 30 calendar days from the date the Complaint is received by the MCO.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per reporting period, per MCO Program, per SA.</td>
<td>HHSC may assess up to $250 per reporting period if the MCO fails to meet the performance standard.</td>
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<tr>
<td>13.</td>
<td>Contract Attachment B-1, RFP §8.1.5.9 Member Complaint and Appeal Process</td>
<td>The MCO must resolve at least 98% of Member Appeals within 30 calendar days from the date the Appeal is filed with the MCO.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per reporting period, per MCO Program, per SA.</td>
<td>HHSC may assess up to $500 per reporting period if the MCO fails to meet the performance standard.</td>
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<tr>
<td>14.</td>
<td>Contract Attachment B-1, RFP §8.1.6 Marketing &amp; Prohibited Practices Uniform Managed Care Manual Chapter 4.3</td>
<td>The MCO may not engage in prohibited marketing practices.</td>
<td>Transition, Measured Quarterly during the Operations Period</td>
<td>Per incident of non-compliance.</td>
<td>HHSC may assess up to $1,000 per incident of non-compliance.</td>
</tr>
</tbody>
</table>
| 15. | Contract Attachment B-1, RFP §8.1.15.3 Behavioral Health Services Hotline | A. The MCO must have an emergency and crisis Behavioral Health services Hotline available 24 hours a day, seven (7) days a week, toll-free throughout the Service Area(s).  
B. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess behavioral health emergencies.  
C. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for the MCO Program:  
1. Call pickup rate: 99% of calls are answered by the fourth ring or an automated call pick-up system:  
2. Call hold rate: At least 80% of calls must be answered by toll-free line staff within 30 seconds.  
3. Call abandonment rate: The call abandonment rate is seven percent (7%) or less.  
D. Average hold time is two (2) minutes or less. | Operations and Turnover | A. Each incident of non-compliance per MCO Program and SA.  
B. Each incident of non-compliance per MCO Program and SA.  
C. Per MCO Program, and SA, per month, each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3.  
D. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time. | HHSC may assess:  
A. Up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational if the MCO’s failure to meet the performance standard is caused by a Force Majeure Event. HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.  
B. Up to $100.00 per incident for each occurrence that HHSC identifies through its recurring monitoring processes that toll-free line staff were not qualified or did not have access to qualified professionals to assess behavioral health emergencies.  
C. Up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.  
D. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time. |
<p>| 16. | Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements Uniform Managed Care Manual Chapter 5.0 | Financial Statistical Reports (FSR): For each MCO Program and SA, the MCO must file quarterly and annual FSRs. Quarterly reports are due no later than 30 days after the conclusion of each State Fiscal Quarter (SFQ). The first annual report is due no later than 120 days after the end of each Contract Year and the second annual report is due no later than 365 days after the end of each Contract Year. | Quarterly during the Operations Period | Per calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $1,000 per calendar day a quarterly or annual report is not submitted, late, inaccurate or incomplete. |</p>
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<td><strong>17.</strong></td>
<td>Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements: Uniform Managed Care Manual Chapter 5.0</td>
<td>Medicaid Disproportionate Share Hospital (DSH) Reports: The Medicaid MCO must submit, on an annual basis, preliminary and final DSH Reports. The Preliminary report is due no later than June 1st after each reporting year, and the final report is due no later than July 1st after each reporting year. This standard does not apply to CHIP or CHIP Perinatal Programs. Any claims added after July 1st shall include supporting claim documentation for HHSC validation.</td>
<td>Measured during 4th Quarter of the Operations Period (6/1–8/31)</td>
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<td><strong>18.</strong></td>
<td>Contract Attachment B-1, RFP §8.1.18 Management Information System (MIS) Requirements</td>
<td>The MCO’s MIS must be able to resume operations within 72 hours of employing its Disaster Recovery Plan.</td>
<td>Measured Quarterly during the Operations Period</td>
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<td>Contract Attachment B-1, RFP §8.1.18.1 Encounter Data</td>
<td>The MCO must submit Encounter Data transmissions and include all Encounter Data and Encounter Data adjustments processed by the MCO on a monthly basis, not later than the 30th calendar day after the last day of the month in which the claim(s) are adjudicated. Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments. Additionally, the MCO will be subject to liquidated damages if the Quarterly Encounter Reconciliation Report (which reconciles the yearto-date paid claims reported in the Financial Statistical Report (FSR) to the appropriate paid dollars reported in the Texas Encounter Data (TED) Warehouse) includes more than a 2% variance.</td>
<td>Measured Quarterly during Operations Period</td>
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<td>20.</td>
<td>Contract Attachment B-1, RFP §8.1.18.3 System-Wide Functions</td>
<td>The MCO’s MIS system must meet all requirements in Section 8.1.18.3 of Attachment B-1.</td>
<td>Measured Quarterly during the Operations Period</td>
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<tr>
<td>Section</td>
<td>Description</td>
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<td>21.</td>
<td>Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements and §8.1.21.14 Pharmacy Claims and File Processing Uniform Managed Care Manual Chapter 2.0 and 2.2. The MCO must adjudicate all provider Clean Claims within 30 days of receipt by the MCO. The MCO must pay providers interest at 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 30-day claims processing deadline. Interest owed to the provider must be paid on the same date as the claim. The MCO must adjudicate all Clean Claims for outpatient pharmacy benefits within (1) 18 days after receipt by the MCO if submitted electronically, or (2) 21 days after receipt by the MCO if submitted non-electronically. The MCO must pay providers interest at 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 18-day or 21-day claims-processing deadline. Interest owed to the provider must be paid on the same date as the claim. Measured Quarterly during the Operations Period. Per incident of non-compliance. HHSC may assess up to $1,000 per claim if the MCO fails to pay interest timely.</td>
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<td>22.</td>
<td>Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements Uniform Managed Care Manual Chapters 2.0 and 2.2. The MCO must comply with the claims processing requirements and standards as described in Section 8.1.18.5 of Attachment B-1 and in Chapters 2.0 and 2.2 of the Uniform Managed Care Manual. Measured Quarterly during the Operations Period. Per quarterly reporting period, per MCO Program, per Service Area, per claim type. HHSC may assess liquidated damages of up to $5,000 for the first quarter that an MCO’s Claims Performance percentages by claim type, by Program, and by service area, fall below the performance standards. HHSC may assess up to $25,000 per quarter for each additional quarter that the Claims Performance percentages by claim type, by Program, and by service area, fall below the performance standards.</td>
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<td></td>
<td>Attachment B-1, RFP Section 8.1.19</td>
<td>The MCO must respond to Office of Inspector General request for information in the manner and format requested.</td>
<td>Transition, Operations, and Turnover</td>
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<tr>
<td>23.</td>
<td>Attachment B-1, RFP Section 8.1.19</td>
<td>The MCO must submit a Fraudulent Practices Report to the HHSC-OIG within 30 Business Days of receiving a report of possible Waste, Abuse, or Fraud from the MCO's Special Investigative Unit (SIU). The MCO must submit quarterly MCO Open Case List Reports.</td>
<td>Transition, Operations, and Turnover</td>
</tr>
<tr>
<td>24.</td>
<td>Attachment B-1, RFP Section 8.1.20.2, UMC Chapter 5.5</td>
<td>The MCO fails to submit a timely response to an HHSC Member or Provider Complaint received by HHSC and referred to the MCO by the specified due date. The MCO response must be submitted according to the timeframes and requirements stated within the MCO Notification Correspondence (letter, email, etc.).</td>
<td>Measured on a Quarterly Basis</td>
</tr>
<tr>
<td>25.</td>
<td>Attachment B-1, RFP §8.1.20.2 Reports Attachment B-1, RFP §8.2.5.1 Provider Complaints Attachment B-1, RFP §8.2.7.1 Member Complaint Process</td>
<td>Claims Summary Report: The MCO must submit quarterly, Claims Summary Reports to HHSC by MCO Program, by Service Area, and by claim type, by the 30th day following the reporting period unless otherwise specified.</td>
<td>Measured Quarterly during the Operations Period</td>
</tr>
<tr>
<td>26.</td>
<td>Contract Attachment B-1, RFP §8.1.20.2 Reports Uniform Managed Care Manual Chapters 2.0 and 5.0</td>
<td>Claims Summary Report: The MCO must submit quarterly, Claims Summary Reports to HHSC by MCO Program, by Service Area, and by claim type, by the 30th day following the reporting period unless otherwise specified.</td>
<td>Measured Quarterly during the Operations Period</td>
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<td>27.</td>
<td>Contract Attachment B-1, RFP §8.1.20.2 Reports; Uniform Managed Care Manual Chapter 12 Frew</td>
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<tr>
<td>(a) Medicaid Managed Care Texas Health Steps Medical Checkups Reports - The MCO must submit an annual report of the number of New Members and Existing Members that receive timely Texas Health Steps (THSteps) medical checkups or refuse to obtain medical checkups.</td>
<td>(a) Annually</td>
<td>(a) Per calendar day of non-compliance per Program.</td>
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<tr>
<td>(b) Children of Migrant Farm Workers Annual Plan and Children of Migrant Farm Workers Annual Report - The MCO must submit an annual plan that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers and an annual report that summarizes the MCO's migrant efforts as stated in its annual plan.</td>
<td>(b) Annually</td>
<td>(b) Plan: Per calendar day of non-compliance.</td>
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<tr>
<td>(c) Frew Quarterly Monitoring Report - The MCO must submit each quarter responses to questions on this report's template addressing the status of Frew Consent Decree paragraphs.</td>
<td>(c) Quarterly</td>
<td>(c) Per calendar day of non-compliance per Program.</td>
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<td>(d) Annually</td>
<td>(d) Per calendar day of non-compliance per MCO.</td>
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<td>(e) Quarterly</td>
<td>(e) Per calendar day of non-compliance per MCO.</td>
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<td>(f) Quarterly</td>
<td>(f) Per calendar day of non-compliance per Program.</td>
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<td>HHSC may assess up to $1,000 per calendar day for the first measurement period the reports are not submitted, late, inaccurate, or incomplete.</td>
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<td>HHSC may assess up to $5,000 per calendar day for each consecutive measurement period that a subsequent report is not submitted, late, inaccurate, or incomplete.</td>
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<td>In addition, HHSC may assess up to $2,500 per calendar day for any report resubmissions that are not submitted, late, inaccurate, or incomplete within each measurement period.</td>
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</table>
(d) Frew Annual Provider Training Report - The MCO must submit an annual report of health care and pharmacy provider training conducted throughout the year on Texas Health Steps, Frew, and/or pharmacy benefit education topics that includes the number of Medicaid providers that received training and feedback received on the subject matter and methodology of the training.

(e) Frew Provider Recognition Report - The MCO must submit a quarterly report of Medicaid enrolled healthcare and pharmacy providers who attended the MCO's training on Frew, Texas Health Steps, and/or pharmacy benefit education topics and consented to being recognized as having attended training on the HHSC website.

(f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports - Each State Fiscal Quarter, the MCO must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups.
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<tr>
<th>#</th>
<th>Column 1</th>
<th>Column 2</th>
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<th>Column 4</th>
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</thead>
<tbody>
<tr>
<td>28</td>
<td>Contract Attachment B-1, §8.1.21.1 Formulary and Preferred Drug List</td>
<td>The MCO fails to allow Network Providers free access to a point-of-care web-based application accessible to smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs; Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly.</td>
<td>Ongoing</td>
<td>Each calendar day of non-compliance HHSC may assess up to $5,000 per calendar day for each incident of non-compliance per MCO Program.</td>
</tr>
<tr>
<td>29</td>
<td>Contract Attachment B-1, §8.1.21.2 Prior Authorization (PA) for Prescription Drugs and 72-Hour Emergency Supplies</td>
<td>The MCO fails to reimburse a pharmacy for providing a 72-hour emergency supply as outlined in this section or fails to make a prior authorization determination within 24 hours of the request.</td>
<td>Ongoing</td>
<td>Each incident of noncompliance</td>
</tr>
<tr>
<td>30</td>
<td><strong>Contract Attachment B-1, §8.1.21.5 Pharmacy Rebate Program Uniform Managed Care Manual, Chapters 2.0 and 2.2</strong></td>
<td><strong>The MCO fails to include valid national drug codes (NDCs) on encounters for outpatient prescription drugs, including physician-administered drugs.</strong></td>
<td><strong>Ongoing</strong></td>
<td><strong>Each incident of noncompliance</strong></td>
</tr>
<tr>
<td>#</td>
<td>Contract Attachment B-1, §8.1.21.16 E-Prescribing</td>
<td>The MCO fails to provide timely data updates to the national e-prescribing network</td>
<td>Ongoing</td>
<td>Each calendar day of Non compliance</td>
</tr>
<tr>
<td></td>
<td>Contract Attachment B-1, RFP §8.3.3 STAR+PLUS Assessment Instruments Attachment B-1, RFP §8.3.4.1 For Members Attachment B-1, RFP §8.3.4.2 217-Like Group Non-Member Applicants</td>
<td>The Community Medical Necessity and Level of Care (MN LOC) Assessment Instrument must be completed and electronically submitted via the TMHP portal in the specified format within 45 days: 1) from the date of referral for HCBS STAR+PLUS Waivers for 217-Like Group applicants; 2) from the date of the Member's request for HCBS STAR+PLUS Waiver services for current Members requesting an upgrade; or 3) prior to the annual ISP expiration date for all Members receiving HCBS STAR+PLUS Waiver services as specified in Section 8.3.3.</td>
<td>Operations, Turnover</td>
<td>Per calendar day of non-compliance, per Service Area.</td>
</tr>
<tr>
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</tr>
<tr>
<td>32.</td>
<td>Contract Attachment B-1, RFP §9.3 Transfer of Data</td>
<td>The MCO must transfer all data regarding the provision of Covered Services to Members to HHSC or a new MCO, at the sole discretion of HHSC and as directed by HHSC. All transferred data must comply with the Contract requirements, including HIPAA.</td>
<td>Measured at Time of Transfer of Data and ongoing after the Transfer of Data until satisfactorily completed</td>
<td>Per incident of non-compliance (failure to provide data and/or failure to provide data in required format), per MCO Program, per SA.</td>
</tr>
<tr>
<td>33.</td>
<td>Contract Attachment B-1, RFP §9.4 Turnover Services</td>
<td>Six (6) months prior to the end of the contract period or any extension thereof, the MCO must propose a Turnover Plan covering the possible turnover of the records and information maintained to either the State (HHSC) or a successor MCO.</td>
<td>Measured at Six (6) Months prior to the end of the contract period or any extension thereof and ongoing until satisfactorily completed</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
</tr>
<tr>
<td>35.</td>
<td>Contract Attachment B-1, RFP §9.5 Post-Turnover Services</td>
<td>The MCO must provide the State (HHSC) with a Turnover Results report documenting the completion and results of each step of the Turnover Plan 30 days after the Turnover of Operations.</td>
<td>Measured 30 days after the Turnover of Operations</td>
<td>Each calendar day of non-compliance, per MCO program, per SA.</td>
</tr>
<tr>
<td>Service Area</td>
<td>Counties Served</td>
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<tr>
<td>Bexar</td>
<td>Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, Wilson</td>
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<td>Austin, Brazoria, Fort Bend, Galveston, Harris, Matagorda, Montgomery, Waller, Wharton</td>
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<tr>
<td>Hidalgo</td>
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<tr>
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<td>Chambers, Hardin, Jasper, Jefferson, Liberty, Newton, Orange, Polk, San Jacinto, Tyler, Walker</td>
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<tr>
<td>Lubbock</td>
<td>Carson, Crosby, Deaf Smith, Floyd, Garza, Hale, Hockley, Hutchinson, Lamb, Lubbock, Lynn, Potter, Randall, Swisher, Terry</td>
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<tr>
<td>Nueces</td>
<td>Aransas, Bee, Brooks, Calhoun, Goliad, Jim Wells, Karnes, Kenedy, Kleberg, Live Oak, Nueces, Refugio, San Patricio, Victoria</td>
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<p>| Tarrant      | Denton, Hood, Johnson, Parker, Tarrant, Wise |
| Travis       | Bastrop, Burnet, Caldwell, Fayette, Hays, Lee, Travis, Williamson |</p>
<table>
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<td>Bexar</td>
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<td>Dallas* (Not Included in the Scope of this RFP)</td>
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<td>Service Area</td>
<td>Counties Served</td>
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</table>
CORPORATE GUARANTEE

In consideration of the execution by the Texas Health & Human Services Commission ("Beneficiary") of the (HHSC Contract No. 529-12-0002-000__, as amended, hereinafter the "Contract") with ________________________ ("Subsidiary") unconditionally and irrevocably guarantees to Beneficiary, on the terms and conditions herein, the full and faithful performance by Subsidiary of all of the obligations undertaken by Subsidiary pursuant to the Contract and as it may hereafter be amended, modified, or extended from time to time, by work authorizations or otherwise.

If Subsidiary fails or refuses to complete any of its obligations, Parent shall complete, or cause to be completed, the obligation that Subsidiary failed or refused to complete, or be considered to be in breach of the Contract to the same extent as Subsidiary, pursuant to the terms and conditions of the Contract. The obligations of Parent under this Guarantee (i) are joint and several obligations made for the benefit of Beneficiary, and (ii) are direct and unconditional obligations to Beneficiary, independent of obligations of Subsidiary or any other guarantor, and may be the basis of a separate action by Beneficiary against any or all guarantors that may be asserted without first bringing an action against Subsidiary.

Parent authorizes Beneficiary, without notice or demand and without affecting its liability hereunder, from time to time to: (a) waive or delay the exercise of any rights or remedies of Beneficiary against Subsidiary and/or any guarantor; (b) release or substitute any guarantor; (c) renew, amend, extend, compromise or waive any obligation of any guarantor; and (d) renew, compromise, extend, waive, or amend any term of the Contract pursuant to its terms.

Parent agrees that, until its obligations hereunder have been performed and/or paid in full, Parent shall not be released by or because of the taking, or failure to take, any action by Subsidiary or Beneficiary that might in any manner or to any extent vary the risks of Parent under this Guarantee or that, but for this paragraph, might discharge or otherwise reduce, limit, or modify Parent's obligations under this Guarantee. Parent waives and surrenders any defense to any liability under this Guarantee based upon any such action, including but not limited to any action of Beneficiary described in the immediately preceding paragraph of this Guarantee, provided, however, Parent does not waive any defenses, remedies, or offsets to which Subsidiary is entitled under or with respect to the Contract. It is the express intent of Parent that Parent's obligations under this Guarantee are and shall be absolute, irrevocable and unconditional guarantees of performance and payment of Subsidiary and are not merely guarantees of collection.

Parent waives:

(a) the right to require Beneficiary to proceed against Subsidiary;
(b) all requirements of presentment, protest or default and notices of presentment, protest or default;
(c) any right to require Beneficiary to proceed against Subsidiary or to pursue any other remedy in Beneficiary's power whatsoever;
(d) notice of acceptance of this Guarantee;
(e) notice of any amendments, work authorizations, extensions of time for performance, changes in the work, or other acts by Beneficiary affecting Subsidiary's rights or obligations under the Contract;
(f) notice of any breach or claim of breach by Subsidiary, provided Beneficiary has complied with any required notice provisions to Subsidiary under the Contract;
(g) any defense arising out of the exercise by Beneficiary of any right or remedy it may have with respect to the Contract, including the right to amend or modify the Contract and the right to waive or delay the exercise of any rights it may otherwise have against Subsidiary;
(h) notice of the settlement or compromise of any claim of Beneficiary against Subsidiary relating to any of Subsidiary's obligations under the Contract; and


(i) the benefit of suretyship defenses generally.

No provision or waiver in this Guarantee shall be construed as limiting the generality of any other waiver contained in this Guarantee.

Parent hereby irrevocably waives all claims it has or may acquire against Subsidiary in respect of Parent’s obligations under this Guarantee, including rights of exoneration, reimbursement and subrogation but excluding any rights it may have under any surety bonds. Parent agrees to indemnify Beneficiary, and hold it harmless from and against all loss and expense, including legal fees, suffered or incurred by Beneficiary as the prevailing party in the enforcement of the Contract and/or this Guarantee.

Parent represents and warrants that the execution and delivery of, and performance of the obligations contained in this Guarantee have been authorized by all appropriate action and will not constitute a breach of or contravene any agreement or instrument to which Parent is a party, and that this Guarantee is a valid and binding obligation of Parent enforceable against Parent in accordance with its terms.

Parent consents to all of the terms and conditions of the Contract, as they may be amended or modified from time-to-time by the Beneficiary and Subsidiary. Such Contract terms and conditions are incorporated herein by reference, except that all references to the parties shall mean Beneficiary and Parent, all references to Subsidiary shall mean Parent, all references to the Contract shall be to this Guarantee, and notices to Parent shall be sent to the address set forth below instead of to the address set forth in the Contract.

Parent may not directly or indirectly assign or otherwise transfer (except as a result of a merger or acquisition of or involving Parent) or delegate any rights or obligations hereunder, including any claim arising by subrogation, and any attempt by Parent to assign or delegate any of its rights or obligations hereunder shall be void. This Guarantee shall be binding on the successors and assigns of Parent, and shall inure to the benefit of the successors and assigns of Beneficiary.

If any provision of this Guarantee should be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the fullest extent permitted by law:

(a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of Beneficiary in order to carry out the intentions of the parties hereto as nearly as may be possible; and

(b) such invalidity, illegality or unenforceability shall not affect the validity or enforceability of such provision in any other jurisdiction.

This Guarantee shall be governed by and interpreted in accordance with the laws of the State of Texas. Parent hereby irrevocably submits to the jurisdiction of any State district court sitting in Travis County, State of Texas, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Guarantee and irrevocably waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. Service of process by Beneficiary in connection with such action or proceeding shall be binding on Parent if sent to Parent by registered or certified mail at its address specified below. Parent agrees to pay all expenses of Beneficiary in connection with the lawful enforcement of this Guarantee, including, without limitation, costs of collection incurred as the prevailing party in any such action.

PARENT

Name of Parent: _____________________________

By:

Printed Name:

Title:

Address:

Date:
EXPLANATORY NOTE: “***” INDICATES THE PORTION OF THIS EXHIBIT THAT HAS BEEN OMITTED AND SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

HHSC Contract No. 529-12-0002-00006-G

Parties to the Contract:
This Amendment is between the Texas Health and Human Services Commission (HHSC), an administrative agency within the executive department of the State of Texas, having its principal office at 4900 North Lamar Boulevard, Austin, Texas 78751, and Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network (MCO) an entity organized under the laws of the State of Wisconsin, having its principal place of business at 2100 South IH-35, Suite 202, Austin, Texas 78704. HHSC and MCO may be referred to in this Amendment individually as a “Party” and collectively as the “Parties.”

<table>
<thead>
<tr>
<th>Amendment Effective Date</th>
<th>Contract Expiration Date</th>
<th>Operational Start Date</th>
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</thead>
<tbody>
<tr>
<td>September 1, 2013</td>
<td>August 31, 2015</td>
<td>March 1, 2012</td>
</tr>
</tbody>
</table>

## MCO Brand Names

The MCO will use following brand name(s). The MCO acknowledges that if it requests a change to the brand name(s), it will be responsible for all costs associated with the change(s), including HHSC's costs for modifying its business rules, system identifiers, communications materials, web page, etc.

- STAR: Superior Health Plan
- CHIP: [Blank]
- MRSA: Superior Health Plan

## Project Managers

**HHSC:**
Emily Zalkovsky  
Director, Program Management  
11209 Metric Boulevard, Building H  
Austin, Texas 78758  
Phone: 512-491-2078  
Fax: 512-491-1972

**MCO:**
Susan Erickson  
Vice President  
2100 South IH-35, Suite 202  
Austin, Texas 78704  
Phone: 512-692-1465 Ext 22032  
Fax: 866-702-4830  
E-mail: serickson@centene.com

## Legal Notice Delivery Addresses

**HHSC:**
General Counsel  
4900 North Lamar Boulevard, 4th Floor  
Austin, Texas 78751  
Fax: 512-424-6586

**MCO:**
Superior HealthPlan  
2100 South IH-35, Suite 202  
Austin, Texas 78704  
Fax: 866-702-4830
MCO Programs and Service Areas

This Amendment applies to the following checked HHSC MCO Programs and Service Areas. All references in the Amendment or the Contract to MCO Programs or Service Areas that are not checked do not apply to the MCO.

☑ Medicaid STAR MCO Program  ☑ Medicaid STAR + PLUS MCO Program  ☐ CHIP MCO Program

☑ Medicaid STAR MCO Program

Service Areas:

☐ Bexar  ☑ Medicaid RSA - Central
☐ Dallas  ☑ Medicaid RSA - Northeast
☐ El Paso  ☑ Medicaid RSA - West
☐ Harris  ☐ Nueces
☑ Hidalgo  ☐ Tarrant
☐ Jefferson  ☐ Travis
☐ Lubbock

See Contract Attachment B-4, “Map of Counties with MCO Program Service Areas,” for listing of counties included within the STAR Service Areas.

☑ Medicaid STAR+PLUS MCO Program

Service Areas:

☐ Bexar  ☐ Jefferson
☐ El Paso  ☑ Lubbock
☐ Harris  ☑ Nueces
☑ Hidalgo  ☑ Travis

See Contract Attachment B-4.2, “Map of Counties with STAR+PLUS MCO Program Service Areas,” for a list of counties included within the STAR+PLUS Service Areas.

Payment

☑ Medicaid STAR MCO Program

Capitation: See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR Program.
### Rate Period 2 Capitation Rates

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Hidalgo</th>
<th>Medicaid Rural Service Area - Central Texas</th>
<th>Medicaid Rural Service Area - Northeast Texas</th>
<th>Medicaid Rural Service Area - West Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Cell</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Under Age 1 Child</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2 Age 1-5 Child</td>
<td>***</td>
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<td>***</td>
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<tr>
<td>3 Age 6-14 Child</td>
<td>***</td>
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<tr>
<td>4 Age 15-18 Child</td>
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<tr>
<td>5 Age 19-20 Child</td>
<td>***</td>
<td>***</td>
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<tr>
<td>6 TANF Adult</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>7 Pregnant Woman</td>
<td>***</td>
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<td>***</td>
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<tr>
<td>8 SSI- Aged, Blind &amp; Disabled</td>
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</tr>
</tbody>
</table>

delivery Supplemental Payment: See Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the delivery Supplemental Payment for the STAR Program. The STAR Delivery Supplemental Payments for the Service Areas covered by this contract are listed below.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Delivery Supplemental Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hidalgo</td>
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<tr>
<td>Medicaid Rural Service Area - Central Texas</td>
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<td>Medicaid Rural Service Area - West Texas</td>
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</table>

☑ Medicaid STAR+PLUS MCO Program

**Capitation**: See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR+PLUS Program.

### Rate Period 2 Capitation Rates

<table>
<thead>
<tr>
<th>STAR + PLUS Service Area</th>
<th>Hidalgo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Cell</td>
<td></td>
</tr>
<tr>
<td>1 Medicaid Only Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>2 Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>3 Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>4 Dual Eligible Standard Rate</td>
<td>***</td>
</tr>
<tr>
<td>5 Dual Eligible HCBS STAR+PLUS Waiver Rate - Above Floor</td>
<td>***</td>
</tr>
<tr>
<td>6 Dual Eligible HCBS STAR+PLUS Waiver Rate - Below Floor</td>
<td>***</td>
</tr>
<tr>
<td>7 Nursing Facility- Medicaid Only</td>
<td>***</td>
</tr>
<tr>
<td>8 Nursing Facility- Medicaid Only</td>
<td>***</td>
</tr>
</tbody>
</table>
Terms and Attachments:

The parties agree to amend their original contract, HHSC contract number 529-12-0002-00006 (contract). The Parties agree that the terms of the Contract will remain in effect and continue to govern except to the extent modified in this Amendment.

The Parties execute this Amendment in accordance with the authority granted in HHSC Uniform Managed Care Contract Attachment A, "Uniform Managed Care Contract Terms & Conditions," under Article 8, "Amendments & Modifications."

HHSC Uniform Managed Care Contract Version 2.7 is attached.

Signatures
The Parties execute this Amendment in their stated capacities with authority to bind their organizations on the dates in this section.

Texas Health and Human Services Commission
/s/ Chris Traylor
Chris Traylor
Chief Deputy Commissioner
Office of the Chief Deputy Commissioner
Date: 8/29/13

Bankers Reserve Life Insurance Company of Wisconsin d.b.a. Superior HealthPlan Network
/s/ Holly Munin
By: Holly Munin
Title: CEO
Date: 8/6/13
Responsible Office: HHSC Office of General Counsel (OGC)

Subject: Attachment A -- HHSC Uniform Managed Care Contract Terms & Conditions Version 2.7

Texas Health & Human Services Commission

Uniform Managed Care Contract Terms & Conditions

DOCUMENT HISTORY LOG

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<thead>
<tr>
<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION3</th>
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<td>Baseline</td>
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<td>September 1, 2011</td>
<td>Initial version of the Attachment A, “Medicaid and CHIP Uniform Managed Care Contract Terms &amp; Conditions.”</td>
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<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Definition “1915(c) Nursing Facility Waiver” is modified to correct a cross-reference.</td>
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Definition for Medically Necessary is modified for clarification. The State has determined that all acute care behavioral health and non-behavioral health services for Medicaid children fall within the scope of Texas Health Steps. Note that for LTSS, such as PCS (PAS) services for children in STAR+PLUS, the functional necessity standard for LTSS also applies (see Attachment B-1, Section 8.3.3).

Definition for Rate Period 1 is modified.

Section 4.04 is modified to clarify the requirements for Medical Director designees, and to clarify that the provision does not apply to prior authorization determinations made by Texas licensed pharmacists.

New Section 4.11 “Prohibition Against Performance Outside of the United States” added.

Section 5.02(b) is modified to clarify that MCOs may not sell or transfer their Member base.

Section 5.06(a)(2) is modified to clarify the exceptions to enrollment in an MCO during an Inpatient Stay.

Section 5.06(a)(3) and (4) are modified to clarify that Members cannot move from FFS to an MCO or from one MCO to another during residential treatment or residential detoxification. References to the PCCM program are removed. In addition,

Section 5.06(a)(8) is modified to clarify movement requirements for SSI Members in the MRSA.

Section 10.06(b) is modified to remove the Perinate Newborn 0% - 185% rate cell.

Section 10.10 is modified to consolidate STAR+PLUS with STAR and CHIP for the Experience Rebate calculation.

Section 10.10.1 is deleted in its entirety.

Section 10.10.2 is modified to consolidate STAR+PLUS into STAR and CHIP for the Experience Rebate calculation.
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| 2.2 | June 1, 2012 | Definition for Consolidated FSR Report or Consolidated Basis is added.  
Definition for Financial Statistical Report is added.  
Definitions for FSR Reporting Period, FSR Reporting Period 12/13, and FSR Reporting Period 14 are added.  
Definition for Material Subcontract is modified.  
Definition for Net Income Before Taxes is modified.  
Definition for Pre-tax Income is modified.  
Definition for Program is added.  
Definition for Rate Period 1 and Rate Period 2 are modified.  
Section 10.10 is modified to consolidate the Experience Rebate across all contracts and all programs.  
Section 10.10.2 is modified to consolidate the Administrative Expense Cap across all contracts and all programs. |
| 2.3 | September 1, 2012 | Definition for Case Management for Children and Pregnant Women is modified to remove the acronym “CPW”.  
Definition for Community-based Long Term Services and Supports is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.  
Definition for “1915(c) Nursing Facility Waiver” is modified to change the name to “HCBS STAR+PLUS Waiver” and to update references to “Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver” and “HCBS STAR+PLUS Waiver”.  
Definition for “HHSC MCO Programs or MCO Programs” is modified.  
Definition for “Medically Necessary” is modified.  
Definition for “Provider Materials” is added.  
Section 5.06(a)(4) is modified to clarify responsibility for payment.  
Section 5.11 is deleted in its entirety.  
Section 7.02 is modified to clarify that only applicable provisions of the listed laws apply to the contract.  
Section 10.05 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”. |
| 2.4 | March 1, 2013 | All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.  
Definition for “Electronic Visit Verification” is added.  
Section 5.02(e), Subsections (4) and (5) are modified.  
Section 10.16 is added to address supplemental payments to MCOs for wrap-around services for outpatient drugs and biological products for STAR-PLUS Members. |
| 2.5 | June 1, 2013 | Contract amendment did not revise Attachment A, Uniform Managed Care Contract Terms and Conditions. |
Definition for CAHPS is modified to correct the name to which the acronym refers.
Definition for “Community Health Worker” is added.
Definition for “Court-Ordered Commitment” is modified.
Definition for Default Enrollment is modified to add T.A.C. reference.
Definition for “DSM” is modified.
Definition for “ECI” is modified.
Definition for HEDIS is modified to correct the name to which the acronym refers.
Definition for Primary Care Physician is modified to remove the list of provider types as being redundant.
Definition for Rate Period is modified to include a third sub-period.
Section 5.02(e) is modified to remove the language regarding disenrollment for ESRD and ventilator dependency.
Section 5.08 is renamed “Modified Default Enrollment Process” and revised to include a process for all Programs.
Section 5.09 is deleted and replaced with Section 5.08.
Section 5.10 is deleted and replaced with Section 5.08.
Section 7.04 is deleted in its entirety and updated within Section 7.02
Section 9.02 is modified for clarification that records must be provided “at no cost.”
Section 9.04 is modified for clarification that records must be provided “at no cost.”
Section 10.05(a) is modified to comply with the new STAR Risk Groups.
Section 10.10.3 is modified to clarify that the Reinsurance Cap impacts only the Experience Rebate calculation.
Section 11.01(c) is modified to add the missing word “may.”
Section 13.01 is modified to clarify the required certifications.
Section 14.08 is modified to delete outdated language.

Section 10.17 “Pass-through Payments for Provider Rate Increases” is added.
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Article 1. Introduction

Section 1.01 Purpose.

The purpose of this Contract is to set forth the terms and conditions for the MCO’s participation as a managed care organization in one (1) or more of the MCO Programs administered by HHSC. Under the terms of this Contract, MCO will provide comprehensive health care services to qualified Program recipients through a managed care delivery system.

Section 1.02 Risk-based contract.

This is a Risk-based contract.

Section 1.03 Inducements.

In making the award of this Contract, HHSC relied on MCO’s assurances of the following:
(1) MCO is a health maintenance organization, Approved Non-Profit Health Corporation (ANHC), or Exclusive Provider Organization that arranges for the delivery of Health Care Services, and is either (1) has received Texas Department of Insurance (TDI) licensure or approval as such an entity and is fully authorized to conduct business in the Service Areas, or (2) will receive TDI licensure or approval as such an entity and be fully authorized to conduct business in all Service Areas no later than 60 calendar days after HHSC executes this Contract;
(2) MCO and the MCO Administrative Service Subcontractors have the skills, qualifications, expertise, financial resources and experience necessary to provide the Services and Deliverables described in the RFP, MCO’s Proposal, and this Contract in an efficient, cost-effective manner, with a high degree of quality and responsiveness, and has performed similar services for other public or private entities;
(3) MCO has thoroughly reviewed, analyzed, and understood the RFP, has timely raised all questions or objections to the RFP, and has had the opportunity to review and fully understand HHSC’s current program and operating environment for the activities that are the subject of the Contract and the needs and requirements of the State during the Contract term;
(4) MCO has had the opportunity to review and understand the State’s stated objectives in entering into this Contract and, based on such review and understanding, MCO currently has the capability to perform in accordance with the terms and conditions of this Contract;
(5) MCO also has reviewed and understands the risks associated with the MCO Programs as described in the RFP, including the risk of non-appropriation of funds.

Accordingly, on the basis of the terms and conditions of this Contract, HHSC desires to engage MCO to perform the Services and provide the Deliverables described in this Contract under the terms and conditions set forth in this Contract.

Section 1.04 Construction of the Contract.

(a) Scope of Introductory Article.
The provisions of any introductory article to the Contract are intended to be a general introduction and are not intended to expand the scope of the Parties’
obligations under the Contract or to alter the plain meaning of the terms and conditions of the Contract.

(b) References to the “State.”

References in the Contract to the “State” must mean the State of Texas unless otherwise specifically indicated and must be interpreted, as appropriate, to mean
or include HHSC and other agencies of the State of Texas that may participate in the administration of the MCO Programs, provided, however, that no
provision will be interpreted to include any entity other than HHSC as the contracting agency.

(c) Severability.

If any provision of this Contract is construed to be illegal or invalid, such interpretation will not affect the legality or validity of any of its other provisions.
The illegal or invalid provision will be deemed stricken and deleted to the same extent and effect as if never incorporated in this Contract, but all other
provisions will remain in full force and effect.

(d) Survival of terms.

Termination or expiration of this Contract for any reason will not release either Party from any liabilities or obligations set forth in this Contract that:
(1) The Parties have expressly agreed must survive any such termination or expiration; or
(2) Arose prior to the effective date of termination and remain to be performed or by their nature would be intended to be applicable following any such
termination or expiration.

(e) Headings.

The article, section and paragraph headings in this Contract are for reference and convenience only and may not be considered in the interpretation of this
Contract.

(f) Global drafting conventions.

(1) The terms “include,” “includes,” and “including” are terms of inclusion, and where used in this Contract, are deemed to be followed by the words
“without limitation.”
(2) Any references to “sections,” “appendices,” “exhibits” or “attachments” are deemed to be references to sections, appendices, exhibits or attachments to this
Contract.
(3) Any references to laws, rules, regulations, and manuals in this Contract are deemed references to these documents as amended, modified, or supplemented
from time to time during the term of this Contract.

Section 1.05 No implied authority.

The authority delegated to MCO by HHSC is limited to the terms of this Contract. HHSC is the state agency designated by the Texas Legislature to administer
the MCO Programs, and no other agency of the State grants MCO any authority related to this program unless directed through HHSC. MCO may not rely
upon implied authority, and specifically is not delegated authority under this Contract to:
(1) make public policy;
(2) promulgate, amend or disregard administrative regulations or program policy decisions made by State and federal agencies responsible for administration
of HHSC Programs; or
(3) unilaterally communicate or negotiate with any federal or state agency or the Texas Legislature on behalf of HHSC regarding the HHSC Programs.
MCO is required to cooperate to the fullest extent possible to assist HHSC in communications and negotiations with state and federal governments and agencies
concerning matters relating to the scope of the Contract and the MCO Program(s), as directed by HHSC.

Section 1.06 Legal Authority.

(a) HHSC is authorized to enter into this Contract under Chapters 531 and 533, Texas Government Code; Section 2155.144, Texas Government Code;
and/or Chapter 62, Texas Health & Safety Code. MCO is authorized to enter into this Contract pursuant to the authorization of its governing board or
controlling owner or officer.
(b) The person or persons signing and executing this Contract on behalf of the Parties, or representing themselves as signing and executing this Contract on
behalf of the Parties, warrant and guarantee that he, she, or they have been duly authorized to execute this Contract and to validly and legally bind the Parties
to all of its terms, performances, and provisions.

Article 2. Definitions

As used in this Contract, the following terms and conditions must have the meanings assigned below:
1915(c) Nursing Facility Waiver or 1915(c) STAR+PLUS Waiver (SPW) means the HHSC waiver program that provides home and community based
services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Should HHSC begin operating this waiver program
under a 1115 Waiver structure, then references to the 1915(c)
Nursing Facility Waiver or SPW will mean the home and community based services component of the 1115 Waiver for Members who qualify for the additional services described in Attachment B-2, "STAR+PLUS Covered Services," under the heading “1915(c) STAR+PLUS Waiver Services for those Members who qualify for such services.”

**AAP** means the American Academy of Pediatrics.

**Abuse** means provider practices that are inconsistent with sound fiscal, business, or medical practices and result in an unnecessary cost to the Medicaid or CHIP Program, or in reimbursement for services that are not Medically Necessary or that fail to meet professionally recognized standards for health care. It also includes Member practices that result in unnecessary cost to the Medicaid or CHIP Program.

**Account Name** means the name of the individual who lives with the child(ren) and who applies for the Children’s Health Insurance Program coverage on behalf of the child(ren).

**Action (Medicaid only)** means:

1. the denial or limited authorization of a requested Medicaid service, including the type or level of service;
2. the reduction, suspension, or termination of a previously authorized service;
3. the denial in whole or in part of payment for service;
4. the failure to provide services in a timely manner;
5. the failure of an MCO to act within the timeframes set forth in the Contract and 42 C.F.R. §438.408(b); or
6. for a resident of a rural area with only one (1) MCO, the denial of a Medicaid Members’ request to obtain services outside of the Network.

An Adverse Determination is one (1) type of Action.

**Acute Care** means preventive care, primary care, and other medical care provided under the direction of a physician for a condition having a relatively short duration.

**Acute Care Hospital** means a Hospital that provides Acute Care Services.

**Adjudicate** means to deny or pay a Clean Claim.

**Administrative Services** see MCO Administrative Services.

**Administrative Services Contractor** see HHSC Administrative Services Contractor.

**Adverse Determination** means a determination by an MCO or Utilization Review agent that the Health Care Services furnished, or proposed to be furnished to a patient, are not Medically Necessary or not appropriate.

**Affiliate** means any individual or entity that meets any of the following criteria:

1. owns or holds more than a five percent (5%) interest in the MCO (either directly, or through one (1) or more intermediaries);
2. in which the MCO owns or holds more than a five percent (5%) interest (either directly, or through one (1) or more intermediaries);
3. any parent entity or subsidiary entity of the MCO, regardless of the organizational structure of the entity;
4. any entity that has a common parent with the MCO (either directly, or through one (1) or more intermediaries);
5. any entity that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the MCO; or
6. any entity that would be considered to be an affiliate by any Securities and Exchange Commission (SEC) or Internal Revenue Service (IRS) regulation, Federal Acquisition Regulations (FAR), or by another applicable regulatory body.

**Agreement or Contract** means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

**Allowable Expenses** means all expenses related to the Contract between HHSC and the MCO that are incurred during the Contract Period, are not reimbursable or recovered from another source, and that conform with the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

**Appeal (CHIP and CHIP Perinatal Program only)** means the formal process by which a Utilization Review agent addresses Adverse Determinations.

**Appeal (Medicaid only)** means the formal process by which a Member or his or her representative request a review of the MCO’s Action, as defined above.

**Approved Non-Profit Health Corporation (ANHC)** means an organization formed in compliance with Chapter 844 of the Texas Insurance Code and licensed by TDI. See also MCO.

**Auxiliary Aids and Services** includes:

1. qualified interpreters or other effective methods of making aurally delivered materials understood by persons with hearing impairments;
2. taped texts, large print, Braille, or other effective methods to ensure visually delivered materials are available to individuals with visual impairments; and
3. other effective methods to ensure that materials (delivered both aurally and visually) are available to those with cognitive or other Disabilities affecting communication.

**Batch Processing** is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. In managed care, batch billing is a technique that allows providers to send billing information all at once in a “batch” rather than in separate individual transactions.
**Behavioral Health Services** means Covered Services for the treatment of mental, emotional, or chemical dependency disorders.

**Benchmark** means a target or standard based on historical data or an objective/goal.

**Business Continuity Plan or BCP** means a plan that provides for a quick and smooth restoration of MIS operations after a disruptive event. BCP includes business impact analysis, BCP development, testing, awareness, training, and maintenance. This is a day-to-day plan.

**Business Day** means any day other than a Saturday, Sunday, or a state or federal holiday on which HHSC’s offices are closed, unless the context clearly indicates otherwise.

**CAHPS** means the Consumer Assessment of Healthcare Providers and Systems. This survey is conducted annually by the EQRO.

**Call Coverage** means arrangements made by a facility or an attending physician with an appropriate level of health care provider who agrees to be available on an as-needed basis to provide medically appropriate services for routine, high risk, or Emergency Medical Conditions or Emergency Behavioral Health Conditions that present without being scheduled at the facility or when the attending physician is unavailable.

**Capitation Payment** means the aggregate amount paid by HHSC to the MCO on a monthly basis for the provision of Covered Services to enrolled Members in accordance with the Capitation Rates in the Contract.

**Capitation Rate** means a fixed predetermined fee paid by HHSC to the MCO each month in accordance with the Contract, for each enrolled Member in a defined Rate Cell, in exchange for the MCO arranging for or providing a defined set of Covered Services to such a Member, regardless of the amount of Covered Services used by the enrolled Member.

**Case Head** means the head of the household that is applying for Medicaid.

**Case Management for Children and Pregnant Women** is a Medicaid program for children with a health condition/health risk, birth through 20 years of age and for women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.


**Chemical Dependency Treatment** means treatment provided for a chemical dependency condition by a Chemical Dependency Treatment facility, chemical dependency counselor or Hospital.

**Child (or Children) with Special Health Care Needs (CSHCN)** means a child (or children) who:

1. ranges in age from birth up to age 19 years;
2. has a serious ongoing illness, a complex chronic condition, or a disability that has lasted or is anticipated to last at least 12 continuous months or more;
3. has an illness, condition or disability that results (or without treatment would be expected to result) in limitation of function, activities, or social roles in comparison with accepted pediatric age-related milestones in the general areas of physical, cognitive, emotional, and/or social growth and/or development;
4. requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel; and
5. has a need for health and/or health-related services at a level significantly above the usual for the child’s age.

**Children’s Health Insurance Program** or CHIP means the health insurance program authorized and funded pursuant to Title XXI, Social Security Act (42 U.S.C. §§ 1397aa-1397jj) and administered by HHSC. The CHIP Perinatal Program is a subprogram of CHIP.

**CHIP MCO Program, or CHIP Program,** means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Members.

**CHIP MCOs** means MCOs participating in the CHIP MCO Program.

**CHIP Perinatal MCOs** means MCOs participating in the CHIP Perinatal Program, a subprogram of CHIP.

**CHIP Perinatal Program** means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Perinate and CHIP Perinatal Newborn Members. Although the CHIP Perinatal Program is part of the CHIP Program, for Contract administration purposes it is sometimes identified independently in this Contract.

**CHIP Perinate** means a CHIP Perinatal Program Member identified prior to birth (an unborn child).

**CHIP Perinatal Newborn** means a CHIP Perinate who has been born alive and whose family income meets the criteria for continued participation in the CHIP Perinatal Program (refer to Section 5.04.1 for information concerning eligibility).

**Chronic or Complex Condition** means a physical, behavioral, or developmental condition which may have no known cure and/or is progressive and/or can be debilitating or fatal if left untreated or under-treated.

**Clean Claim** means a claim submitted by a physician or provider for medical care or health care services rendered to a Member, with the data necessary for the MCO or subcontracted claims processor to adjudicate and accurately report the claim. A Clean Claim must meet all requirements for accurate and complete data as defined in the appropriate 837-(claim type) encounter guides as follows:

1. 837 Professional Combined Implementation Guide;
2. 837 Institutional Combined Implementation Guide;
3. 837 Professional Companion Guide; and
4. 837 Institutional Companion Guide.
Clinical Edit: means a process for verifying that a Member’s medical condition matches the clinical criteria for dispensing a requested drug. Clinical Edits must be based on evidence-based clinical criteria and nationally recognized peer-reviewed information. If the information about a Member’s medical condition meets the Clinical Edit criteria, the claim can be approved. If a Member’s medical condition does not meet the Clinical Edit criteria, then prior authorization is required.

COLA: means the Cost of Living Adjustment.

Community-based Long Term Services and Supports: means services provided to STAR+PLUS Members in their home or other community-based settings necessary to provide assistance with activities of daily living to allow the Member to remain in the most integrated setting possible. Community-based Long-term Services and Supports includes services available to all STAR+PLUS Members as well as those services available only to STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services.

Community Health Worker: means a community health worker who is a trusted member of the community, and has a close understanding of the ethnicity, language, socio-economic status, and life experiences of the community served. A community health worker helps people gain access to needed services, increases health knowledge, and becomes self-sufficient through outreach, patient navigation and follow-up, community health education and information, informal counseling, social support, advocacy, and more.

Community Resource Coordination Groups (CRCGs): means a statewide system of local interagency groups, including both public and private providers, which coordinate services for “multi-need” children and youth. CRCGs develop individual service plans for children and adolescents whose needs can be met only through interagency cooperation. CRCGs have the authority to address Complex Needs in a model that promotes local decision-making and ensures that children receive the integrated combination of social, medical and other services needed to address their individual problems.

Complianant: means a Member or a treating provider or other individual designated to act on behalf of the Member who filed the Complaint.

Complaint (CHIP Program only): means any dissatisfaction, expressed by a Complainant, orally or in writing to the MCO, with any aspect of the MCO’s operation, including, but not limited to, dissatisfaction with plan administration, procedures related to review or Appeal of an Adverse Determination, as defined in Texas Insurance Code, Chapter 843, Subchapter G; the denial, reduction, or termination of a service for reasons not related to Medical Necessity; the way a service is provided; or disenrollment decisions. The term does not include misinformation that is resolved promptly by supplying the appropriate information or clearing up the misunderstanding to the satisfaction of the CHIP Member.

Complaint (Medicaid only): means any dissatisfaction expressed by a Complainant, orally or in writing to the MCO, with any aspect of the MCO other than an Action. As provided by 42 C.F.R. §438.400, possible subjects for Complaints include, but are not limited to, the quality of care of services provided, and aspects of interpersonal relationships such as rudeness of a provider or employee, or failure to respect the Medicaid Member’s rights.

Complex Need: means a condition or situation resulting in a need for coordination or access to services beyond what a PCP would normally provide, triggering the MCO’s determination that Care Coordination is required.

Confidential Information: means any communication or record (whether oral, written, electronically stored or transmitted, or in any other form) consisting of:
- Confidential Client information, including HIPAA-defined protected health information;
- All non-public budget, expense, payment and other financial information;
- All Privileged Work Product;
- All information designated by HHSC or any other State agency as confidential, and all information designated as confidential under the Texas Public Information Act;
- Information utilized, developed, received, or maintained by HHSC, the MCO, or participating State agencies for the purpose of fulfilling a duty or obligation under this Contract and that has not been disclosed publicly.

Consolidated FSR Report or Consolidated Basis: means FSR reporting results for all Programs and all SDAs operated by the MCO or its Affiliates, including those under separate contracts between the MCO or its Affiliates and HHSC. Consolidated FSR Reporting does not include any of the MCO’s or its Affiliates’ business outside of the HHSC Programs.

Consumer-Directed Services: means the Member or his legal guardian is the employer of and retains control over the hiring, management, and termination of an individual providing personal assistance or respite.

Continuity of Care: means care provided to a Member by the same PCP or specialty provider to ensure that the delivery of care to the Member remains stable, and services are consistent and unduplicated.
**Contract or Agreement** means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

**Contract Period or Contract Term** means the Initial Contract Period plus any and all Contract extensions.

**Contractor or MCO** means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

**Copayment (CHIP only)** means the amount that a Member is required to pay when utilizing certain CHIP Covered Services. Once the copayment is made, further payment is not required by the Member.

**Corrective Action Plan** means the detailed written plan that may be required by HHSC to correct or resolve a deficiency or event causing the assessment of a remedy or damage against MCO.

**Court-Ordered Commitment** means a commitment of a Member to an inpatient mental health facility for treatment ordered by a court of law pursuant to Texas Health and Safety Code, Chapters 573 or 574.

**Covered Services** means Health Care Services the MCO must arrange to provide to Members, including all services required by the Contract and state and federal law, and all Value-added Services negotiated by the Parties (see Attachments B-2, B-2.1, B-2.2 and B-3 of the HHSC Managed Care Contract relating to “Covered Services” and “Value-added Services”).

**CPW** means Case Management for Children and Pregnant Women; a Medicaid program for children with a health condition/health risk, birth through 20 years of age and to women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.

**Credentialing** means the process of collecting, assessing, and validating qualifications and other relevant information pertaining to a health care provider to determine eligibility and to deliver Covered Services.

**Cultural Competency** means the ability of individuals and systems to provide services effectively to people of various cultures, races, ethnic backgrounds, and religions in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves their dignity.

**DADS** means the Texas Department of Aging and Disability Services or its successor agency (formerly Department of Human Services).

**Date of disenrollment** means the last day of the last month for which MCO receives payment for a Member.

**Day** means a calendar day unless specified otherwise.

**Default Enrollment** means the processes established by HHSC to assign an enrollee who has not selected an MCO to an MCO. See 1 Tex. Admin. Code § 353.403 for Medicaid default enrollment processes, and 1 Tex. Admin. Code § 370.303 for CHIP default enrollment processes.

**Deliverable** means a written or recorded work product or data prepared, developed, or procured by MCO as part of the Services under the Contract for the use or benefit of HHSC or the State of Texas.

**Delivery Supplemental Payment** means a one-time per pregnancy supplemental payment for STAR, CHIP and CHIP Perinatal MCOs.

**Designated Provider** means a physician, clinical practice or clinical group practice, rural clinic, community health center, community mental health center, home health agency, or any other entity or provider (including pediatricians, gynecologists, and obstetricians) that are determined by the State and approved by the U.S. Secretary of Health and Human Services to be qualified to be a Health Home for Members with chronic conditions on the basis of documentation that the physician practice or clinic (A) has the systems and infrastructure in place to provide Health Home services and (B) satisfies the qualification standards established by the U.S. Secretary of Health and Human Services.

**Diagnostic** means assessment that may include gathering of information through interview, observation, examination, and use of specific tests that allows a provider to diagnose existing conditions.

**Disabled Person or Person with Disability** means a person under 65 years of age, including a child, who qualifies for Medicaid services because of a disability.

**Disability** means a physical or mental impairment that substantially limits one (1) or more of an individual’s major life activities, such as caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and/or working.

**Disability-related Access** means that facilities are readily accessible to and usable by individuals with disabilities, and that auxiliary aids and services are provided to ensure effective communication, in compliance with Title III of the Americans with Disabilities Act.

**Disaster Recovery Plan** means the document developed by the MCO that outlines details for the restoration of the MIS in the event of an emergency or disaster.

**Discharge** means a formal release of a Member from an Inpatient Hospital stay when the need for continued care at an inpatient level has concluded. Movement or Transfer from one (1) Acute Care Hospital or Long Term Care Hospital /facility and readmission to another within 24 hours for continued treatment is not a discharge under this Contract.

**Disease Management** means a system of coordinated healthcare interventions and communications for populations with conditions in which patient self-care efforts are significant.

**Disproportionate Share Hospital (DSH)** means a Hospital that serves a higher than average number of Medicaid and other low-income patients and receives additional reimbursement from the State.
**DSHS** means the Texas Department of State Health Services or its successor agency (formerly Texas Department of Health and Texas Department of Mental Health and Mental Retardation).

**DSM** means the most current edition of the Diagnostic and Statistical Manual of Mental Disorders, which is the American Psychiatric Association's official classification of behavioral health disorders, or its replacement.

**Dual Eligibles** means Medicaid recipients who are also eligible for Medicare.

**ECI** means Early Childhood Intervention, a federally mandated program for infants and toddlers under the age of three with developmental delays or disabilities. See 34 C.F.R. § 303.1 et seq. and 40 Tex. Admin. Code § 108.101 et seq. for further clarification.

**EDI** means electronic data interchange.

**Effective Date** means the effective date of this Contract, as specified in the HHSC Managed Care Contract document.

**Effective Date of Coverage** means the first day of the month for which the MCO has received payment for a Member.

**Electronic Visit Verification or EVV** (STAR+PLUS only) means verification and documentation through a telephone or computer-based system of personal assistance services.

**Eligibles** means individuals residing in one (1) of the Service Areas and eligible to enroll in a STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO, as applicable.

**Emergency Behavioral Health Condition** means any condition, without regard to the nature or cause of the condition, which in the opinion of a prudent layperson possessing an average knowledge of health and medicine:

1. requires immediate intervention and/or medical attention without which Members would present an immediate danger to themselves or others, or
2. renders Members incapable of controlling, knowing or understanding the consequences of their actions.

**Emergency Medical Condition** means a medical condition manifesting itself by acute symptoms of recent onset and sufficient severity (including severe pain), such that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical care could result in:

1. placing the patient’s health in serious jeopardy;
2. serious impairment to bodily functions;
3. serious dysfunction of any bodily organ or part;
4. serious disfigurement; or
5. in the case of a pregnant women, serious jeopardy to the health of a woman or her unborn child.

**Emergency Services** means covered inpatient and outpatient services furnished by a provider that is qualified to furnish such services under the Contract and that are needed to evaluate or stabilize an Emergency Medical Condition and/or an Emergency Behavioral Health Condition, including Post-stabilization Care Services.

**Encounter** means a Covered Service or group of Covered Services delivered by a Provider to a Member during a visit between the Member and Provider. This also includes Value-added Services.

**Encounter Data** means data elements from Fee-for-Service claims or capitated services proxy claims that are submitted to HHSC by the MCO in accordance with HHSC’s required format for Medicaid and CHIP MCOs.

**Enrollment Report/Enrollment File** means the daily or monthly list of Eligibles that are enrolled with an MCO as Members on the day or for the month the report is issued.

**EPSDT** means the federally mandated Early and Periodic Screening, Diagnosis and Treatment program contained at 42 U.S.C. 1396d(r). The name has been changed to Texas Health Steps in the State of Texas.

**Exclusive Provider Organization (EPO)** means an insurer with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212

**Expansion Area** means a county or Service Area that has not previously provided healthcare to HHSC’s MCO Program Members utilizing a managed care model.

**Expansion Children** means children who are generally at least age one (1), but under age six (6), and live in a family whose income is at or below 133 percent of the federal poverty level (FPL). Children in this coverage group have either elected to bypass TANF or are not eligible for TANF in Texas.

**Expansion Service Areas** are the Hidalgo and Medicaid Rural Service Areas for the STAR Program; and the El Paso, Hidalgo, and Lubbock Service Areas for the STAR+PLUS Program.

** Expedited Appeal** means an appeal to the MCO in which the decision is required quickly based on the Member's health status, and the amount of time necessary to participate in a standard appeal could jeopardize the Member's life or health or ability to attain, maintain, or regain maximum function.

**Experience Rebate** means the portion of the MCO’s Net Income Before Taxes that is returned to the State in accordance with Section 10.10 for the STAR, CHIP and CHIP Perinatal Programs and 10.10.1 for the STAR+PLUS Program ("Experience Rebate").

**Expiration Date** means the expiration date of this Contract, as specified in HHSC’s Managed Care Contract document.

**External Quality Review Organization (EQRO)** means the entity that contracts with HHSC to provide external review of access to and quality of healthcare provided to Members of HHSC’s MCO Programs.

**Fair Hearing** means the process adopted and implemented by HHSC in 1 T.A.C. Chapter 357, in compliance with federal regulations and state rules relating to Medicaid Fair Hearings.
Farm Worker Child (FWC) means a child birth through age 20 of a Migrant Farm Worker.

Fee-for-Service means the traditional Medicaid Health Care Services payment system under which providers receive a payment for each unit of service according to rules adopted pursuant to Chapter 32, Texas Human Resources Code.

Financial Statistical Report (see FSR below).

Force Majeure Event means any failure or delay in performance of a duty by a Party under this Contract that is caused by fire, flood, hurricane, tornadoes, earthquake, an act of God, an act of war, riot, civil disorder, or any similar event beyond the reasonable control of such Party and without the fault or negligence of such Party.

FPL means the Federal Poverty Level.

FQHC means a Federally Qualified Health Center, certified by CMS to meet the requirements of §1861(aa)(3) of the Social Security Act as a federally qualified health center, that is enrolled as a provider in the Texas Medicaid program.

Fraud means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under applicable federal or state law.

FSR means Financial Statistical Report. The FSR is a report designed by HHSC, and submitted to HHSC by the MCO in accordance with Contract requirements. The FSR is a form of modified income statement, subject to audit, and contains revenue, cost, and other data, as defined by the Contract. Not all incurred expenses may be included in the FSR.

FSR Reporting Period is the period of months that are measured on a given FSR. Generally, the FSR Reporting Period is a twelve-calendar-month period corresponding to the State Fiscal Year, but it can vary by Contract and by year. If an FSR Reporting Period is not defined in the Contract, then it will be deemed to be the twelve months following the end of the prior FSR Reporting Period.

FSR Reporting Period 12/13 means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. This is the first FSR Reporting Period under this Contract.

FSR Reporting Period 14 means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

Functionally Necessary Covered Services means Community-based Long Term Services and Supports services provided to assist STAR+PLUS Members with activities of daily living based on a functional assessment of the Member’s activities of daily living and a determination of the amount of supplemental supports necessary for the STAR+PLUS Member to remain independent or in the most integrated setting possible.

Habilitative and Rehabilitative Services means Health Care Services described in Attachment B-2 that may be required by children who fail to reach (habilitative) or have lost (rehabilitative) age appropriate developmental milestones.

HCBS STAR+PLUS Waiver means the HHSC program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Members who qualify for HCBS STAR+PLUS Waiver are eligible to receive the home and community based services component of the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver as described in Attachment B-2.

Health and Human Services Commission or HHSC means the administrative agency within the executive department of Texas state government established under Chapter 531, Texas Government Code, or its designee, including, but not limited to, the HHS Agencies.

Health Care Services means the Acute Care, Behavioral Health Care, and health-related services that an enrolled population might reasonably require in order to be maintained in good health.

Health Home means a Designated Provider (including a provider that operates in coordination with a team of health care professionals) or a Health Team selected by a Member with chronic conditions to provide Health Home Services.

Health Home Services means comprehensive and timely high-quality services that are provided by a Designated Provider, a Team of Health Care Professionals operating with such a provider, or a Health Team. Health Home Services include:

1. Comprehensive care management;
2. Care coordination and health promotion;
3. Comprehensive transitional care, including appropriate follow-up, from inpatient to other settings;
4. Patient and family support (including authorized representatives);
5. Referral to community and social support services, if relevant; and
6. Use of health information technology to link services, as feasible and appropriate.

Health-related Materials are materials developed by the MCO or obtained from a third party relating to the prevention, diagnosis or treatment of a medical condition.

Health Team means such term as described in Section 3502 of the Patient Protection and Affordable Care Act, P.L. 111-148 (March 23, 2010), as amended or modified.

HEDIS, the Healthcare Effectiveness Data and Information Set, is a registered trademark of NCQA. HEDIS is a set of standardized performance measures designed to reliably compare the performance of managed health care plans. HEDIS is sponsored, supported and maintained by NCQA.

HHS Agency means the Texas health and human service agencies subject to HHSC’s oversight under Chapter 531, Texas Government Code, and their successor agencies.
**HHSC Administrative Services Contractor (ASC)** means an entity performing MCO administrative services functions, including member enrollment functions, for the STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO Programs under contract with HHSC.

**HHSC MCO Programs or MCO Programs** mean the STAR, STAR+PLUS, and CHIP MCO Programs.


**Home and Community Support Services Agency or HCSSA** means an entity licensed to provide home health, hospice, or personal assistance services provided to individuals in their own home or independent living environment as prescribed by a physician or individualized service plan. Each HCSS must provide clients with a plan of care that includes specific services the agency agrees to perform. The agencies are licensed and monitored by DADS or its successor.

**Hospital** means a licensed public or private institution as defined by Chapter 241, Texas Health and Safety Code, or in Subtitle C, Title 7, Texas Health and Safety Code.

**ICF-MR** means an intermediate care facility for the mentally retarded.

**Individual Family Service Plan (IFSP)** means the plan for services required by the Early Childhood Intervention (ECI) Program and developed by an interdisciplinary team.

**Initial Contract Period** means the Effective Date of the Contract through August 31, 2015.

**Inpatient Stay** means at least a 24-hour stay in a facility licensed to provide Hospital care.

**JCAHO** means Joint Commission on Accreditation of Health Care Organizations.

**Joint Interface Plan (JIP)** means a document used to communicate basic system interface information. This information includes: file structure, data elements, frequency, media, type of file, receiver and sender of the file, and file I.D. The JIP must include each of the MCO’s interfaces required to conduct business under this Contract. The JIP must address the coordination with each of the MCO’s interface partners to ensure the development and maintenance of the interface; and the timely transfer of required data elements between contractors and partners.

**Key MCO Personnel** means the critical management and technical positions identified by the MCO in accordance with Article 4.

**Linguistic Access** means translation and interpreter services, for written and spoken language to ensure effective communication. Linguistic access includes sign language interpretation, and the provision of other auxiliary aids and services to persons with disabilities.

**Local Health Department** means a local health department established pursuant to Health and Safety Code, Title 2, Local Public Health Reorganization Act §121.031.

**Local Mental Health Authority (LMHA)** means an entity within a specified region responsible for planning, policy development, coordination, and resource development and allocation and for supervising and ensuring the provision of mental health care services to persons with mental illness in one (1) or more local service areas.

**Major Population Group** means any population that represents at least 10% of the Medicaid, CHIP, and/or CHIP Perinatal Program population in the Service Area served by the MCO.

**Mandated or Required Services** means services that a state is required to offer to categorically needy clients under a state Medicaid plan.

**Marketing** means any communication from the MCO to a Medicaid or CHIP Eligible who is not enrolled with the MCO that can reasonably be interpreted as intended to influence the Eligible to:

1. enroll with the MCO; or
2. not enroll in, or to disenroll from, another MCO.

**Marketing Materials** means materials that are produced in any medium by or on behalf of the MCO and can reasonably be interpreted as intending to market to potential Members. Health-related Materials are not Marketing Materials.

**Material Subcontract** means any contract, Subcontract, or agreement between the MCO and another entity that meets any of the following criteria:

- the other entity is an Affiliate of the MCO;
- the Subcontract is considered by HHSC to be for a key type of service or function, including
  - Administrative Services (including but not limited to third party administrator, Network administration, and claims processing);
  - delegated Networks (including but not limited to behavioral health, dental, pharmacy, and vision);
  - management services (including management agreements with parent)
  - reinsurance;
  - Disease Management;
  - pharmacy benefit management (PBM) or pharmacy administrative services; or
  - call lines (including nurse and medical consultation); or
- any other Subcontract that exceeds, or is reasonably expected to exceed, the lesser of: a) $500,000 per year, or b) 1% of the MCO’s annual Revenues under this Contract. Any Subcontracts between the MCO and a single entity that are split into separate agreements by time period, Program, or SDA, etc., will be consolidated for the purpose of this definition.
For the purposes of this Agreement, Material Subcontracts do not include contracts with any non-Affiliates for any of the following, regardless of the value of the contract: utilities (e.g., water, electricity, telephone, Internet), mail/shipping, office space, or computer hardware.

**Material Subcontractor or Major Subcontractor** means any entity with a Material Subcontract with the MCO. For the purposes of this Agreement, Material Subcontractors do not include providers in the MCO’s Provider Network. Material Subcontractors may include, without limitation, Affiliates, subsidiaries, and affiliated and unaffiliated third parties.

**MCO** means managed care organization.

**MCO or Contractor** means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

**MCO Administrative Services** means the performance of services or functions, other than the direct delivery of Covered Services, necessary for the management of the delivery of and payment for Covered Services, including but not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, management information systems operation, and reporting.

**MCO’s Service Area** means all the counties included in any HHSC-defined Service Area, as applicable to each MCO Program and within which the MCO has been selected to provide MCO services.

**Medicaid** means the medical assistance entitlement program authorized and funded pursuant to Title XIX, Social Security Act (42 U.S.C. §1396 et seq.) and administered by HHSC.

**Medicaid MCOs** means contracted MCOs participating in STAR, STAR+PLUS, and/or STAR Health.

**Medical Assistance Only (MAO)** means a person that does not receive SSI benefits but qualifies financially and functionally for limited Medicaid assistance.

**Medical Home** means a PCP or specialty care Provider who has accepted the responsibility for providing accessible, continuous, comprehensive and coordinated care to Members participating in a HHSC MCO Program.

**Medically Necessary** has the meaning defined in 1 T.A.C. §353.2 for Medicaid and 1 T.A.C. §370.4 for CHIP.

**Member** means a person who:

1. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
2. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included as a voluntary participant in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
3. has met CHIP eligibility criteria and is enrolled in the MCO’s CHIP MCO; or
4. has met CHIP Perinatal Program eligibility criteria and is enrolled in the MCO’s CHIP Perinatal Program.

**Member Materials** means all written materials produced or authorized by the MCO and distributed to Members or potential members containing information concerning the MCO Program(s). Member Materials include, but are not limited to, Member ID cards, Member handbooks, Provider directories, and Marketing Materials.

**Member Month** means one (1) Member enrolled with the MCO during any given month. The total Member Months for each month of a year comprise the annual Member Months.

**Member(s) with Special Health Care Needs (MSHCN)** includes a Child or Children with a Special Health Care Need (CSHCN) and any adult Member who:

1. has a serious ongoing illness, a Chronic or Complex Condition, or a Disability that has lasted or is anticipated to last for a significant period of time, and
2. requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel.

**Migrant Farm Worker** means a migratory agricultural worker, generally defined as an individual:

1. whose principal employment is in agriculture on a seasonal basis;
2. who has been so employed within the last twenty-four months;
3. who performs any activity directly related to the production or processing of crops, dairy products, poultry, or livestock for initial commercial sale or as a principal means of personal subsistence; and
4. who establishes for the purposes of such employment a temporary abode.

**MIS** means Management Information System.

**National Committee for Quality Assurance (NCQA)** means the independent organization that accredits MCOs, managed behavioral health organizations, and accredits and certifies disease management programs. HEDIS and the Quality Compass are registered trademarks of NCQA.

**Net Income Before Taxes or Pre-tax Income** means an aggregate excess of Revenues over Allowable Expenses.

**Network or Provider Network** means all Providers that have entered into Network Provider agreements with the MCO or its Subcontractor for the delivery of Medicaid or CHIP Covered Services to the MCO’s Members.

**Network Provider or Provider** means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.
Network Provider Agreement or Provider Agreement means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

Non-capitated Services means those Medicaid services identified in Attachment B-1, Section 8.2.2.8.

Non-provider Subcontracts means contracts between the MCO and a third party that performs a function, excluding delivery of Health Care Services, that the MCO is required to perform under its Contract with HHSC.

Non-Urban County or Rural County means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

Nursing Facility Cost Ceiling means the annualized cost of serving a client in a nursing facility. A per diem cost is established for each Medicaid nursing facility resident based on the level of care needed. This level of care is referred to as the Texas Index for Level of Effort or the TILE level. The per diem cost is annualized to achieve the nursing facility ceiling.

Nursing Facility Level of Care means the determination that the level of care required to adequately serve a STAR+PLUS Member is at or above the level of care provided by a nursing facility.

OB/GYN means obstetrician-gynecologist.

Open Panel means PCPs who are accepting new patients for the MCO Program(s) served.

Operational Start Date means the first day on which an MCO is responsible for providing Covered Services to MCO Program Members and all related Contract functions in a Service Area. The Operational Start Date may vary per MCO Program and Service Area. The Operational Start Date(s) applicable to this Contract are set forth in the HHSC Managed Care Contract document.

Operations Phase means the period of time when MCO is responsible for providing the Covered Services and all related Contract functions for a Service Area. The Operations Phase begins on the Operational Start Date, and may vary by MCO Program and Service Area.

Out-of-Network (OON) means an appropriately licensed individual, facility, agency, institution, organization or other entity that has not entered into a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Outpatient Hospital Services means diagnostic, therapeutic, and rehabilitative services that are provided to Members in an organized medical facility, for less than a 24-hour period, by or under the direction of a physician.

Parties means HHSC and MCO, collectively.

Party means either HHSC or MCO, individually.

Pended Claim means a claim for payment that requires additional information before the claim can be Adjudicated as a Clean Claim.

Pharmacy Benefit Manager (PBM) is a third party administrator of prescription drug programs.

Population Risk Group means a distinct group of members identified by age, age range, gender, type of program, or eligibility category.

Post-stabilization Care Services means Covered Services, related to an Emergency Medical Condition that are provided after a Member is stabilized in order to maintain the stabilized condition, or, for a Medicaid Member, under the circumstances described in 42 C.F.R. 438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii) to improve or resolve the Medicaid Member’s condition.

PPACA – means the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), together known as the Affordable Care Act (ACA).

Pre-tax Income or Net Income Before Taxes means an aggregate excess of Revenues over Allowable Expenses.

Primary Care Physician or Primary Care Provider (PCP) means a physician or provider who has agreed with the MCO to provide a Medical Home to Members and who is responsible for providing initial and primary care to patients, maintaining the continuity of patient care, and initiating referral for care.

Program means a managed care program operated by HHSC. Depending on the context, the term may include one or more of the following: STAR, STAR+PLUS, STAR Health, CHIP, Children’s Medicaid Dental Services or CHIP Dental Services.

Proposal means the proposal submitted by the MCO in response to the RFP.

Provider or Network Provider means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

Provider Agreement or Network Provider Agreement means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

Provider Materials means all written materials produced or authorized by the MCO or its Administrative Services Subcontractors concerning the MCO Program(s) that are distributed to Network Providers. Provider Materials include the MCO's Provider Manual, training materials regarding MCO Program requirements, and mass communications directed to or all or a large group of Network Providers (e-mail or fax blasts). Provider Materials do not include written correspondence between the MCO or its Administrative Services Subcontractors and a provider regarding individual business matters.

Provider Network or Network means all Providers that have contracted with the MCO for the applicable MCO Program.
Proxy Claim Form means a form submitted by Providers to document services delivered to Members under a capitated arrangement. It is not a claim for payment.

Public Health Entity means a HHSC Public Health Region, a Local Health Department, or a Hospital District.

Public Information means that:
(1) Is collected, assembled, or maintained under a law or ordinance or in connection with the transaction of official business by a governmental body or for a governmental body; and
(2) The governmental body owns or has a right of access to.

Qualified and Disabled Working Individual (QDWI) means an individual whose only Medicaid benefit is payment of the Medicare Part A premium.

Qualified Medicare Beneficiary (QMB) means a Medicare beneficiary whose only Medicaid benefits are payment of Medicare premiums, deductibles, and coinsurance for individuals who are entitled to Medicare Part A, whose income does not exceed 100% of the federal poverty level, and whose resources do not exceed twice the resource limit of the SSI program.

Quality Improvement means a system to continuously examine, monitor and revise processes and systems that support and improve administrative and clinical functions.

Rate Cell means a Population Risk Group for which a Capitation Rate has been determined.

Rate Period 1 means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. For purposes of rate setting only, Rate Period 1 will be divided into three sub-periods: March 1, 2012 through August 31, 2012, September 1, 2012 to May 31, 2013, and June 1, 2013 to August 31, 2013.

Rate Period 2 means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

Readiness Review means the assurances made by a selected MCO and the examination conducted by HHSC, or its agents, of MCO’s ability, preparedness, and availability to fulfill its obligations under the Contract.

Real-Time Captioning (also known as CART, Communication Access Real-Time Translation) means a process by which a trained individual uses a shorthand machine, a computer, and real-time translation software to type and simultaneously translate spoken language into text on a computer screen. Real Time Captioning is provided for individuals who are deaf, have hearing impairments, or have unintelligible speech. It is usually used to interpret spoken English into text English but may be used to translate other spoken languages into text.

Request for Proposals or RFP means the procurement solicitation instrument issued by HHSC under which this Contract was awarded and all RFP addenda, corrections or modifications, if any.

Revenue means all revenue received by the MCO pursuant to this Contract, including retroactive adjustments made by HHSC. Revenue includes any funds earned on Medicaid or CHIP managed care funds such as investment income and earned interest. Revenue excludes any reinsurance recoveries, which shall be shown as a contra-cost, or reported offset to reinsurance expense. Revenues are reported at gross, and are not netted for any reinsurance premiums paid. See also the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

Risk means the potential for loss as a result of expenses and costs of the MCO exceeding payments made by HHSC under the Contract.

Routine Care means health care for covered preventive and medically necessary Health Care Services that are non-emergent or non-urgent.

Rural County or Non-Urban County means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

Rural Health Clinic (RHC) means an entity that meets all of the requirements for designation as a rural health clinic under 1861(aa)(1) of the Social Security Act and approved for participation in the Texas Medicaid Program.

Scope of Work means the description of Services and Deliverables specified in this Contract, the RFP, the MCO’s Proposal, and any attachments and modifications to these documents.

SDX means State Data Exchange.

Security Plan means a document that contains detailed management, operational, and technical information about a system, its security requirements, and the controls implemented to provide protection against risks and vulnerabilities.

SED means severe emotional disturbance as determined by a Local Mental Health Authority.

Service Area means the counties included in any HHSC-defined areas as applicable to each MCO Program.

Service Coordinator means a specialized care management service that is performed by a Service Coordinator and that includes but is not limited to:
(1) identification of needs, including physical health, mental health services and for STAR+PLUS Members, long term support services,
(2) development of a Service Plan to address those identified needs;
(3) assistance to ensure timely and a coordinated access to an array of providers and Covered Services;
(4) attention to addressing unique needs of Members; and
(5) coordination of Covered Services with Non-capitated Services, as necessary and appropriate.

Service Coordinator means the person with primary responsibility for providing service coordination and care management to STAR+PLUS Members.
Service Management is an administrative service in the STAR, and CHIP Programs performed by the MCO to facilitate development of a Service Plan and coordination of services among a Member’s PCP, specialty providers and non-medical providers to ensure Members with Special Health Care Needs and/or Members needing high-cost treatment have access to, and appropriately utilize, Medically Necessary Covered Services, Non-capitated Services, and other services and supports.

Service Plan (SP) means an individualized plan developed with and for Members with Special Health Care Needs, including persons with disabilities or chronic or complex conditions.

Services means the tasks, functions, and responsibilities assigned and delegated to the MCO under this Contract.

Significant Traditional Provider or STP means primary care providers, long term services and supports providers, and pharmacy providers identified by HHSC as having provided a significant level of care to Medicaid or CHIP clients. Disproportionate Share Hospitals (DSH) are also Medicaid STPs.

Skilled Nursing Facility Services (CHIP only) Services provided in a facility that provides nursing or rehabilitation services and Medical supplies and use of appliances and equipment furnished by the facility.

Software means all operating system and applications software used by the MCO to provide the Services under this Contract.

Specialty Hospital means any inpatient Hospital that is not a general Acute Care Hospital.

Specified Low-Income Medicare Beneficiary (SLMB) means a Medicare beneficiary whose only Medicaid benefit is payment of the Medicare Part B premium.

SPMI means severe and persistent mental illness as determined by the Local Mental Health Authority.

SSA means the Social Security Administration.

Stabilize means to provide such medical care as to assure within reasonable medical probability that no deterioration of the condition is likely to result from, or occur from, or occur during discharge, transfer, or death of the Member.

STAR+PLUS or STAR+PLUS Program means the State of Texas Medicaid managed care program in which HHSC contracts with MCOs to provide, arrange, and coordinate preventive, primary, acute and Long-term Services and Supports Covered Services to adult persons with disabilities and elderly persons age 65 and over who qualify for Medicaid through the SSI program and/or the MAO program. Children birth through age 20 who qualify for Medicaid through the SSI program, may voluntarily participate in the STAR+PLUS program.

STAR+PLUS MCOs means contracted MCOs participating in the STAR+PLUS Program.

State Fiscal Year (SFY) means a 12-month period beginning on September 1 and ending on August 31 the following year.

Subcontract means any agreement between the MCO and another party to fulfill the requirements of the Contract.

Subcontractor means any individual or entity, including an Affiliate, that has entered into a Subcontract with MCO.

Subsidiary means an Affiliate controlled by such person or entity directly or indirectly through one (1) or more intermediaries.

Supplemental Security Income (SSI) means a federal income supplement program funded by general tax revenues (not Social Security taxes) designed to help aged, blind and disabled people with little or no income by providing cash to meet basic needs for food, clothing and shelter.

T.A.C. means Texas Administrative Code.

TDD means telecommunication device for the deaf. It is interchangeable with the term Teletype machine or TTY.

TDI means the Texas Department of Insurance.

Team of Health Care Professionals means physicians and other professionals, such as nurse care coordinator, nutritionist, social worker, behavioral health professional, or any professionals deemed appropriate by HHSC and approved by CMS. The team may be free-standing, virtual, or based at a Hospital, community health center, community mental health center, rural clinic, clinical practice or clinical group practice, academic health center, or any entity deemed appropriate by HHSC and approved by CMS.

Temporary Assistance to Needy Families (TANF) means the federally funded program that provides assistance to single parent families with children who meet the categorical requirements for aid. This program was formerly known as the Aid to Families with Dependent Children (AFDC) program.

Texas Health Steps is the name adopted by the State of Texas for the federally mandated Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program. It includes the State’s Comprehensive Care Program extension to EPSDT, which adds benefits to the federal EPSDT requirements contained in 42 U.S.C. §1396d(r), and defined and codified at 42 C.F.R. §§440.40 and 441.56-62. HHSC’s rules are contained in 25 T.A.C., Chapter 33 (relating to Early and Periodic Screening, Diagnosis and Treatment).

Texas Medicaid Bulletin means the bi-monthly update to the Texas Medicaid Provider Procedures Manual.

Texas Medicaid Provider Procedures Manual means the policy and procedures manual published by or on behalf of HHSC that contains policies and procedures required of all health care providers who participate in the Texas Medicaid program. The manual is published annually and is updated bi-monthly by the Texas Medicaid Bulletin.

Texas Public Information Act refers to the provisions of Chapter 552 of the Texas Government Code.

Third Party Liability (TPL) means the legal responsibility of another individual or entity to pay for all or part of the services provided to Members under the Contract (see 1 TAC §354.2301 et seq., relating to Third Party Resources).

Third Party Recovery (TPR) means the recovery of payments on behalf of a Member by HHSC or the MCO from an individual or entity with the legal responsibility to pay for the Covered Services.
Transfer means the movement of the Member from one (1) Acute Care Hospital or Long Term Care Hospital/facility and readmission to another Acute Care Hospital or Long Term Care Hospital/facility within 24 hours for continued treatment.

Transition Phase includes all activities the MCO is required to perform between the Contract Effective Date and the Operational Start Date for an MCO Program and all or part of a Service Area.

Turnover Phase includes all activities the MCO is required to perform in order to close out the Contract and/or transition Contract activities and operations to HHSC or a subsequent contractor.

Turnover Plan means the written plan developed by MCO, approved by HHSC, to be employed during the Turnover Phase.

Uniform Managed Care Manual (UMCM) means the manual published by or on behalf of HHSC that contains policies and procedures required of all MCOs participating in the HHSC Programs. The UMCM, as amended or modified, is incorporated by reference into the Contract.

URAC/American Accreditation Health Care Commission means the independent organization that accredits Utilization Review functions and offers a variety of other accreditation and certification programs for health care organizations.

Urban County means any county with 50,000 or more residents as reported by the Texas Association of Counties at: http://www.county.org/.

Urgent Behavioral Health Situation means a behavioral health condition that requires attention and assessment within 24 hours but which does not place the Member in immediate danger to himself or herself or others and the Member is able to cooperate with treatment.

Urgent Condition means a health condition including an Urgent Behavioral Health Situation that is not an emergency but is severe or painful enough to cause a prudent layperson, possessing the average knowledge of medicine, to believe that his or her condition requires medical treatment evaluation or treatment within 24 hours by the Member’s PCP or PCP designee to prevent serious deterioration of the Member’s condition or health.

Utilization Review means the system for retrospective, concurrent, or prospective review of the Medical Necessity and appropriateness of Health Care Services provided, being provided, or proposed to be provided to a Member. The term does not include elective requests for clarification of coverage.

Value-added Services means additional services for coverage beyond those specified in Attachments B-2, B-2.1, and B-2.2. Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improve health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

Waste means practices that are not cost-efficient.

Wrap-Around Services means services for Dual Eligible Members that are covered by Medicaid:
(1) when the Dual Eligible Member has exceeded the Medicare coverage limit; or
(2) that are not covered by Medicare.

**Article 3. General Terms & Conditions**

**Section 3.01 Contract elements.**

(a) Contract documentation.

The Contract between the Parties will consist of the HHSC Managed Care Contract document and all attachments and amendments.

(b) Order of documents.

In the event of any conflict or contradiction between or among the contract documents, the documents must control in the following order of precedence:
(1) The final executed HHSC Managed Care Contract document, and all amendments thereto;
(2) HHSC Managed Care Contract Attachment A – “Uniform Managed Care Contract Terms and Conditions,” and all amendments thereto;
(3) HHSC Managed Care Contract Attachment B – “Scope of Work/Performance Measures,” and all attachments and amendments thereto;
(4) The Uniform Managed Care Manual, and all attachments and amendments thereto; and
(5) HHSC Managed Care Contract Attachment C-1 – “MCO’s Proposal.”

**Section 3.02 Term of the Contract.**

The term of the Contract will begin on the Effective Date and will conclude on the Expiration Date. The Parties may renew the Contract for an additional period or periods, but the Contract Term may not exceed a total of eight (8) operational years. All reserved contract extensions beyond the Expiration Date will be subject to good faith negotiations between the Parties and mutual agreement to the extension(s).
Section 3.03 Funding.

This Contract is expressly conditioned on the availability of state and federal appropriated funds. MCO will have no right of action against HHSC in the event that HHSC is unable to perform its obligations under this Contract as a result of the suspension, termination, withdrawal, or failure of funding to HHSC or lack of sufficient funding of HHSC for any activities or functions contained within the scope of this Contract. If funds become unavailable, the provisions of Article 12, “Remedies and Disputes” will apply. HHSC will use all reasonable efforts to ensure that such funds are available, and will negotiate in good faith with MCO to resolve any MCO claims for payment that represent accepted Services or Deliverables that are pending at the time funds become unavailable. HHSC must make best efforts to provide reasonable written advance notice to MCO upon learning that funding for this Contract may be unavailable.

Section 3.04 Delegation of authority.

Whenever, by any provision of this Contract, any right, power, or duty is imposed or conferred on HHSC, the right, power, or duty so imposed or conferred is possessed and exercised by the Executive Commissioner unless any such right, power, or duty is specifically delegated to the duly appointed agents or employees of HHSC. The Commissioner will reduce any such delegation of authority to writing and provide a copy to MCO on request.

Section 3.05 No waiver of sovereign immunity.

The Parties expressly agree that no provision of this Contract is in any way intended to constitute a waiver by HHSC or the State of Texas of any immunities from suit or from liability that HHSC or the State of Texas may have by operation of law.

Section 3.06 Force Majeure.

Neither Party will be liable for any failure or delay in performing its obligations under the Contract if such failure or delay is due to a Force Majeure Event. The existence of such causes of delay or failure will extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. Each Party must inform the other in writing with proof of receipt within five (5) Business Days of the existence of a Force Majeure Event.

Section 3.07 Publicity.

(a) MCO may use the name of HHSC, the State of Texas, any HHS Agency, and the name of the HHSC MCO Program in any media release, public announcement, or public disclosure relating to the Contract or its subject matter only if, at least seven (7) calendar days prior to distributing the material, the MCO submits the information to HHSC for review and comment. If HHSC has not responded within seven (7) calendar days, the MCO may use the submitted information. HHSC reserves the right to object to and require changes to the publication if, at HHSC’s sole discretion, it determines that the publication does not accurately reflect the terms of the Contract or the MCO’s performance under the Contract.

(b) MCO will provide HHSC with one (1) electronic copy of any information described in Subsection 3.07(a) prior to public release. MCO will provide additional copies, including hard copies, at the request of HHSC.

(c) The requirements of Subsection 3.07(a) do not apply to:

(1) proposals or reports submitted to HHSC, an administrative agency of the State of Texas, or a governmental agency or unit of another state or the federal government;

(2) information concerning the Contract’s terms, subject matter, and estimated value:

(a) in any report to a governmental body to which the MCO is required by law to report such information, or

(b) that the MCO is otherwise required by law to disclose; and

(3) Member Materials (the MCO must comply with the Uniform Managed Care Manual’s provisions regarding the review and approval of Member Materials).

Section 3.08 Assignment.

(a) Assignment by MCO.

MCO must not assign all or any portion of its rights under or interests in the Contract or delegate any of its duties without prior written consent of HHSC. Any written request for assignment or delegation must be accompanied by written acceptance of the assignment or delegation by the assignee or delegation by the delegate. Except where otherwise agreed in writing by HHSC, assignment or delegation will not release MCO from its obligations pursuant to the Contract. An HHSC-approved Material Subcontract will not be considered to be an assignment or delegation for purposes of this section.
(b) Assignment by HHSC. MCO understands and agrees HHSC may in one (1) or more transactions assign, pledge, transfer, or hypothecate the Contract. This assignment will only be made to another State agency or a non-State agency that is contracted to perform agency support.

c) Assumption.
Each party to whom a transfer is made (an "Assignee") must assume all or any part of MCO’S or HHSC’s interests in the Contract, the product, and any documents executed with respect to the Contract.

Section 3.09 Cooperation with other vendors and prospective vendors.

HHSC may award supplemental contracts for work related to the Contract, or any portion thereof. MCO will reasonably cooperate with such other vendors, and will not commit or permit any act that may interfere with the performance of work by any other vendor.

Section 3.10 Renegotiation and reprocurement rights.

(a) Renegotiation of Contract terms. Notwithstanding anything in the Contract to the contrary, HHSC may at any time during the term of the Contract exercise the option to notify MCO that HHSC has elected to renegotiate certain terms of the Contract. Upon MCO’s receipt of any notice pursuant to this Section, MCO and HHSC will undertake good faith negotiations of the subject terms of the Contract, and may execute an amendment to the Contract in accordance with Article 8.

(b) Reprocurement of the services or procurement of additional services. Notwithstanding anything in the Contract to the contrary, whether or not HHSC has accepted or rejected MCO’s Services and/or Deliverables provided during any period of the Contract, HHSC may at any time issue requests for proposals or offers to other potential contractors for performance of any portion of the Scope of Work covered by the Contract or Scope of Work similar or comparable to the Scope of Work performed by MCO under the Contract.

(c) Termination rights upon reprocurement. If HHSC elects to procure the Services or Deliverables or any portion of the Services or Deliverables from another vendor in accordance with this Section, HHSC will have the termination rights set forth in Article 12, “Remedies and Disputes.”

Section 3.11 RFP errors and omissions.

MCO will not take advantage of any errors and/or omissions in the RFP or the resulting Contract. MCO must promptly notify HHSC of any such errors and/or omissions that are discovered.

Section 3.12 Enforcement Costs.

In the event of any litigation, appeal, or other legal action to enforce any provision of the Contract, MCO agrees to pay all reasonable expenses of such action, if HHSC is the prevailing Party.

Section 3.13 Preferences under service contracts.

MCO is required in performing the Contract to purchase products and materials produced in the State of Texas when they are available at a price and time comparable to products and materials produced outside the State.

Section 3.14 Time of the essence.

In consideration of the need to ensure uninterrupted and continuous MCO Program performance, time is of the essence in the performance of the Scope of Work under the Contract.

Section 3.15 Notice

(a) Any notice or other legal communication required or permitted to be made or given by either Party pursuant to the Contract will be in writing and in English, and will be deemed to have been given:
(1) Three (3) Business Days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
(2) When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or
(3) When delivered if delivered personally or sent by express courier service.
(b) The notices described in this Section may not be sent by electronic mail.
(c) All notices must be sent to the Project Manager identified in the HHSC Managed Care Contract document. In addition, legal notices must be sent to the Legal Contact identified in the HHSC Managed Care Contract document.
(d) Routine communications that are administrative in nature will be provided in a manner agreed to by the Parties.

**Article 4. Contract Administration & Management**

**Section 4.01 Qualifications, retention and replacement of MCO employees.**

MCO agrees to maintain the organizational and administrative capacity and capabilities to carry out all duties and responsibilities under this Contract. The personnel MCO assigns to perform the duties and responsibilities under this Contract will be properly trained and qualified for the functions they are to perform. Notwithstanding transfer or turnover of personnel, MCO remains obligated to perform all duties and responsibilities under this Contract without degradation and in accordance with the terms of this Contract.

**Section 4.02 MCO’s Key Personnel.**

(a) Designation of Key Personnel.
MCO must designate key management and technical personnel who will be assigned to the Contract. For the purposes of this requirement, Key Personnel are those with management responsibility or principal technical responsibility for the following functional areas for each MCO Program included within the scope of the Contract:
(1) Member Services;
(2) Management Information Systems;
(3) Claims Processing,
(4) Provider Network Development and Management;
(5) Benefit Administration and Utilization and Care Management;
(6) Quality Improvement;
(7) Behavioral Health Services;
(8) Financial Functions;
(9) Reporting;
(10) Executive Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.03, “Executive Director”; and
(11) Medical Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.04, “Medical Director”; and
(12) Management positions for STAR+PLUS Service Coordinators for STAR+PLUS MCOs as defined in Section 4.04.1, “STAR+PLUS Service Coordinator.”

(b) Support and Replacement of Key Personnel.
The MCO must maintain, throughout the Contract Term, the ability to supply its Key Personnel with the required resources necessary to meet Contract requirements and comply with applicable law. The MCO must ensure project continuity by timely replacement of Key Personnel, if necessary, with a sufficient number of persons having the requisite skills, experience and other qualifications. Regardless of specific personnel changes, the MCO must maintain the overall level of expertise, experience, and skill reflected in the Key MCO Personnel job descriptions and qualifications included in the MCO’s proposal.

(c) Notification of replacement of Key Personnel.
MCO must notify HHSC within 15 Business Days of any change in Key Personnel. Hiring or replacement of Key Personnel must conform to all Contract requirements. If HHSC determines that a satisfactory working relationship cannot be established between certain Key Personnel and HHSC, it will notify the MCO in writing. Upon receipt of HHSC’s notice, HHSC and MCO will attempt to resolve HHSC’s concerns on a mutually agreeable basis.

**Section 4.03 Executive Director.**

(a) The MCO must employ a qualified individual to serve as the Executive Director for its HHSC MCO Program(s). Such Executive Director must be employed full-time by the MCO, be primarily dedicated to HHSC MCO Program(s), and must hold a Senior Executive or Management position in the MCO’s organization, except that the MCO may propose an alternate structure for the Executive Director position, subject to HHSC’s prior written approval.

(b) The Executive Director must be authorized and empowered to represent the MCO regarding all matters pertaining to the Contract prior to such representation. The Executive Director must act as liaison between the MCO and the HHSC and must have responsibilities that include, but are not limited to, the following:
(1) ensuring the MCO’s compliance with the terms of the Contract, including securing and coordinating resources necessary for such compliance;
(2) receiving and responding to all inquiries and requests made by HHSC related to the Contract, in the timeframes and formats specified by HHSC. Where practicable, HHSC must consult with the MCO to establish timeframes and formats reasonably acceptable to the Parties;

(3) attending and participating in regular HHSC MCO Executive Director meetings or conference calls;

(4) attending and participating in regular HHSC Regional Advisory Committees (RACs) for managed care (the Executive Director may designate key personnel to attend a RAC if the Executive Director is unable to attend);

(5) making best efforts to promptly resolve any issues identified either by the MCO or HHSC that may arise and are related to the Contract;

(6) meeting with HHSC representative(s) on a periodic or as needed basis to review the MCO’s performance and resolve issues, and

(7) meeting with HHSC at the time and place requested by HHSC, if HHSC determines that the MCO is not in compliance with the requirements of the Contract.

Section 4.04 Medical Director.

(a) The MCO must have a qualified individual to serve as the Medical Director for its HHSC MCO Program(s). The Medical Director must be currently licensed in Texas under the Texas Medical Board as an M.D. or D.O. with no restrictions or other licensure limitations. The Medical Director must comply with the requirements of 28 T.A.C. §11.1606 and all applicable federal and state statutes and regulations.

(b) The Medical Director, or his or her designee, must be available by telephone 24 hours a day, seven (7) days a week, for Utilization Review decisions. The Medical Director, and his/her designee, must either possess expertise with Behavioral Health Services, or ready access to such expertise to ensure timely and appropriate medical decisions for Members, including after regular business hours.

(c) The Medical Director, or his or her designee, must be authorized and empowered to represent the MCO regarding clinical issues, Utilization Review and quality of care inquiries. The Medical Director, or his or her designee, must exercise independent medical judgment in all decisions relating to Medical Necessity. The MCO must ensure that its decisions relating to Medical Necessity are not adversely influenced by fiscal management decisions. HHSC may conduct reviews of decisions relating to Medical Necessity upon reasonable notice.

(d) For purposes of this section, the Medical Director’s designee must be:

1. a physician that meets the qualifications for a Medical Director, as described in subparts (a) through (c), above; or

2. for prior authorization determinations for outpatient pharmacy benefits, a Texas-licensed pharmacist working under the direction of the Medical Director, provided such delegation is included in the MCO’s TDI-approved utilization review plan.

(e) The Medical Director, or his or her physician designee, must make determinations regarding Utilization Review appeals, including appeals of prior authorization denials for outpatient pharmacy benefits.

Section 4.04.1 STAR+PLUS Service Coordinator

(a) STAR+PLUS MCOs must employ as Service Coordinators persons experienced in meeting the needs of people with disabilities, old and young, and vulnerable populations who have Chronic or Complex Conditions. A Service Coordinator must have an undergraduate and/or graduate degree in social work or a related field, or be a Registered Nurse, Licensed Vocational Nurse, Advanced Nurse Practitioner, or a Physician Assistant.

(b) The STAR+PLUS MCO must monitor the Service Coordinator’s workload and performance to ensure that he or she is able to perform all necessary Service Coordination functions for the STAR+PLUS Members in a timely manner.

(c) The Service Coordinator must be responsible for working with the Member or his or her representative, the PCP and other Providers to develop a seamless package of care in which primary, Acute Care, and Long-term Services and Supports service needs are met through a single, understandable, rational plan. Each Member’s Service Plan must also be well coordinated with the Member’s family and community support systems, including Independent Living Centers, Area Agencies on Aging and Mental Retardation Authorities. The Service Plan should be agreed to and signed by the Member or the Member’s representative to indicate agreement with the plan. The plan should promote consumer direction and self-determination and may include information for services outside the scope of Covered Services such as how to access affordable, integrated housing. For Dual Eligible Members, the STAR+PLUS MCO is responsible for meeting the Member’s Community Long-term Services and Supports needs.

(d) The STAR+PLUS MCO must empower its Service Coordinators to authorize the provision and delivery of Covered Services, including Community Long-term Services and Supports Covered Services.

Section 4.05 Responsibility for MCO personnel and Subcontractors.

(a) MCO’s employees and Subcontractors will not in any sense be considered employees of HHSC or the State of Texas, but will be considered for all purposes as the MCO’s employees or its Subcontractor’s employees, as applicable.
(b) Except as expressly provided in this Contract, neither MCO nor any of MCO’s employees or Subcontractors may act in any sense as agents or representatives of HHSC or the State of Texas.

(c) MCO agrees that anyone employed by MCO to fulfill the terms of the Contract is an employee of MCO and remains under MCO’s sole direction and control. MCO assumes sole and full responsibility for its acts and the acts of its employees and Subcontractors.

(d) MCO agrees that any claim on behalf of any person arising out of employment or alleged employment by the MCO (including, but not limited to, claims of discrimination against MCO, its officers, or its agents) is the sole responsibility of MCO and not the responsibility of HHSC. MCO will indemnify and hold harmless the State from any and all claims asserted against the State arising out of such employment or alleged employment by the MCO. MCO understands that any person who alleges a claim arising out of employment or alleged employment by MCO will not be entitled to any compensation, rights, or benefits from HHSC (including, but not limited to, tenure rights, medical and hospital care, sick and annual/vacation leave, severance pay, or retirement benefits).

(e) MCO agrees to be responsible for the following in respect to its employees:

1. Damages incurred by MCO’s employees within the scope of their duties under the Contract; and
2. Determination of the hours to be worked and the duties to be performed by MCO’s employees.

(f) MCO agrees and will inform its employees and Subcontractor(s) that there is no right of subrogation, contribution, or indemnification against HHSC for any duty owed to them by MCO pursuant to this Contract or any judgment rendered against the MCO. HHSC’s liability to the MCO’s employees, agents and Subcontractors, if any, will be governed by the Texas Tort Claims Act, as amended or modified (TEX. CIV. PRACT. & REM. CODE §101.001 et seq.).

(g) MCO understands that HHSC does not assume liability for the actions of, or judgments rendered against, the MCO, its employees, agents or Subcontractors. MCO agrees that it has no right to indemnification or contribution from HHSC for any such judgments rendered against MCO or its Subcontractors.

Section 4.06 Cooperation with HHSC and state administrative agencies.

(a) Cooperation with Other MCOs.
MCO agrees to reasonably cooperate with and work with the other MCOs in the MCO Programs, Subcontractors, and third-party representatives as requested by HHSC. To the extent permitted by HHSC’s financial and personnel resources, HHSC agrees to reasonably cooperate with MCO and to use its best efforts to ensure that other HHSC contractors reasonably cooperate with the MCO.

(b) Cooperation with state and federal administrative agencies.
MCO must ensure that MCO personnel will cooperate with HHSC or other state or federal administrative agency personnel at no charge to HHSC for purposes relating to the administration of MCO Programs including, but not limited to the following purposes:

1. The investigation and prosecution of Fraud, Abuse, and Waste in the HHSC programs;
2. Audit, inspection, or other investigative purposes; and
3. Testimony in judicial or quasi-judicial proceedings relating to the Services and/or Deliverables under this Contract or other delivery of information to HHSC or other agencies’ investigators or legal staff.

Section 4.07 Conduct of MCO personnel and Subcontractors.

(a) While performing the Scope of Work, MCO’s personnel and Subcontractors must:

1. Comply with applicable state rules and regulations and HHSC’s requests regarding personal and professional conduct generally applicable to the service locations; and
2. Otherwise conduct themselves in a businesslike and professional manner.

(b) If HHSC determines in good faith that a particular employee or Subcontractor is not conducting himself or herself in accordance with this Contract, HHSC may provide MCO with notice and documentation concerning such conduct. Upon receipt of such notice, MCO must promptly investigate the matter and take appropriate action that may include:

1. Removing the employee or Subcontractor from the project;
2. Providing HHSC with written notice of such removal; and
3. Replacing the employee or Subcontractor with a similarly qualified individual acceptable to HHSC.

(c) Nothing in the Contract will prevent MCO, at the request of HHSC, from replacing any personnel who are not adequately performing their assigned responsibilities or who, in the reasonable opinion of HHSC’s Project Manager, after consultation with MCO, are unable to work effectively with the members of the HHSC’s staff. In such event, MCO will provide replacement personnel with equal or greater skills and qualifications as soon as reasonably practicable. Replacement of Key Personnel will be subject to HHSC review. The Parties will work together in the event of any such replacement so as not to disrupt the overall project schedule.
(d) MCO agrees that anyone employed or retained by MCO to fulfill the terms of the Contract remains under MCO’s sole direction and control.

(e) MCO must have policies regarding disciplinary action for all employees who have failed to comply with federal and/or state laws and the MCO’s standards of conduct, policies and procedures, and Contract requirements. MCO must have policies regarding disciplinary action for all employees who have engaged in illegal or unethical conduct.

Section 4.08 Subcontractors.

(a) MCO remains fully responsible for the obligations, services, and functions performed by its Subcontractors to the same extent as if such obligations, services, and functions were performed by MCO’s employees, and for purposes of this Contract such work will be deemed work performed by MCO. HHSC reserves the right to require the replacement of any Subcontractor found by HHSC to be unacceptable and unable to meet the requirements of the Contract, and to object to the selection of a Subcontractor.

(b) MCO must:

(1) actively monitor the quality of care and services, as well as the quality of reporting data, provided under a Subcontract;

(2) provide HHSC with a copy of TDI filings of delegation agreements;

(3) unless otherwise provided in this Contract, provide HHSC with written notice no later than:

(i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract;

(ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting;

(iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and

(iv) 30 calendar days prior to the termination date of any other Material Subcontract.

HHSC may grant a written exception to these notice requirements if, in HHSC’s reasonable determination, the MCO has shown good cause for a shorter notice period.

(c) During the Contract Period, Readiness Reviews by HHSC or its designated agent may occur if:

(1) a new Material Subcontractor is employed by MCO;

(2) an existing Material Subcontractor provides services in a new Service Area;

(3) an existing Material Subcontractor provides services for a new MCO Program;

(4) an existing Material Subcontractor changes locations or changes its MIS and or operational functions;

(5) an existing Material Subcontractor changes one (1) or more of its MIS subsystems, claims processing or operational functions; or

(6) a Readiness Review is requested by HHSC.

The MCO must submit information required by HHSC for each proposed Material Subcontractor as indicated in Section 7, “Transition Phase Requirements.” Refer to Sections 8.1.1.2, “Additional Readiness Reviews and Monitoring Efforts,” and 8.1.18, “Management Information System Requirements” for additional information regarding MCO Readiness Reviews during the Contract Period.

(d) MCO must not disclose Confidential Information of HHSC or the State of Texas to a Subcontractor unless and until such Subcontractor has agreed in writing to protect the confidentiality of such Confidential Information in the manner required of MCO under this Contract.

(e) MCO must identify any Subcontractor that is a subsidiary or entity formed after the Effective Date of the Contract, whether or not an Affiliate of MCO. The MCO must substantiate the proposed Subcontractor’s ability to perform the subcontracted Services, and certify to HHSC that no loss of service will occur as a result of the performance of such Subcontractor. The MCO will be the sole point of contact with regard to contractual matters.

(f) Except as provided herein, all Subcontracts must be in writing and must provide HHSC the right to examine the Subcontract and all Subcontractor records relating to the Contract and the Subcontract. This requirement does not apply to agreements with utility or mail service providers.

(g) A Subcontract whereby MCO receives rebates, recoupments, discounts, payments, or other consideration from a Subcontractor (including without limitation Affiliates) pursuant to or related to the execution of this Contract must be in writing and must provide HHSC the right to examine the Subcontract and all records relating to such consideration.

(h) All Subcontracts described in subsections (f) and (g) must show the dollar amount or the value of any consideration that MCO pays to or receives from the Subcontractor.

(i) HMO must submit a copy of each Material Subcontract executed prior to the Effective Date of the Contract to HHSC no later than thirty (30) days after the Effective Date of the Contract. For Material Subcontracts executed or amended after the Effective Date of the Contract, MCO must submit a copy to HHSC no later than five (5) Business Days after execution or amendment.

(j) Network Provider Contracts must include the mandatory provisions included in Uniform Managed Care Manual Chapter 8.1, “Provider Contract Checklist.”

(k) HHSC reserves the right to reject any Subcontract or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.
(l) MCO must comply with the requirements of Section 6505 of the PPACA, entitled “Prohibition on Payments to Institutions or Entities Located Outside of the United States.”
(m) Provider payment must comply with the requirements of Section 2702 of PPACA, entitled “Payment Adjustment for Health Acquired Conditions.”

Section 4.09 HHSC’s ability to contract with Subcontractors.

The MCO may not limit or restrict, through a covenant not to compete, employment contract or other contractual arrangement, HHSC’s ability to contract with Subcontractors or former employees of the MCO.

Section 4.10 MCO Agreements with Third Parties

(a) If the MCO intends to report compensation paid to a third party (including without limitation an Affiliate) as an Allowable Expense under this Contract, the compensation paid to the third party exceeds $200,000, or is reasonably anticipated to exceed $200,000, in a State Fiscal Year, then the MCO’s agreement with the third party must be in writing. The agreement must provide HHSC the right to examine the agreement and all records relating to the agreement.
(b) All agreements whereby the MCO or its Subcontractors receive discounts, incentives, rebates, fees, free goods, bundling arrangements, recoupments, retrocession, payments, or other consideration from a third party (including without limitation Affiliates) pursuant to or related to the execution of this Contract, must be in writing and must provide HHSC and the Office of Attorney General the right to examine the agreement and all records relating to such consideration.
(c) All agreements described in subsections (a) and (b) must show the dollar amount, the percentage of money, or the value of any consideration that MCO pays to or receives from the third party.
(d) MCO must submit a copy of each third party agreement described in subsections (a) and (b) to HHSC. If the third party agreement is entered into prior to the Effective Date of the Contract, MCO must submit a copy no later than thirty (30) days after the Effective Date of the Contract. If the third party agreement is executed after the Effective Date of the Contract, MCO must submit a copy no later than five (5) Business Days after execution.
(e) For third party agreements valued under $200,000 per State Fiscal Year that are reported as Allowable Expenses, the MCO must maintain financial records and data sufficient to verify the accuracy of such expenses in accordance with the requirements of Article 9, “Audit and Financial Compliance.”
(f) HHSC reserves the right to reject any third party agreement or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.
(g) Upon request, the MCO and its Subcontractors must provide all information described in Section 4.10 to HHSC and the Office of Attorney General at no cost.
(h) This section must not apply to Provider Contracts, or agreements with utility or mail service providers.
(i) MCO must comply with the requirements of Section 6505 of the PPACA, entitled “Prohibition on Payments to Institutions or Entities Located Outside of the United States.”
(j) Provider payment must comply with the requirements of Section 2702 of PPACA, entitled “Payment Adjustment for Health Acquired Conditions.”

Section 4.11 Prohibition Against Performance Outside the United States.

(a) Findings.

(1) HHSC finds the following:

(A) HHSC is responsible for administering several public programs that require the collection and maintenance of information relating to persons who apply for and receive services from HHSC programs. This information consists of, among other things, personal financial and medical information and information designated “Confidential Information” under state and federal law and this Agreement. Some of this information may, within the limits of the law and this Agreement, be shared from time to time with MCO or a subcontractor for purposes of performing the Services or providing the Deliverables under this Agreement.

(B) HHSC is legally responsible for maintaining the confidentiality and integrity of information relating to applicants and recipients of HHSC services and ensuring that any person or entity that receives such information—including MCO and any subcontractor—is similarly bound by these obligations.
(C) HHSC also is responsible for the development and implementation of computer software and hardware to support HHSC programs. These items are paid for, in whole or in part, with state and federal funds. The federal agencies that fund these items maintain a limited interest in the software and hardware so developed or acquired.

(D) Some of the software used or developed by HHSC may also be subject to statutory restrictions on the export of technology to foreign nations, including but not limited to the Export Administration Regulations, 15 C.F.R. Parts 730-774.

(2) In view of these obligations, and to ensure accountability, integrity, and the security of the information maintained by or for HHSC and the work performed on behalf of HHSC, HHSC DETERMINES that it is necessary and appropriate to require THAT:

(A) All work performed under this Agreement must be performed exclusively within the United States; and

(B) All information obtained by MCO or a subcontractor under this Agreement must be maintained within the United States.

(3) Further, HHSC finds it necessary and appropriate to forbid the performance of any work or the maintenance of any information relating or obtained pursuant to this Agreement to occur outside of the United States except as specifically authorized or approved by HHSC.

(b) Meaning of “within the United States” and “outside the United States.”

(1) As used in this Section 4.11, the term “within the United States” means any location inside the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(2) Conversely, the phrase “outside the United States” means any location that is not within the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(c) Maintenance of Confidential Information.

(1) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not allow any Confidential Information that MCO receives from or on behalf of HHSC to leave the United States by any means (physical or electronic) at any time, for any period of time, for any reason.

(2) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to have remote access to HHSC information, systems, or Deliverables from a location outside the United States.

(d) Performance of Work under Agreement.

(1) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must perform all services under the Agreement, including all tasks, functions, and responsibilities assigned and delegated to MCO under this Agreement, within the United States.

(A) This obligation includes, but is not limited to, all Services, including but not limited to information technology services, processing, transmission, storage, archiving, data center services, disaster recovery sites and services, customer support), medical, dental, laboratory and clinical services.

(B) All custom software prepared for performance of this Agreement, and all modifications of custom, third party, or vendor proprietary software, must be performed within the United States.

(2) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to perform work under this Agreement from a location outside the United States.

(e) Exceptions.
(1) COTS Software. The foregoing requirements will not preclude the acquisition or use of commercial off-the-shelf software that is developed outside the United States or hardware that is generically configured outside the United States.

(2) Foreign-made Products and Supplies. The foregoing requirements will not preclude MCO from acquiring, using, or reimbursing products or supplies that are manufactured outside the United States, provided such products or supplies are commercially available within the United States for acquisition or reimbursement by HHSC.

(3) HHSC Prior Approval. The foregoing requirements will not preclude MCO from performing work outside the United States that HHSC has approved in writing and that HHSC has confirmed will not involve the sharing of Confidential Information outside the United States.

(f) Disclosure.

MCO must disclose all Services and Deliverables under or related to this Agreement that MCO intends to perform or has performed outside the United States, whether directly or via subcontractors, vendors, agents, or service providers.

(g) Remedy.

(1) MCO’s violation of this Section 4.11 will constitute a material breach in accordance with Article 12. MCO will be liable to HHSC for all monetary damages, in the form of actual, consequential, direct, indirect, special and/or liquidated damages in accordance with this Agreement.

(2) HHSC may terminate the Agreement with notice to MCO at least one calendar day before the effective date of such termination.

Article 5. Member Eligibility & Enrollment

Section 5.01 Eligibility Determination

The State or its designee will make eligibility determinations for each of the HHSC MCO Programs.

Section 5.02 Member Enrollment & Disenrollment.

(a) The HHSC Administrative Services Contractor will enroll and disenroll eligible individuals in the MCO Program. To enroll in an MCO, the Member's permanent residence must be located within the MCO’s Service Area. The MCO is not allowed to induce or accept disenrollment from a Member. The MCO must refer the Member to the HHSC Administrative Services Contractor.

(b) HHSC makes no guarantees or representations to the MCO regarding the number of eligible Members who will ultimately be enrolled into the MCO or the length of time any such enrolling Members remain enrolled with the MCO. The MCO has no ownership interest in its Member base, and therefore cannot sell or transfer this base to another entity.

(c) The HHSC Administrative Services Contractor will electronically transmit to the MCO new Member information and change information applicable to active Members.

(d) As described in the following Sections, depending on the MCO Program, special conditions may also apply to enrollment and span of coverage for the MCO.

(e) A Medicaid MCO has a limited right to request a Member be disenrolled from MCO without the Member's consent. HHSC must approve any MCO request for disenrollment of a Member for cause. MCO must take reasonable measures to correct Member behavior prior to requesting disenrollment. Reasonable measures may include providing education and counseling regarding the offensive acts or behaviors. HHSC may permit disenrollment of a Member under the following circumstances:

   (1) Member misuses or loans Member's MCO membership card to another person to obtain services.
   (2) Member is disruptive, unruly, threatening or uncooperative to the extent that Member's membership seriously impairs MCO's or Provider's ability to provide services to Member or to obtain new Members, and Member's behavior is not caused by a physical or behavioral health condition.
   (3) Member steadfastly refuses to comply with managed care restrictions (e.g., repeatedly using emergency room in combination with refusing to allow MCO to treat the underlying medical condition).
(f) HHSC must notify the Member of HHSC’s decision to disenroll the Member if all reasonable measures have failed to remedy the problem.

(g) If the Member disagrees with the decision to disenroll the Member from MCO, HHSC must notify the Member of the availability of the Complaint procedure and, for Medicaid Members, HHSC’s Fair Hearing process.

(h) MCO cannot request a disenrollment based on adverse change in the member's health status or utilization of services that are Medically Necessary for treatment of a member's condition.

(i) Members taken into conservatorship by the Department of Family and Protective Services (DFPS) will be disenrolled from the MCO effective the date of conservatorship, and enrolled in the STAR Health Program unless otherwise determined by DFPS.

Section 5.03 STAR enrollment for pregnant women and infants.

(a) The HHSC Administrative Services Contractor will retroactively enroll some pregnant Members in a Medicaid MCO based on their date of eligibility.

(b) The HHSC Administrative Services Contractor will enroll newborns born to Medicaid eligible mothers who are enrolled in a STAR MCO in the same MCO for at least 90 days following the date of birth, unless the mother requests a plan change as a special exception. The HHSC Administrative Service Contractor will consider such requests on a case-by-case basis. The HHSC Administrative Services Contractor will retroactively, to date of birth, enroll newborns in the applicable STAR MCO.

Section 5.03.1 Enrollment for infants born to pregnant women in STAR+PLUS.

If a newborn is born to a Medicaid-eligible mother enrolled in a STAR+PLUS MCO, the HHSC Administrative Service Contractor will enroll the newborn into that MCO’s STAR MCO product, if one (1) exists. All rules related to STAR newborn enrollment will apply to the newborn. If the STAR+PLUS MCO does not have a STAR product but the newborn is eligible for STAR, the newborn will be enrolled in traditional Fee-for-Service Medicaid, and given the opportunity to select a STAR MCO.

Section 5.04 CHIP eligibility and enrollment.

(a) Term of coverage.

The HHSC Administrative Services Contractor determines CHIP eligibility on HHSC’s behalf. The HHSC Administrative Services Contractor will enroll and disenroll eligible individuals into and out of CHIP.

(b) Pregnant Members and Infants.

(1) The HHSC Administrative Contractor will refer pregnant CHIP Members, with the exception of Legal Permanent Residents and other legally qualified aliens barred from Medicaid due to federal eligibility restrictions, to Medicaid for eligibility determinations. Those CHIP Members who are determined to be Medicaid Eligible will be disenrolled from MCO’s CHIP plan. Medicaid coverage will be coordinated to begin after CHIP eligibility ends to avoid gaps in health care coverage.

(2) In the event the MCO remains unaware of a CHIP Member’s pregnancy until delivery, the facility and professional costs associated with the delivery will be covered by CHIP in accordance with Attachment B-1.1, “CHIP Covered Services.” This includes the post-delivery costs for the newborn’s care while in the facility, as described in Attachment B-1.1, “CHIP Covered Services.” The HHSC Administrative Services Contractor will set a pregnant CHIP mother’s eligibility expiration date at the later of (1) the end of the second month following the month of the pregnancy delivery or the pregnancy termination or (2) the Member’s original eligibility expiration date.

The Administrative Services Contractor will screen the newborn’s eligibility for Medicaid, and then CHIP (if the newborn is not eligible for Medicaid). If the newborn is eligible for CHIP, the Administrative Services Contractor will enroll the newborn in the mother’s CHIP plan prospectively, following standard cut-off rules. The newborn’s CHIP eligibility ends when the mother’s CHIP eligibility expires, as described above.

Section 5.05 CHIP Perinatal eligibility, enrollment, and disenrollment
The HHSC Administrative Contractor will electronically transmit to the MCO new CHIP Perinate Member information based on the appropriate CHIP Perinate or CHIP Perinate Newborn Rate Cell. There is no waiting period for CHIP Perinatal Program Members.

Once born, a CHIP Perinate who lives in a family with an income at or below 185% of the FPL will be deemed eligible for 12 months of continuous Medicaid coverage (beginning on the date of birth). A CHIP Perinate will continue to receive coverage through the CHIP Perinatal Program as a “CHIP Perinate Newborn” after birth if the child’s family income is above 185% to 200% FPL. A CHIP Perinate Newborn is eligible for 12 months continuous enrollment, beginning with the month of enrollment as a CHIP Perinate (month of enrollment as an unborn child plus 11 months). A CHIP Perinate Newborn will maintain coverage in his or her CHIP Perinatal MCO.

HHSC’s Administrative Services Contractor will send an enrollment packet to the prospective CHIP Perinate Members’ households. If the household does not make a selection within 15 calendar days, the HHSC Administrative Services Contractor will notify the household that the prospective member has been assigned to a CHIP Perinatal MCO (“Default Enrollment”). When this occurs the household has 90 calendar days to select another CHIP Perinatal MCO for the Member.

HHSC’s Administrative Services Contractor will assign prospective members to CHIP Perinatal MCOs in a Service Area in a rotational basis. Should HHSC implement one (1) or more administrative rules governing the Default Enrollment processes, such administrative rules will take precedence over the Default Enrollment process set forth herein.

When a member of a household enrolls in the CHIP Perinatal Program, all traditional CHIP members in the household will be disenrolled from their current health plans and prospectively enrolled in the CHIP Perinatal Program Member’s health plan. All members of the household must remain in the same health plan until the later of: (1) the end of the CHIP Perinatal Program Member’s enrollment period, or (2) the end of the traditional CHIP members’ enrollment period.

In the 10th month of the CHIP Perinate Newborn’s coverage, the family will receive a CHIP renewal form. The family must complete and submit the renewal form, which will be pre-populated to include the CHIP Perinate Newborn’s and the CHIP Program Members’ information. Once the Member’s CHIP Perinatal Program coverage expires, the Member will be added to his or her siblings’ existing CHIP program case.

### Section 5.06 Span of Coverage

**a) Medicaid MCOs.**

(1) Open Enrollment.

HHSC will conduct continuous open enrollment for Medicaid Eligibles and the MCO must accept all persons who choose to enroll as Members in the MCO or who are assigned as Members in the MCO by HHSC, without regard to the Member's health status or any other factor.

(2) Enrollment of New Medicaid Eligibles.

Persons who become eligible for Medicaid during an Inpatient Stay in a Hospital will not be enrolled in a Medicaid MCO until discharged from the Hospital, with the following exceptions: (1) Members retroactively enrolled in STAR in accordance with Section 5.03, “STAR Enrollment of Pregnant Women and Infants,” (2) Members prospectively enrolled in STAR or STAR+PLUS who are at or below 12 months of age, and (3) Members retroactively enrolled in STAR in accordance with Section 5.03.1, “Enrollment for infants born to pregnant women in STAR+PLUS.” Except as provided in the following table, if a Member is enrolled in a Medicaid MCO during an Inpatient Stay, the Medicaid MCO will be responsible for all Covered Services beginning on the Effective Date of Coverage. If a Member is enrolled during an Inpatient Stay under either of the above-referenced exceptions, responsibility for the Inpatient Stay services is assigned as follows:

<table>
<thead>
<tr>
<th>Responsibility for Inpatient Stay Services</th>
<th>Hospital Facility Charges</th>
<th>Professional Services Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Retroactively Enrolled in STAR per §5.03 or in STAR+PLUS per §5.03.1</td>
<td>MCO</td>
<td>MCO</td>
</tr>
<tr>
<td>Member ≤ 12 Months of Age Who Is Prospectively Enrolled in STAR or STAR+PLUS</td>
<td>Medicaid FFS</td>
<td>MCO</td>
</tr>
</tbody>
</table>
(3) Movement between STAR or STAR+PLUS MCOs.

Except as provided in Section 5.06(a)(8), a Member cannot change from a STAR or STAR+PLUS MCO to a different STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility.

(4) Movement from Medicaid Fee-for-Service to a STAR or STAR+PLUS MCO.

A Medicaid recipient can move from Medicaid Fee-for-Service into a STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential treatment facility, or residential detoxification facility. Except as provided in subpart (a)(2), responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the Medicaid Fee-for-Service program will continue to pay allowable facility charges until the earlier of the date of Discharge or loss of Medicaid eligibility; and (2) beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all other Covered Services.

Responsibility for claims incurred during residential treatment or residential detoxification will be divided as follows: the Medicaid Fee-for-Service program will continue to pay all covered services until the loss of Medicaid eligibility or the Effective Date of Coverage for STAR or STAR+PLUS. Beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all covered services. The MCO may evaluate for medical necessity prior to the end of the authorized services period.

(5) Movement from a STAR MCO to the STAR Health MCO.

A Medicaid recipient can move from the STAR Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR MCO will continue to pay Hospital facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(6) Movement from a STAR+PLUS MCO to the STAR Health MCO.

A Medicaid recipient can move from the STAR+PLUS Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, (2) and the Medicaid FFS program will continue to pay Hospital facility charges for non-Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (3) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(7) Movement from STAR+PLUS to Medicaid Fee-for-Service.

A Medicaid recipient can move from the STAR+PLUS Program to FFS (if a child) during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for inpatient Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the effective date of FFS coverage, FFS will pay for all other Medicaid services.

(8) Movement from STAR to STAR+PLUS or Medicaid Fee-for-Service due to SSI Status.

When a STAR member in the Medicaid Rural Service Area becomes qualified for SSI, the member will remain in STAR (if an adult without Medicare), or may choose to stay in STAR or move to FFS (if a child). The process described in Section 5.06(e) will apply if a child member elects to move to FFS.

When a STAR member in another Service Area becomes qualified for SSI, the STAR member will move, in accordance with the processes described in Section 5.06(c): (1) to FFS or STAR+PLUS (if a child), or (2) to STAR+PLUS (if an adult).

If a move occurs during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility, responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the STAR MCO will continue to pay facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage for STAR+PLUS or the effective date of FFS coverage, the new entity will pay for all other Medicaid services.

(9) Responsibility for Costs Incurred After Loss of Medicaid Eligibility.

Medicaid MCOs are not responsible for services incurred on or after the effective date of loss of Medicaid eligibility.

(10) Reenrollment after Temporary Loss of Medicaid Eligibility.
Members who are disenrolled because they are temporarily ineligible for Medicaid will be automatically re-enrolled into the same MCO, if available. Temporary loss of eligibility is defined as a period of six (6) months or less.

(b) CHIP MCOs.

If a CHIP Program or CHIP Perinatal Program Member's Effective Date of Coverage occurs while the Member is confined in a Hospital, MCO is responsible for the Member's costs of Covered Services beginning on the Effective Date of Coverage. If a Member is disenrolled while the Member is confined in a Hospital, MCO's responsibility for the Member's costs of Covered Services terminates on the Date of Disenrollment.

(c) Effective Date of SSI Status.

In accordance with Section 8.2.13, SSI status is effective on the date the State's eligibility system identifies a STAR, CHIP, or CHIP Perinatal Program Member as Type Program 13 (TP 13). HHSC is responsible for updating the State's eligibility system within 45 days of official notice of the Member's Federal SSI status by the Social Security Administration (SSA). Once HHSC has updated the State's eligibility system to identify the STAR, CHIP, or CHIP Perinatal Program Member as TP13, following standard eligibility cut-off rules, HHSC will allow the Member to:

(1) prospectively move to Medicaid FFS (if the Member is a child in any part of the State);

(2) prospectively move to STAR+PLUS (if the Member is a child in a STAR+PLUS Service Area); or

(3) remain in STAR (if the Member is a child who is already enrolled in STAR in a Service Area not served by STAR+PLUS).

HHSC will not retroactively disenroll a Member from the STAR, CHIP, or CHIP Perinatal Programs.

Section 5.07 Verification of Member Eligibility.

Medicaid MCOs are prohibited from entering into an agreement to share information regarding their Members with an external vendor that provides verification of Medicaid recipients’ eligibility to Medicaid providers. All such external vendors must contract with the State and obtain eligibility information from the State.

Section 5.08 Modified Default Enrollment Process

Under the circumstances described in HHSC's administrative rules at 1 Tex. Admin. Code § 353.403 and 1 Tex. Admin. Code § 370.303, HHSC may implement a modified default enrollment process to equitably assign enrollees who have not selected an MCO. To the extent possible, HHSC will make assignments based on an enrollee's prior history with and geographic proximity to a PCP. HHSC will determine the length of the modified default enrollment period by considering factors such as MCO market share, viability, and Member Choice. HHSC reserves the right to extend the modified default period, or implement additional modified default periods as it determines necessary and with prior written notice to impacted MCOs.

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Section 5.10 This Section Intentionally Left Blank

Section 5.11 This Section Intentionally Left Blank

Article 6. Service Levels & Performance Measurement

Section 6.01 Performance measurement.

Satisfactory performance of this Contract will be measured by:

(a) Adherence to this Contract, including all representations and warranties;

(b) Delivery of the Services and Deliverables;

(c) Results of audits performed by HHSC or its representatives in accordance with Article 9, “Audit and Financial Compliance”;

(d) Timeliness, completeness, and accuracy of required reports; and

(e) Achievement of performance measures developed by MCO and HHSC and as modified from time to time by written agreement during the term of this Contract.

Article 7. Governing Law & Regulations
Section 7.01 Governing law and venue.

This Contract is governed by the laws of the State of Texas and interpreted in accordance with Texas law. Provided MCO first complies with the procedures set forth in Section 12.13, “Dispute Resolution,” proper venue for claims arising from this Contract will be in the State District Court of Travis County, Texas.

Section 7.02 MCO responsibility for compliance with laws and regulations.

(a) MCO must comply, to the satisfaction of HHSC, with all provisions set forth in this Contract, all provisions of state and federal laws, rules, regulations, federal waivers, policies and guidelines, and any court-ordered consent decrees, settlement agreements, or other court orders that govern the performance of the Scope of Work including, but not limited to, all applicable provisions of the following:

1. Titles XIX and XXI of the Social Security Act;
2. Chapters 62 and 63, Texas Health and Safety Code;
3. Chapters 531 and 533, Texas Government Code;
4. 42 C.F.R. Parts 417, 455, and 457, as applicable;
5. 45 C.F.R. Parts 74 and 92;
6. 48 C.F.R. Part 31, or OMB Circular A-122, based on whether the entity is for-profit or nonprofit;
7. 1 T.A.C. Part 15, Chapters 361, 370, 371, 391, and 392;
8. Consent Decree and Corrective Action Orders, Frew, et al. v. Janek, et al., (applies to Medicaid MCOs only);
10. Texas Human Resources Code Chapters 32 and 36;
11. Texas Penal Code Chapter 35A (Medicaid Fraud);
12. 1 T.A.C. Chapter 353;
13. 1 T.A.C. Chapter 354, Subchapters B, J, and F, with the exception of the following provisions in Subchapter F: 1 T.A.C. §354.1865, §354.1867, §354.1873, and Division 6, Pharmacy Claims; and §354.3047:
14. 1 T.A.C. Chapter 354, Subchapters I and K, as applicable;
15. The Patient Protection and Affordable Care Act (PPACA; Public Law 111-148);
16. The Health Care and Education Reconciliation Act of 2010 (HCERA; Public Law 111-152) 42 CFR Part 455;
17. The Immigration and Nationality Act (8 U.S.C § 1101 et seq.) and all subsequent immigration laws and amendments; and
18. all State and Federal tax laws, State and Federal employment laws, State and Federal regulatory requirements, and licensing provisions.

(b) The Parties acknowledge that the federal and/or state laws, rules, regulations, policies, or guidelines, and court-ordered consent decrees, settlement agreements, or other court orders that affect the performance of the Scope of Work may change from time to time or be added, judicially interpreted, or amended by competent authority. MCO acknowledges that the MCO Programs will be subject to continuous change during the term of the Contract and, except as provided in Section 8.02, MCO has provided for or will provide for adequate resources, at no additional charge to HHSC, to reasonably accommodate such changes. The Parties further acknowledge that MCO was selected, in part, because of its expertise, experience, and knowledge concerning applicable Federal and/or state laws, regulations, policies, or guidelines that affect the performance of the Scope of Work. In keeping with HHSC's reliance on this knowledge and expertise, MCO is responsible for identifying the impact of changes in applicable Federal or state legislative enactments and regulations that affect the performance of the Scope of Work or the State's use of the Services and Deliverables. MCO must timely notify HHSC of such changes and must work with HHSC to identify the impact of such changes.

(c) HHSC will notify MCO of any changes in applicable law, regulation, policy, or guidelines that HHSC becomes aware of in the ordinary course of its business.

(d) MCO is responsible for any fines, penalties, or disallowances imposed on the State or MCO arising from any noncompliance with the laws and regulations relating to the delivery of the Services or Deliverables by the MCO, its Subcontractors or agents.

(e) MCO is responsible for ensuring each of its employees, agents or Subcontractors who provide Services under the Contract are properly licensed, certified, and/or have proper permits to perform any activity related to the Services.

(f) MCO warrants that the Services and Deliverables will comply with all applicable Federal, State, and County laws, regulations, codes, ordinances, guidelines, and policies. MCO will indemnify HHSC from and against any losses, liability, claims, damages, penalties, costs, fees, or expenses arising from or in connection with MCO's failure to comply with or violation of any such law, regulation, code, ordinance, or policy.

Section 7.03 TDI licensure/ANHC certification and solvency.
(a) Licensure
MCO must receive TDI approval to operate in all counties of the Service Areas included within the scope of the Contract.

(b) Solvency
MCO must maintain compliance with the Texas Insurance Code and rules promulgated and administered by the TDI requiring a fiscally sound operation. MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:
(1) continuation of benefits, until the time of discharge, to Members who are confined on the date of insolvency in a Hospital or other inpatient facility;
(2) payment to unaffiliated health care providers and affiliated health care providers whose agreements do not contain member “hold harmless” clauses acceptable to TDI for required services rendered to Members for the duration of the Contract period for which HHSC has paid a Capitation Payment, and
(3) continuation of benefits for the duration of the Contract period for which HHSC has paid a Capitation Payment.

Provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI.

Section 7.04 This Section Intentionally Left Blank

Section 7.05 Compliance with state and federal anti-discrimination laws.

(a) MCO agrees to comply with state and federal anti-discrimination laws, including without limitation:
(1) Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq.);
(2) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794);
(3) Americans with Disabilities Act of 1990 (42 U.S.C. §12101 et seq.);
(4) Age Discrimination Act of 1975 (42 U.S.C. §§6101-6107);
(5) Title IX of the Education Amendments of 1972 (20 U.S.C. §§1681-1688);
(6) Food Stamp Act of 1977 (7 U.S.C. §200 et seq.); and
(7) The HHS agency’s administrative rules, as set forth in the Texas Administrative Code, to the extent applicable to this Agreement.

MCO agrees to comply with all amendments to the above-referenced laws, and all requirements imposed by the regulations issued pursuant to these laws. These laws provide in part that no persons in the United States may, on the grounds of race, color, national origin, sex, age, disability, political beliefs, or religion, be excluded from participation in or denied any aid, care, service or other benefits provided by Federal or State funding, or otherwise be subjected to discrimination.

(b) MCO agrees to comply with Title VI of the Civil Rights Act of 1964, and its implementing regulations at 45 C.F.R. Part 80 or 7 C.F.R. Part 15, prohibiting a contractor from adopting and implementing policies and procedures that exclude or have the effect of excluding or limiting the participation of clients in its programs, benefits, or activities on the basis of national origin. Applicable state and federal civil rights laws require contractors to provide alternative methods for ensuring access to services for applicants and recipients who cannot express themselves fluently in English. MCO agrees to ensure that its policies do not have the effect of excluding or limiting the participation of persons in its programs, benefits, and activities on the basis of national origin. MCO also agrees to take reasonable steps to provide services and information, both orally and in writing, in appropriate languages other than English, in order to ensure that persons with limited English proficiency are effectively informed and can have meaningful access to programs, benefits, and activities.

(c) MCO agrees to comply with Executive Order 13279, and its implementing regulations at 45 C.F.R. Part 87 or 7 C.F.R. Part 16. These provide in part that any organization that participates in programs funded by direct financial assistance from the United States Department of Agriculture or the United States Department of Health and Human Services must not, in providing services, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

(d) Upon request, MCO will provide HHSC Civil Rights Office with copies of all of the MCO’s civil rights policies and procedures.

(e) MCO must notify HHSC’s Civil Rights Office of any civil rights complaints received relating to its performance under this Agreement. This notice must be delivered no more than ten (10) calendar days after receipt of a complaint. Notice provided pursuant to this section must be directed to:
HHSC Civil Rights Office
701 W. 51st Street, Mail Code W206
Austin, Texas 78751
Phone Toll Free: (888) 388-6332
Phone: (512) 438-4313
TTY Toll Free: (877) 432-7232
Fax: (512) 438-5885.
Section 7.06 Environmental protection laws.

MCO must comply with the applicable provisions of federal environmental protection laws as described in this Section:

(a) Pro-Children Act of 1994.
MCO must comply with the Pro-Children Act of 1994 (20 U.S.C. §6081 et seq.), as applicable, regarding the provision of a smoke-free workplace and promoting the non-use of all tobacco products.

(b) National Environmental Policy Act of 1969.
MCO must comply with any applicable provisions relating to the institution of environmental quality control measures contained in the National Environmental Policy Act of 1969 (42 U.S.C. §4321 et seq.) and Executive Order 11514 ("Protection and Enhancement of Environmental Quality").

(c) Clean Air Act and Water Pollution Control Act regulations.
MCO must comply with any applicable provisions relating to required notification of facilities violating the requirements of Executive Order 11738 ("Providing for Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans").

(d) State Clean Air Implementation Plan.
MCO must comply with any applicable provisions requiring conformity of federal actions to State (Clean Air) Implementation Plans under §176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §740 et seq.).


Section 7.07 HIPAA.

(a) MCO must comply with applicable provisions of HIPAA. This includes, but is not limited to, the requirement that the MCO’s MIS system comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to HIPAA. MCO must comply with HIPAA EDI requirements.

(b) Additionally, MCO must comply with HIPAA notification requirements, including those set forth in the Health Information Technology for Economic and Clinical Health Act (HITECH Act) at 42 U.S.C. 17931 et. seq. MCO must notify HHSC of all breaches or potential breaches of unsecured protected health information, as defined by the HITECH Act, without unreasonable delay and in no event later than 60 calendar days after discovery of the breach or potential breach. If, in HHSC’s determination, MCO has not provided notice in the manner or format prescribed by the HITECH Act, then HHSC may require the MCO to provide such notice.

Section 7.08 Historically Underutilized Business Participation Requirements

(a) Definitions.
For purposes of this Section:

(1) “Historically Underutilized Business” or “HUB” means a minority or women-owned business as defined by Texas Government Code, Chapter 2161.

(2) “HSP” means a HUB Subcontracting Plan.

(b) HUB Requirements.

(1) In accordance with Attachment B-1, Section 8.1.20.2, the MCO must submit an HSP for HHSC’s approval during the Transition Phase, and maintain the HSP thereafter.

(2) MCO must report to HHSC’s contract manager and HUB Office monthly, in the format required by Chapter 5.4.4.5 of the Uniform Managed Care Manual, its use of HUB subcontractors to fulfill the subcontracting opportunities identified in the HSP.

(3) MCO must obtain prior written approval from the HHSC HUB Office before making any changes to the HSP. The proposed changes must comply with HHSC’s good faith effort requirements relating to the development and submission of HSPs.

(i) The MCO must submit a revised HSP to the HHSC HUB Office when it: changes the dollar amount of, terminates, or modifies an existing Subcontract for MCO Administrative Services; or enters into a new Subcontract for MCO Administrative Services. All proposed changes to the HSP must comply with the requirements of this Agreement.

(4) HHSC will determine if the value of Subcontracts to HUBs meet or exceed the HUB subcontracting provisions specified in the MCO’s HSP. If HHSC determines that the MCO's subcontracting activity does not demonstrate a good faith effort, the MCO may be subject to provisions in the Vendor Performance and Debarment Program (Title 34, Part 1, Chapter 20, Subchapter C, Rule §20.105), and subject to remedies for Breach.

Article 8. Amendments & Modifications
Section 8.01 Mutual agreement.

This Contract may be amended at any time by mutual agreement of the Parties. The amendment must be in writing and signed by individuals with authority to bind the Parties.

Section 8.02 Changes in law or contract.

If Federal or State laws, rules, regulations, policies or guidelines are adopted, promulgated, judicially interpreted or changed, or if contracts are entered or changed, the effect of which is to alter the ability of either Party to fulfill its obligations under this Contract, the Parties will promptly negotiate in good faith appropriate modifications or alterations to the Contract. Such modifications or alterations must be in writing and signed by individuals with authority to bind the parties, equitably adjust the terms and conditions of this Contract, and must be limited to those provisions of this Contract affected by the change.

Section 8.03 Modifications as a remedy.

This Contract may be modified under the terms of Article 12, “Remedies and Disputes.”

Section 8.04 Modification Process.

(a) If HHSC seeks modifications to the Contract, HHSC’s notice to MCO will specify those modifications to the Scope of Work, the Contract pricing terms, or other Contract terms and conditions.

(b) MCO must respond to HHSC’s proposed modification within the timeframe specified by HHSC, generally within ten (10) Business Days of receipt. Upon receipt of MCO’s response to the proposed modifications, HHSC may enter into negotiations with MCO to arrive at mutually agreeable Contract amendments. In the event that HHSC determines that the Parties will be unable to reach agreement on mutually satisfactory contract modifications, then HHSC will provide written notice to MCO of its intent to terminate the Contract, or not to extend the Contract beyond the current Contract Term.

Section 8.05 Modification of the Uniform Managed Care Manual.

(a) HHSC will provide MCO with at least ten (10) Business Days advance written notice before implementing a substantive and material change in the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). The Uniform Managed Care Manual, and all modifications thereto made during the Contract Term, are incorporated by reference into this Contract. HHSC will provide MCO with a reasonable amount of time to comment on such changes, generally at least five (5) Business Days. HHSC is not required to provide advance written notice of changes that are not material and substantive in nature, such as corrections of clerical errors or policy clarifications.

(b) The Parties agree to work in good faith to resolve disagreements concerning material and substantive changes to the Uniform Managed Care Manual. If the Parties are unable to resolve issues relating to material and substantive changes, then either Party may terminate the agreement in accordance with Article 12, “Remedies and Disputes.”

(c) Changes will be effective on the date specified in HHSC’s written notice, which will not be earlier than the MCO’s response deadline, and such changes will be incorporated into the Uniform Managed Care Manual. If the MCO has raised an objection to a material and substantive change to the Uniform Managed Care Manual and submitted a notice of termination in accordance with Section 12.04(c), HHSC will not enforce the policy change for the objecting MCO during the period of time between the receipt of the notice and the date of Contract termination.

Section 8.06 CMS approval of amendments

Amendments, modifications, and changes to the Contract are subject to the approval of the Centers for Medicare and Medicaid Services (“CMS.”)

Section 8.07 Required compliance with amendment and modification procedures.

No different or additional services, work, or products will be authorized or performed except as authorized by this Article. No waiver of any term, covenant, or condition of this Contract will be valid unless executed in compliance with this Article. MCO will not be entitled to payment for any services, work or products that are not authorized by a properly executed Contract amendment or modification.

Article 9. Audit & Financial Compliance
Section 9.01 Record retention and audit.

MCO agrees to maintain, and require its Subcontractors to maintain, records, books, documents, and information (collectively “records”) that are adequate to ensure that services are provided and payments are made in accordance with the requirements of this Contract, including applicable Federal and State requirements (e.g., 45 CFR §74.53). Such records must be retained by MCO or its Subcontractors for a period of five (5) years after the Contract Expiration Date or until the resolution of all litigation, claim, financial management review or audit pertaining to this Contract, whichever is longer.

Section 9.02 Access to records, books, and documents.

(a) Upon reasonable notice, MCO must provide, and cause its Subcontractors to provide, at no cost to the officials and entities identified in this Section prompt, reasonable, and adequate access to any records that are related to the scope of this Contract.

(b) MCO and its Subcontractors must provide the access described in this Section upon HHSC’s request. This request may be for, but is not limited to, the following purposes:
   (1) Examination;
   (2) Audit;
   (3) Investigation;
   (4) Contract administration; or
   (5) The making of copies, excerpts, or transcripts.

(c) The access required must be provided to the following officials and/or entities:
   (1) The United States Department of Health and Human Services or its designee;
   (2) The Comptroller General of the United States or its designee;
   (3) MCO Program personnel from HHSC or its designee;
   (4) The Office of Inspector General;
   (5) The Medicaid Fraud Control Unit of the Texas Attorney General's Office or its designee;
   (6) Any independent verification and validation contractor, audit firm, or quality assurance contractor acting on behalf of HHSC;
   (7) The Office of the State Auditor of Texas or its designee;
   (8) A State or Federal law enforcement agency;
   (9) A special or general investigating committee of the Texas Legislature or its designee; and
   (10) Any other state or federal entity identified by HHSC, or any other entity engaged by HHSC.

(d) MCO agrees to provide the access described wherever MCO maintains such books, records, and supporting documentation. MCO further agrees to provide such access in reasonable comfort and to provide any furnishings, equipment, and other conveniences deemed reasonably necessary to fulfill the purposes described in this Section. MCO will require its Subcontractors to provide comparable access and accommodations.

(e) Upon request, the MCO must provide copies of the information described in this Section free of charge to HHSC and the entities described in subsection (c).

(f) In accordance with Texas Government Code §533.012(e), any information submitted to HHSC or the Texas Attorney General's Office pursuant to Texas Government Code §533.012(a)(1) is confidential and is not subject to disclosure under the Texas Public Information Act.

Section 9.03 Audits of Services, Deliverables and inspections.

(a) Upon reasonable notice from HHSC, MCO will provide, and will cause its Subcontractors to provide, such auditors and inspectors as HHSC may from time to time designate, with access to:
   (1) service locations, facilities, or installations;
   (2) records; and
   (3) Software and Equipment.

(b) The access described in this Section will be for the purpose of examining, auditing, or investigating:
   (1) MCO's capacity to bear the risk of potential financial losses;
   (2) the Services and Deliverables provided;
   (3) a determination of the amounts payable under this Contract;
   (4) a determination of the allowability of costs reported under this Contract;
   (5) an examination of Subcontract terms and/or transactions;
   (6) an assessment of financial results under this Contract;
   (7) detection of Fraud, Waste and/or Abuse; or
   (8) other purposes HHSC deems necessary to perform its oversight function and/or enforce the provisions of this Contract.
(c) MCO must provide, as part of the Scope of Work, any assistance that such auditors and inspectors reasonably may require to complete such audits or inspections.

(d) If, as a result of an audit or review of payments made to the MCO, HHSC discovers a payment error or overcharge, HHSC will notify the MCO of such error or overcharge. HHSC will be entitled to recover such funds as an offset to future payments to the MCO, or to collect such funds directly from the MCO. MCO must return funds owed to HHSC within 30 days after receiving notice of the error or overcharge, or interest will accrue on the amount due. HHSC will calculate interest at 12% per annum, compounded daily. In the event that an audit reveals that errors in reporting by the MCO have resulted in errors in payments to the MCO or errors in the calculation of the Experience Rebate, the MCO will indemnify HHSC for any losses resulting from such errors, including the cost of audit. If the interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

Section 9.04 SAO Audit

The MCO understands that acceptance of funds under this Contract acts as acceptance of the authority of the State Auditor's Office (SAO), or any successor agency, to conduct an investigation in connection with those funds. The MCO further agrees to cooperate fully with the SAO or its successor in the conduct of the audit or investigation, including providing all records requested at no cost. The MCO will ensure that this clause concerning the authority to audit funds and the requirement to cooperate is included in any Subcontract, and in any third party agreements described in Section 4.10, "MCO Agreements with Third Parties."

Section 9.05 Response/compliance with audit or inspection findings.

(a) MCO must take action to ensure its or a Subcontractor’s compliance with or correction of any finding of noncompliance with any law, regulation, audit requirement, or generally accepted accounting principle relating to the Services and Deliverables or any other deficiency contained in any audit, review, or inspection conducted under this Article. This action will include MCO’s delivery to HHSC, for HHSC’s approval, a Corrective Action Plan that addresses deficiencies identified in any audit, review, or inspection within 30 calendar days of the close of the audit, review, or inspection.

(b) MCO must bear the expense of compliance with any finding of noncompliance under this Section that is:

1. Required by Texas or Federal law, regulation, rule, court order, or other audit requirement relating to MCO's business;
2. Performed by MCO as part of the Scope of Work; or
3. Necessary due to MCO's noncompliance with any law, regulation, rule, court order, or audit requirement imposed on MCO.

(c) As part of the Scope of Work, MCO must provide to HHSC upon request a copy of those portions of MCO's and its Subcontractors' internal audit reports relating to the Services and Deliverables provided to HHSC under the Contract.

Section 9.06 Notification of Legal and Other Proceedings, and Related Events.

The MCO must notify HHSC of all proceedings, reports, documents, actions, and events as specified in Uniform Managed Care Manual Chapter 5.8, "Report of Legal and Other Proceedings, and Related Events."

Article 10. Terms & Conditions of Payment

Section 10.01 Calculation of monthly Capitation Payment.

(a) This is a Risk-based contract. For each applicable MCO Program, HHSC will pay the MCO fixed monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Members by each applicable Member Rate Cell. In consideration of the Monthly Capitation Payments, the MCO agrees to provide the Services and Deliverables described in this Contract.

(b) MCO will be required to provide timely financial and statistical information necessary in the Capitation Rate determination process. HHSC will not be considered in the MCO’s experience for rate-setting purposes.

(c) Information or data, including complete and accurate Encounter Data, as requested by HHSC for rate-setting purposes, must be provided to HHSC: (1) within 30 days of receipt of the letter from HHSC requesting the information or data; and (2) no later than March 31st of each year.

(d) The fixed monthly Capitation Rate consists of the following components:
(1) an amount for Health Care Services performed during the month;
(2) an amount for administering the MCO Program, and
(3) an amount for the MCO’s Risk margin.

Capitation Rates for each MCO Program may vary by Service Area and MCO. HHSC will employ or retain qualified actuaries to perform data analysis and calculate the Capitation Rates for each Rate Period.

c) MCO understands and expressly assumes the risks associated with the performance of the duties and responsibilities under this Contract, including the failure, termination or suspension of funding to HHSC, delays or denials of required approvals, and cost overruns not reasonably attributable to HHSC.

Section 10.02 Time and Manner of Payment.

(a) During the Contract Term and beginning after the Operational Start Date, HHSC will pay the monthly Capitation Payments by the 10th Business Day of each month.
(b) The MCO must accept Capitation Payments by direct deposit into the MCO’s account.
(c) HHSC may adjust the monthly Capitation Payment to the MCO in the case of an overpayment to the MCO; for Experience Rebate amounts due and unpaid, including any associated interest; and if monetary damages are assessed in accordance with Article 12, “Remedies and Disputes.”
(d) HHSC’s payment of monthly Capitation Payments is subject to availability of federal and state appropriations. If appropriations are not available to pay the full monthly Capitation Payment, HHSC may:
   (1) equitably adjust Capitation Payments for all participating MCOs, and reduce scope of service requirements as appropriate in accordance with Article 8, “Amendments and Modifications,” or
   (2) terminate the Contract in accordance with Article 12, “Remedies and Disputes.”

Section 10.03 Certification of Capitation Rates.

HHSC will employ or retain a qualified actuary to certify the actuarial soundness of the Capitation Rates, and all revisions or modifications thereto.

Section 10.04 Modification of Capitation Rates.

The Parties expressly understand and agree that the agreed Capitation Rates are subject to modification in accordance with Article 8, “Amendments and Modifications,” if changes in state or federal laws, rules, regulations, guidelines, policies, or court orders affect the rates or the actuarial soundness of the rates. HHSC will provide the MCO notice of a modification to the Capitation Rates at least 60 days prior to the effective date of the change, unless HHSC determines that circumstances warrant a shorter notice period. If the MCO does not accept the rate change, either Party may terminate the Contract in accordance with Article 12, “Remedies and Disputes.”

Section 10.05 STAR and STAR+PLUS Capitation Structure.

(a) STAR Rate Cells.
STAR Capitation Rates are defined on a per Member per month basis by Rate Cells and Service Areas. STAR Rate Cells are:
   (1) Under Age 1 Child;
   (2) Age 1-5 Child;
   (3) Age 6-14 Child;
   (4) Age 15-18 Child;
   (5) Age 19-20 Child;
   (6) TANF adults;
   (7) Pregnant women; and
   (8) SSI (applies to the Medicaid Rural Service Area only).

These Rate Cells are subject to change.

(b) STAR+PLUS Rate Cells.
STAR+PLUS Capitation Rates are defined on a per Member per month basis by Rate Cells. STAR+PLUS Rate Cells are based on client category as follows:
   (1) Medicaid Only Standard Rate
   (2) Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor
   (3) Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor
   (4) Dual Eligible Standard Rate
   (5) Dual Eligible HCBS STAR+PLUS Waiver Rate - Above Floor
   (6) Dual Eligible HCBS STAR+PLUS Waiver Rate - Below Floor
These Rate Cells are subject to change.

c) STAR and STAR+PLUS Capitation Rate development:

1) Capitation Rates for Service Areas with historical Medicaid MCO Program participation.
For Service Areas where HHSC operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will develop base Capitation Rates by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area (e.g., Capitation Rates for the STAR Program will be based on STAR Program historical Encounter Data and financial data for the Service Area). This analysis will apply to all MCOs in the Service Area, including MCOs that have no historical participation in the Medicaid MCO Program in Service Area. The analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. If the MCO participated in the Medicaid MCO Program in the Service Area prior to the Effective Date of this Contract, HHSC may modify the Service Area base Capitation Rates using diagnosis-based risk adjusters to yield the final Capitation Rates.

2) Capitation Rates for Rate Periods 1 and 2 for Service Areas with no historical STAR Program participation.
For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for Rate Periods 1 and 2 by analyzing Fee-for-Service claims data for the Medicaid MCO Program and Service Area (e.g., Capitation Rates for the STAR Program will be based fee-for-service data in the Service Area). This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

3) Capitation Rates for subsequent Rate Periods for Service Areas with no historical STAR Program participation.
For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for the Rate Periods following Rate Period 2 by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

d) Acuity adjustment.
HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services.
Value-added Services will not be included in the rate-setting process.

(f) Delay in Increased STAR+PLUS Capitation Level for Certain Members Receiving Waiver Services.
Once a current STAR+PLUS MCO Member has been certified to receive STAR+PLUS Waiver (SPW) services, there is a two (2) month delay before the MCO will begin receiving the higher capitation payment.

Non-Waiver Members who qualify for STAR+PLUS based on eligibility for SPW services and Waiver recipients who transfer from another region will not be subject to this two (2) month delay in the increased capitation payment.

All SPW recipients will be registered into Service Authorization System Online (SASO). The Premium Payment System (PPS) will process data from the SASO system in establishing a Member's correct capitation payment.

Section 10.06 CHIP Capitation Rates Structure.

(a) CHIP Rate Cells.
CHIP Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Rate Cells are based on the Member’s age group as follows:

1) under age one (1);
2) ages one (1) through five (5);
3) ages six (6) through fourteen (14); and
4) ages fifteen (15) through eighteen (18).

(b) CHIP Perinatal Program Rate Cells.
CHIP Perinatal Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Perinatal Rate Cells are based on the Member’s birth status and household income as follows:

1) CHIP Perinate 0% to 185% of FPL;
2) CHIP Perinate Above 185% to 200% of FPL; and
3) CHIP Perinate Newborn Above 185% to 200% of FPL.

(c) CHIP and CHIP Perinatal Program Capitation Rate development:
HHSC will establish base Capitation Rates by analyzing Encounter Data and financial data for each Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. HHSC may modify the Service Area base Capitation Rate using diagnosis based risk adjusters to yield the final Capitation Rates.

(d) Acuity adjustment.
HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services.
Value-added Services will not be included in the rate-setting process.

Section 10.07 MCO input during rate setting process.

(a) In Service Areas with historical STAR or STAR+PLUS Program participation, MCO must provide certified Encounter Data and financial data as prescribed in Uniform Managed Care Manual Chapter 5.0, “Deliverable Matrix.” Such information may include, without limitation: claims lag information by Rate Cell, capitation expenses, and stop loss reinsurance expenses. HHSC may request clarification or for additional financial information from the MCO. HHSC will notify the MCO of the deadline for submitting a response, which will include a reasonable amount of time for response.

(b) HHSC will allow the MCO to review and comment on data used by HHSC to determine base Capitation Rates. In Service Areas with no historical STAR or STAR+PLUS Program participation, this will include Fee-for-Service data for Rate Periods 1 and 2. HHSC will notify the MCO of deadline for submitting comments, which will include a reasonable amount of time for response. HHSC will not consider comments received after the deadline in its rate analysis.

(c) During the rate setting process, HHSC will conduct at least two (2) meetings with the MCOs. HHSC may conduct the meetings in person, via teleconference, or by another method deemed appropriate by HHSC. Prior to the first meeting, HHSC will provide the MCO with proposed Capitation Rates. During the first meeting, HHSC will describe the process used to generate the proposed Capitation Rates, discuss major changes in the rate setting process, and receive input from the MCO. HHSC will notify the MCO of the deadline for submitting comments, which will include a reasonable amount of time to review and comment on the proposed Capitation Rates and rate setting process. After reviewing such comments, HHSC will conduct a second meeting to discuss the final Capitation Rates and changes resulting from MCO comments, if any.

Section 10.08 Adjustments to Capitation Payments.

(a) Recoupment.
HHSC may recoup a payment made to the MCO for a Member if:

1. the Member is enrolled into the MCO in error;
2. the Member moves outside the United States;
3. the Member dies before the first day of the month for which the payment was made; or
4. a Member’s eligibility status or program type is changed, corrected as a result of error, or is retroactively adjusted; or
5. payment has been denied by the CMS in accordance with the requirements in 42 C.F.R. §438.730.

(b) Appeal of recoupment.
The MCO may appeal the recoupment or adjustment of capitations in the above circumstances using the HHSC dispute resolution process set forth in Section 12.13, “Dispute Resolution.”

Section 10.09 Delivery Supplemental Payment for CHIP, CHIP Perinatal and STAR MCOs.

(a) The Delivery Supplemental Payment (DSP) is a function of the average delivery cost in each Service Area. Delivery costs include facility and professional charges.

(b) CHIP and STAR MCOs will receive a Delivery Supplemental Payment (DSP) from HHSC for each live or stillbirth by a Member. CHIP Perinatal MCOs will receive a DSP from HHSC for each live or stillbirth by a mother of a CHIP Perinatal Program Member in the above 185% to 200% FPL (measured at the time of enrollment in the CHIP Perinatal subprogram). CHIP Perinatal MCOs will not receive a DSP from HHSC for a live or stillbirth by the mother of a CHIP Perinatal Program Member in the 0% to 185% FPL. For STAR and CHIP and CHIP Perinatal Program MCOs, the one-time DSP payment is made in the amount identified in the HHSC Managed Care Contract document regardless of whether there is a single birth or there are multiple births at time of delivery. A delivery is the birth of a live born infant, regardless of the duration of the pregnancy, or a stillborn (fetal death) infant of twenty (20) weeks or more of gestation. A delivery does not include a spontaneous or induced abortion, regardless of the duration of the pregnancy.
(c) MCO must submit a monthly DSP Report as described in Section 8.1.20.2, “Reports” to the RFP, in the format prescribed in Uniform Managed Care Manual Chapter 5.3.9, “Disproportionate Share Hospital Report.”

(d) HHSC will pay the Delivery Supplemental Payment within twenty (20) Business Days after receipt of a complete and accurate report from the MCO.

(e) The MCO will not be entitled to Delivery Supplemental Payments for deliveries that are not reported to HHSC within 210 days after the date of delivery, or within thirty (30) days from the date of discharge from the Hospital for the stay related to the delivery, whichever is later.

(f) MCO must maintain complete claims and adjudication disposition documentation, including paid and denied amounts for each delivery. The MCO must submit the documentation to HHSC within five (5) Business Days after receiving a request for such information from HHSC.

Section 10.10 Experience Rebate

(a) MCO’s duty to pay.

(1) General.

At the end of each FSR Reporting Period beginning with FSR Reporting Period 12/13, the MCO must pay an Experience Rebate if the MCO’s Net Income Before Taxes is greater than the percentage set forth below of the total Revenue for the period. The Experience Rebate is calculated in accordance with the tiered rebate method set forth below. The Net Income Before Taxes and the total Revenues are as measured by the FSR, as reviewed and confirmed by HHSC. The final amount used in the calculation of the percentage may be impacted by various factors herein, including the Loss Carry Forward, the Admin Cap, and/or the Reinsurance Cap.

(2) Basis of Consolidation.

The percentages are calculated on a Consolidated Basis, and include the consolidated Net Income Before Taxes for all of the MCO’s and its Affiliates’ Texas HHSC Programs and Service Areas.

(b) Graduated Experience Rebate Sharing Method.

<table>
<thead>
<tr>
<th>Pre-tax Income as a % of Revenues</th>
<th>MCO Share</th>
<th>HHSC Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 3%</td>
<td>100%</td>
<td>—%</td>
</tr>
<tr>
<td>&gt; 3% and ≤ 5%</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>&gt; 5% and ≤ 7%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>&gt; 7% and ≤ 9%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>&gt; 9% and ≤ 12%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>&gt; 12%</td>
<td>—%</td>
<td>100%</td>
</tr>
</tbody>
</table>

HHSC and the MCO will share the consolidated Net Income Before Taxes for its HHSC Programs as follows, unless HHSC provides the MCO an Experience Rebate Reward in accordance with Section 6, “Premium Payment Incentives and Disincentives,” and Uniform Managed Care Manual Chapter 6.2, “Financial Incentive Methodology”:

(1) The MCO will retain all the Net Income Before Taxes that is equal to or less than 3% of the total Revenues received by the MCO;

(2) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 3% and less than or equal to 5% of the total Revenues received, with 80% to the MCO and 20% to HHSC.

(3) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 5% and less than or equal to 7% of the total Revenues received, with 60% to the MCO and 40% to HHSC.

(4) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 7% and less than or equal to 9% of the total Revenues received, with 40% to the MCO and 60% to HHSC.

(5) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 9% and less than or equal to 12% of the total Revenues received, with 20% to the MCO and 80% to HHSC.

(6) HHSC will be paid the entire portion of the Net Income Before Taxes that exceeds 12% of the total Revenues.

(c) Net Income Before taxes.

(1) The MCO must compute the Net Income Before Taxes in accordance with applicable federal regulations and Uniform Managed Care Manual Chapter 6.1 “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and similar such instructions for other HHSC Programs. The Net Income Before Taxes will be confirmed by HHSC or its agent for the FSR Reporting Period relating to all Revenues and Allowable Expenses incurred pursuant to the Contract. HHSC reserves the right to modify the “Cost Principles for Expenses” and “FSR Instructions for Completion” found in the Uniform Managed Care Manual in accordance with Section 8.05, “Modification of the Uniform Managed Care Manual.”
(2) For purposes of calculating Net Income Before Taxes certain items are omitted from the calculation, as they are not Allowable Expenses; these include, but are not limited to:

(i) the payment of an Experience Rebate;
(ii) any interest expense associated with late or underpayment of the Experience Rebate;
(iii) financial incentives, including without limitation the Quality Challenge Award described in Attachment B-1, Section 6.3.2.3; and
(iv) financial disincentives, including without limitation: the Performance-based Capitation Rate described in Attachment B-1, Section 6.3.2.2; and the liquidated damages described in Attachment B-5.

See Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(3) Financial incentives will not be reduced by potential increased Experience Rebate payments. Financial disincentives will not be offset in whole or part by potential decreases in Experience Rebate payments.

(4) For FSR reporting purposes, financial incentives incurred must not be reported as an increase in Revenues or as an offset to costs, and any award of such will not increase reported income. Financial disincentives incurred must not be included as reported expenses, and must not reduce reported income. The reporting or recording of any of these incurred items will be done on a memo basis, which is below the income line, and will be listed as separate items.

(d) Carry forward of prior FSR Reporting Period losses.

(1) General.

Losses incurred on a Consolidated Basis for a given FSR Reporting Period may be carried forward to the next FSR Reporting Period, and applied as an offset against consolidated pre-tax net income for determination of any Experience Rebate due. Any such prior losses may be carried forward for the next two (2) contiguous FSR Reporting Periods.

In the case when a loss in a given FSR Reporting Period is carried forward and applied against profits in either or both of the next two (2) FSR Reporting Periods, the loss must first be applied against the first subsequent FSR Reporting Period such that the profit in the first subsequent FSR Reporting Period is reduced to a zero pre-tax income; any additional loss then remaining unapplied may be carried forward to any profit in the next subsequent FSR Reporting Period. In such case, the revised income in the third FSR Reporting Period would be equal to the cumulative income of the three (3) contiguous FSR Reporting Periods. In no case could the loss be carried forward to the fourth FSR Reporting Period or beyond.

Carrying forward of losses may be impacted by the Admin Cap; see Section 10.10.2 (f) below.

Losses incurred in the last or next-to-last FSR Reporting Period of a prior contiguous contract with HHSC may be carried forward up to two (2) FSR Reporting Periods into the first or potentially second FSR Reporting Period of this Contract, if such losses meet all other requirements of both the prior and current contracts.

(2) Basis of consolidation.

In order for a loss to be eligible for potential carry forward as an offset against future income, the MCO must have a negative Net Income Before Taxes for an FSR Reporting Period on a Consolidated Basis.

(e) Settlements for payment.

(1) There may be one (1) or more MCO payment(s) of the State share of the Experience Rebate on income generated for a given State Fiscal Year under the applicable Programs. The first scheduled payment (the “Primary Settlement”) will equal 100% of the State share of the Experience Rebate as derived from the FSR, and will be paid on the same day the 90-day FSR Report is submitted to HHSC.

The “Primary Settlement,” as utilized herein, refers strictly to what should be paid with the 90-day FSR, and does not refer to the first instance in which an MCO may tender a payment. For example, an MCO may submit a 90-day FSR indicating no Experience Rebate is due, but then submit a 334-day FSR with a higher income and a corresponding Experience Rebate payment. In such case, this initial payment would be subsequent to the Primary Settlement.
The next scheduled payment will be an adjustment to the Primary Settlement, if required, and will be paid on the same day that the 334-day FSR Report is submitted to HHSC if the adjustment is a payment from the MCO to HHSC. Section 10.10(f) describes the interest expenses associated with any payment after the Primary Settlement.

An MCO may make non-scheduled payments at any time to reduce the accumulation of interest under Section 10.10(f). For any nonscheduled payments prior to the 334-day FSR, the MCO is not required to submit a revised FSR, but is required to submit an Experience Rebate calculation form and an adjusted summary page of the FSR. The FSR summary page is labeled “Summary Income Statements (Dollars), All Coverage Groups Combined (FSR, Part I).”

(3) HHSC or its agent may audit or review the FSRs. If HHSC determines that corrections to the FSRs are required, based on an HHSC audit/review or other documentation acceptable to HHSC, then HHSC will make final adjustments. Any payment resulting from an audit or final adjustment will be due from the MCO within 30 days of the earlier of:

(i) the date of the management representation letter resulting from the audit; or
(ii) the date of any invoice issued by HHSC.

Payment within this 30-day timeframe will not relieve the MCO of any interest payment obligation that may exist under Section 10.10(f).

(4) In the event that any Experience Rebates and/or corresponding interest payments owed to the State are not paid by the required due dates, then HHSC may offset such amounts from any future Capitation Payments, or collect such sums directly from the MCO. HHSC may adjust the Experience Rebate if HHSC determines the MCO has paid amounts for goods or services that are not reasonable, necessary, or allowable in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and the Federal Acquisition Regulations (FAR), or other applicable federal or state regulations. HHSC has final authority in auditing and determining the amount of the Experience Rebate.

(f) Interest on Experience Rebate.

(1) Interest on any Experience Rebate owed to HHSC will be charged beginning 35 days after the due date of the Primary Settlement, as described in Section 10.10(e)(1). Thus, any Experience Rebate due or paid on or after the Primary Settlement will accrue interest starting at 35 days after the due date for the 90-day FSR Report. For example, any Experience Rebate payment(s) made in conjunction with the 334-day FSR, or as a result of audit findings, will accrue interest back to 35 days after the due-date for submission of the 90-day FSR.

The MCO has the option of preparing an additional FSR based on 120 days of claims run-out (a “120- day FSR”). If a 120-day FSR, and an Experience Rebate payment based on it, are received by HHSC before the interest commencement date above, then such a payment would be counted as part of the Primary Settlement.

(2) If an audit or adjustment determines a downward revision of income after an interest payment has previously been required for the same State Fiscal Year, then HHSC will recalculate the interest and, if necessary, issue a full or partial refund or credit to the MCO.

(3) Any interest obligations that are incurred pursuant to Section 10.10 that are not timely paid will be subject to accumulation of interest as well, at the same rate as applicable to the underlying Experience Rebate.

(4) All interest assessed pursuant to Section 10.10 will continue to accrue until such point as a payment is received by HHSC, at which point interest on the amount received will stop accruing. If a balance remains at that point that is subject to interest, then the balance will continue to accrue interest. If interim payments are made, then any interest that may be due will only be charged on amounts for the time period during which they remained unpaid. By way of example only, if $100,000 is subject to interest commencing on a given day, and a payment is received for $75,000 45 days after the start of interest, then the $75,000 will be subject to 45 days of interest, and the $25,000 balance will continue to accrue interest until paid. The accrual of interest as defined under Section 10.10(f) will not stop during any period of dispute. If a dispute is resolved in the MCO’s favor, then interest will only be assessed on the revised unpaid amount.
If the MCO incurs an interest obligation pursuant to Section 10.10 for an Experience Rebate payment HHSC will assess such interest at 12% per annum, compounded daily. If any interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

Any such interest expense incurred pursuant to Section 10.10 is not an Allowable Expense for reporting purposes on the FSR.

Section 10.10.1 This Section Intentionally Left Blank

Section 10.10.2 Administrative Expense Cap.

(a) General requirement.

The calculation methodology of Experience Rebates described in Section 10.10 will be adjusted by an Administrative Expense Cap (“Admin Cap.”) The Admin Cap is a calculated maximum amount of administrative expense dollars (corresponding to a given FSR) that can be deducted from Revenues for purposes of determining income subject to the Experience Rebate. While Administrative Expenses may be limited by the Admin Cap to determine Experience Rebates, all valid Allowable Expenses will continue to be reported on the Financial Statistical Reports (FSRs). Thus, the Admin Cap does not impact FSR reporting, but may impact any associated Experience Rebate calculation.

The calculation of any corresponding Experience Rebate due will be subject to limitations on total deductible administrative expenses.

Such limitations will be calculated as follows:

(b) Calculation methodology.

HHSC will determine the administrative expense component of the applicable Capitation Rate structure for each Program prior to each applicable Rate Period. At the conclusion of an FSR Reporting Period, HHSC will apply that predetermined administrative expense component against the MCO’s actually incurred number of Member Months and aggregate premiums received (monthly Capitation Payments plus any Delivery Supplemental Payments), to determine the specific Admin Cap, in aggregate dollars, for a given MCO.

If rates are changed during the FSR Reporting Period, HHSC will use this same methodology of multiplying the predetermined HHSC rates for a given month against the ultimate actual number of member months or Revenues that occurred during that month, such that HHSC will apply each month’s actual results against the rates that were in effect for that month.

(c) Data sources.

In determining the amount of Experience Rebate payment to include in the Primary Settlement (or in conjunction with any subsequent payment or settlement), the MCO will need to make the appropriate calculation, in order to assess the impact, if any, of the Admin Cap.

(1) The total premiums paid by HHSC (received by the MCO), and corresponding Member Months, will be taken from the relevant FSR (or audit report) for the FSR Reporting Period.

(2) There are two (2) components of the administrative expense portion of the Capitation Rate structure:
   (i) the percentage rate to apply against the total premiums paid (the “percentage of premium” within the administrative expenses), and,
   (ii) the dollar rate per Member Month (the “fixed amount” within the administrative expenses).

These will be taken from the supporting details associated with the official notification of final Capitation Rates, as supplied by HHSC. This notification is sent to the MCOs during the annual rate setting process via email, labeled as “the final rate exhibits for your health plan.” The email has one (1) or more spreadsheet files attached, which are particular to the given MCO. The spreadsheet(s) show the fixed amount and percentage of premium components for the administrative component of the Capitation Rate.
The components of the administrative expense portion of the Capitation Rate can also be found on HHSC’s Medicaid website, under “Rate Analysis for Managed Care Services.” Under each Program, there is a separate Rate Setting document for each Rate Period that describes the development of the Capitation Rates. Within each such document, there is a section entitled “Administrative Fees,” where it refers to “the amount allocated for administrative expenses.”

(3) In cases where the administrative expense portion of the Capitation Rate refers to “the greater of (a) [one (1) set of factors], and (b) [another set of factors],” then the Admin Cap will be calculated each way, and the larger of the two (2) results will be the Admin Cap utilized for the determination of any Experience Rebates due.

(d) Separate calculations, by FSR.

Each MCO will have a separate Admin Cap for each Program and each Service Area in which it participates. This will require calculating a separate Admin Cap corresponding to each FSR (for annual, or complete period, versions of FSRs only). All administrative expenses reported on an FSR in excess of the calculated corresponding Admin Cap will be subtracted from the total Allowable Expense in the Experience Rebate calculation of income for that Program and Service Area, subject to any consolidation or offset that may apply, as described in Section 10.10.2(e).

By way of example only, HHSC will calculate the Admin Cap for an FSR Reporting Period as follows:

(1) Multiply the predetermined administrative expense rate structure “fixed amount,” or dollar rate per Member Month (for example, $11.00), by the actual number of Member Months for the Program and Service Area during the Rate Period (for example, 70,000):
   • $11.00 x 70,000 = $770,000.

(2) Multiply the predetermined percent of premiums in the administrative expense rate structure (for example, 5.75%), by the actual aggregate premiums earned for the Program and Service Area during the Rate Period (for example, $6,000,000).
   • 5.75% x $6,000,000 = $345,000.

(3) Add the totals of items 1 and 2, plus applicable premium taxes and maintenance taxes (for example, $112,000), to determine the Admin Cap for the Program:
   • ($770,000 + $345,000) + $112,000 = $1,227,000.

In this example, $1,227,000 would be the Admin Cap for a single Program for an MCO in a particular FSR Reporting Period.

(e) Consolidation and offsets.

The Admin Cap will be first calculated individually by Program, and then totaled and applied on a Consolidated Basis. There will be one aggregate amount of dollars determined as the Admin Cap for each MCO, which will cover all of an MCO’s and its Affiliates’ Programs and Service Areas. This consolidated Admin Cap will be applied to the administrative expenses of the MCO on a Consolidated Basis. The net impact of the Admin Cap will be applied to the Experience Rebate calculation. Calculation details are provided in the applicable FSR Templates and FSR Instructions in the Uniform Managed Care Manual.

(f) Impact on Loss carry-forward.

For Experience Rebate calculation purposes, the calculation of any loss carry-forward, as described in Section 10.10(d), will be based on the allowable pre-tax loss as determined under the Admin Cap.

(g) MCOs entering a Service Delivery Area or Program.

If an MCO enters a new Service Area or offers a Program that it did not offer under a previous contract, it may be exempt from the Admin Cap for those Service Areas and Programs for a period of time to be determined by HHSC, up through the first FSR Reporting Period or portion thereof.

(h) Service Delivery Areas with only one (1) MCO in a Program.

In Service Areas operating with only one (1) MCO for a Program, HHSC may, at its sole discretion, revise the Admin Cap if its application would create an undue hardship on the MCO.

(i) Unforeseen events.
If, in HHSC’s sole discretion, it determines that unforeseen events have created significant hardships for one (1) or more MCOs, HHSC may revise or temporarily suspend the Admin Cap as it deems necessary.

Section 10.10.3 Reinsurance Cap

Beginning with FSR Reporting Period 12/13, the MCO is subject to the Reinsurance Cap. Reinsurance is reported on HHSC’s FSR report format as: 1) gross reinsurance premiums paid, and 2) reinsurance recoveries received. The premiums paid are treated as a part of medical expenses, and the recoveries received are treated as an offset to those medical expenses (also known as a contra-cost). The net of the gross premiums paid minus the recoveries received is called the net reinsurance cost. The net reinsurance cost, as measured in aggregate dollars over the FSR Reporting Period, divided by the number of member-months for that same period, is referred to as the net reinsurance cost per-member-per-month (PMPM).

The MCO will be limited to a maximum amount of net reinsurance cost PMPM for purposes of calculating the pre-tax net income that is subject to the Experience Rebate. This limitation does not impact an MCO’s ability to purchase or arrange for reinsurance. It only impacts what is factored into the Experience Rebate calculation. The maximum amount of allowed net reinsurance cost PMPM (Reinsurance Cap) varies by MCO Program, and is equal to 110% of the net reinsurance cost PMPM contained in the Capitation Rates for the Program during the FSR Reporting Period.

Regardless of the maximum amounts as represented by the Reinsurance Cap, all reinsurance reported on the FSR is subject to audit, and must comply with the UMCM Cost Principles.

Section 10.11 Restriction on assignment of fees.

During the term of the Contract, MCO may not, directly or indirectly, assign to any third party any beneficial or legal interest of the MCO in or to any payments to be made by HHSC pursuant to this Contract. This restriction does not apply to fees the MCO pays to Subcontractors for the performance of the Scope of Work.

Section 10.12 Liability for taxes.

HHSC is not responsible in any way for the payment of any Federal, state or local taxes related to or incurred in connection with the MCO’s performance of this Contract. MCO must pay and discharge any and all such taxes, including any penalties and interest. In addition, HHSC is exempt from Federal excise taxes, and will not pay any personal property taxes or income taxes levied on MCO or any taxes levied on employee wages.

Section 10.13 Liability for employment-related charges and benefits.

MCO will perform work under this Contract as an independent contractor and not as agent or representative of HHSC. MCO is solely and exclusively liable for payment of all employment-related charges incurred in connection with the performance of this Contract, including but not limited to salaries, benefits, employment taxes, workers compensation benefits, unemployment insurance and benefits, and other insurance or fringe benefits for Staff.

Section 10.14 No additional consideration.

(a) MCO will not be entitled to nor receive from HHSC any additional consideration, compensation, salary, wages, charges, fees, costs, or any other type of remuneration for Services and Deliverables provided under the Contract, except by properly authorized and executed Contract amendments.

(b) No other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services and Deliverables due under the Agreement.

(c) MCO will not be entitled by virtue of the Contract to consideration in the form of overtime, health insurance benefits, retirement benefits, disability retirement benefits, sick leave, vacation time, paid holidays, or other paid leaves of absence of any type or kind whatsoever.

Section 10.15 Federal Disallowance

If the federal government recoups money from the state for expenses and/or costs that are deemed unallowable by the federal government, the state has the right to, in turn, recoup payments made to the MCOs for these same expenses and/or costs, even if they had not been previously disallowed by the state and were incurred by the MCO, and any such expenses and/or costs would then be deemed unallowable by the state. If the state retroactively recoups money from the MCOs due to a federal
disallowance, the state will recoup the entire amount paid to the MCO for the federally disallowed expenses and/or costs, not just the federal portion.

Section 10.16 Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products

The capitation rates do not include the costs of Medicaid wrap-around services for outpatient drugs and biological products for STAR+PLUS Members, as described in Attachment B-1, Section 8.2.13.1.

HHSC will make supplemental payments to the MCO for these Medicaid wrap-around services, based on encounter data received by HHSC’s Administrative Services Contractor during an encounter reporting period. The first supplemental payment will cover encounter data received from March 1, 2012, to February 28, 2013. Thereafter, supplemental payments will cover six-month encounter reporting periods. HHSC will make supplemental payments within a reasonable amount of time after the encounter reporting period, generally no later than 95 calendar days after HHSC’s Administrative Services Contractor has processed the encounter data. Supplemental payments will be limited to the actual amounts paid to pharmacy providers for these Medicaid wrap-around services, as represented in “Net Amount Due” field (Field 281) on the National Council for Prescription Drug Programs (NCPDP) encounter transaction. To be eligible for reimbursement, encounters must contain a Financial Arrangement Code “14” in the “Line of Business” field (Field 270) on the NCPDP encounter transaction.

Section 10.17 Pass-through Payments for Provider Rate Increases

The capitation rates do not include the costs of federally-mandated provider rate increases, per PPACA as amended by Section 1202 of the Health Care and Education Reconciliation Act. HHSC will make supplemental payments to the MCO for these rate increases, and the MCO will pass through the full amount of the supplemental payments to qualified providers no later than 30 calendar days after receipt of HHSC’s supplemental payment report, contingent upon the receipt of HHSC’s payment allocation. Additional information regarding these requirements is located in Attachment B-1, Section 8.2.16, “Supplemental Payments for Qualified Providers.”

Article 11. Disclosure & Confidentiality of Information

Section 11.01 Confidentiality.

(a) MCO and all Subcontractors, consultants, or agents may under the Contract must treat all information that is obtained through performance of the Services under the Contract, including, but not limited to, information relating to applicants or recipients of HHSC Programs, as Confidential Information to the extent that confidential treatment is provided under state and federal law, rules, and regulations.
(b) MCO is responsible for understanding the degree to which information obtained through performance of this Contract is confidential under State and Federal law, rules, and regulations.
(c) MCO and all Subcontractors, consultants, or agents may not use any information obtained through performance of this Contract in any manner except as is necessary for the proper discharge of obligations and securing of rights under the Contract.
(d) MCO must have a system in effect to protect all records and all other documents deemed confidential under this Contract that are maintained in connection with the activities funded under the Contract. Any disclosure or transfer of Confidential Information by MCO, including information required by HHSC, will be in accordance with applicable law. If the MCO receives a request for information deemed confidential under this Contract, the MCO will immediately notify HHSC of such request, and will make reasonable efforts to protect the information from public disclosure.
(e) In addition to the requirements expressly stated in this Section, MCO must comply with any policy, rule, or reasonable requirement of HHSC that relates to the safeguarding or disclosure of information relating to Members, MCO's operations, or MCO's performance of the Contract.
(f) In the event of the expiration of the Contract or termination of the Contract for any reason, all Confidential Information disclosed to and all copies thereof made by the MCOI must be returned to HHSC or, at HHSC's option, erased or destroyed. MCO must provide HHSC certificates evidencing such destruction.
(g) The obligations in this Section must not restrict any disclosure by the MCO pursuant to any applicable law, or by order of any court or government agency, provided that the MCO must give prompt notice to HHSC of such order.
(h) With the exception of confidential Member information, Confidential Information must not be afforded the protection of the Contract if such data was:
   (1) Already known to the receiving Party without restrictions at the time of its disclosure by the furnishing Party;
   (2) Independently developed by the receiving Party without reference to the furnishing Party's Confidential Information;
Section 11.02 Disclosure of HHSC’s Confidential Information.

(a) MCO will immediately report to HHSC any and all unauthorized disclosures or uses of HHSC’s Confidential Information of which it or its Subcontractors, consultants, or agents is aware or has knowledge. MCO acknowledges that any publication or disclosure of HHSC’s Confidential Information to others may cause immediate and irreparable harm to HHSC and may constitute a violation of State or federal laws. If MCO, its Subcontractors, consultants, or agents should publish or disclose such Confidential Information to others without authorization, HHSC will immediately be entitled to injunctive relief or any other remedies to which it is entitled under law or equity. HHSC will have the right to recover from MCO all damages and liabilities caused by or arising from MCO’s, its Subcontractors’, consultants’, or agents’ failure to protect HHSC’s Confidential Information. MCO will defend with counsel approved by HHSC, indemnify and hold harmless HHSC from all damages, costs, liabilities, and expenses caused by or arising from MCO’s or its Subcontractors’, consultants’ or agents’ failure to protect HHSC’s Confidential Information. HHSC will not unreasonably withhold approval of counsel selected by the MCO.

(b) MCO will require its Subcontractors, consultants, and agents to comply with the terms of this provision.

Section 11.03 Member Records

(a) MCO must comply with the requirements of state and federal laws, including the HIPAA requirements set forth in Section 7.07, regarding the transfer of Member Records.

(b) If at any time during the Contract Term this Contract is terminated, HHSC may require the transfer of Member Records, upon written notice to MCO, to another entity, as consistent with federal and state laws and applicable releases.

(c) The term “Member Record” for this Section means only those administrative, enrollment, case management and other such records maintained by MCO and is not intended to include patient records maintained by participating Network Providers.

Section 11.04 Requests for public information.

(a) When the MCO produces reports or other forms of information that the MCO believes consist of proprietary or otherwise confidential information, the MCO must clearly mark such information as confidential information or provide written notice to HHSC that it considers the information confidential.

(b) If HHSC receives a request, filed in accordance with the Texas Public Information Act (“Act,”) seeking information that has been identified by the MCO as proprietary or otherwise confidential, HHSC will deliver a copy of the request for public information to MCO, in accordance with the requirements of the Act.

(c) With respect to any information that is the subject of a request for disclosure, MCO is required to demonstrate to the Texas Office of Attorney General the specific reasons why the requested information is confidential or otherwise excepted from required public disclosure under law. MCO will provide HHSC with copies of all such communications.

Section 11.05 Privileged Work Product.

(a) MCO acknowledges that HHSC asserts that privileged work product may be prepared in anticipation of litigation and that MCO is performing the Services with respect to privileged work product as an agent of HHSC, and that all matters related thereto are protected from disclosure by the Texas Rules of Civil Procedure, Texas Rules of Evidence, Federal Rules of Civil Procedure, or Federal Rules of Evidence.

(b) HHSC will notify MCO of any privileged work product to which MCO has or may have access. After the MCO is notified or otherwise becomes aware that such documents, data, database, or communications are privileged work product, only MCO personnel, for whom such access is necessary for the purposes of providing the Services, may have access to privileged work product.

(c) If MCO receives notice of any judicial or other proceeding seeking to obtain access to HHSC’s privileged work product, MCO will:

(1) Immediately notify HHSC; and

(2) Use all reasonable efforts to resist providing such access.

(d) If MCO resists disclosure of HHSC’s privileged work product in accordance with this Section, HHSC will, to the extent authorized under Civil Practices and Remedies Code or other applicable State law, have the right and duty to:

(1) Represent MCO in such resistance;

(2) Retain counsel to represent MCO; or

(3) Reimburse MCO for reasonable attorneys’ fees and expenses incurred in resisting such access.
If a court of competent jurisdiction orders MCO to produce documents, disclose data, or otherwise breach the confidentiality obligations imposed in the Contract, or otherwise with respect to maintaining the confidentiality, proprietary nature, and secrecy of privileged work product, MCO will not be liable for breach of such obligation.

Section 11.06 Unauthorized acts.

Each Party agrees to:
(1) Notify the other Party promptly of any unauthorized possession, use, or knowledge, or attempt thereof, by any person or entity that may become known to it, of any HHSC Confidential Information or any information identified by the MCO as confidential or proprietary;
(2) Promptly furnish to the other Party full details of the unauthorized possession, use, or knowledge, or attempt thereof, and use reasonable efforts to assist the other Party in investigating or preventing the reoccurrence of any unauthorized possession, use, or knowledge, or attempt thereof, of Confidential Information;
(3) Cooperate with the other Party in any litigation and investigation against third Parties deemed necessary by such Party to protect its proprietary rights; and
(4) Promptly prevent a reoccurrence of any such unauthorized possession, use, or knowledge such information.

Section 11.07 Legal action.

Neither party may commence any legal action or proceeding in respect to any unauthorized possession, use, or knowledge, or attempt thereof by any person or entity of HHSC’s Confidential Information or information identified by the MCO as confidential or proprietary, which action or proceeding identifies the other Party’s information without such Party’s consent.

Section 11.08 Information Security

The HMO and all Subcontractors, consultants, or agents must comply with all applicable laws, rules, and regulations regarding information security, including without limitation the following:
(1) Health and Human Services Enterprise Information Security Standards and Guidelines;
(2) Title 1, Sections 202.1 and 202.3 through 202.28, Texas Administrative Code;
(3) The Health Insurance Portability and Accountability Act of 1996 (HIPAA); and
(4) The Health Information Technology for Economic and Clinical Health Act (HITECH Act).

Article 12. Remedies & Disputes

Section 12.01 Understanding and expectations.

The remedies described in this Section are directed to MCO’s timely and responsive performance of the Services and production of Deliverables, and the creation of a flexible and responsive relationship between the Parties. The MCO is expected to meet or exceed all HHSC objectives and standards, as set forth in the Contract. All areas of responsibility and all Contract requirements will be subject to performance evaluation by HHSC. Performance reviews may be conducted at the discretion of HHSC at any time and may relate to any responsibility and/or requirement. Any and all responsibilities and/or requirements not fulfilled may be subject to the remedies set forth in the Contract.

Section 12.02 Tailored remedies.

(a) Understanding of the Parties.
MCO agrees and understands that HHSC may pursue tailored contractual remedies for noncompliance with the Contract. At any time and at its discretion, HHSC may impose or pursue one (1) or more remedies for each item of noncompliance and will determine remedies on a case-by-case basis. HHSC’s pursuit or non-pursuit of a tailored remedy does not constitute a waiver of any other remedy that HHSC may have at law or equity.

(b) Notice and opportunity to cure for non-material breach.

(1) HHSC will notify MCO in writing of specific areas of MCO performance that fail to meet performance expectations, standards, or schedules set forth in the Contract, but that, in the determination of HHSC, do not result in a material deficiency or delay in the implementation or operation of the Services.
(2) MCO will, within five (5) Business Days (or another date approved by HHSC) of receipt of written notice of a non-material deficiency, provide the HHSC Project Manager a written response that:
   (i) Explains the reasons for the deficiency, MCO’s plan to address or cure the deficiency, and the date and time by which the deficiency will be cured; or
   (ii) If MCO disagrees with HHSC’s findings, its reasons for disagreeing with HHSC’s findings.
MCO’s proposed cure of a non-material deficiency is subject to the approval of HHSC. MCO’s repeated commission of non-material deficiencies or repeated failure to resolve any such deficiencies may be regarded by HHSC as a material deficiency and entitle HHSC to pursue any other remedy provided in the Contract or any other appropriate remedy HHSC may have at law or equity.

(c) Corrective action plan.

(1) At its option, HHSC may require MCO to submit to HHSC a written plan (the “Corrective Action Plan”) to correct or resolve a material breach of this Contract, as determined by HHSC.

(2) The Corrective Action Plan must provide:
   (i) A detailed explanation of the reasons for the cited deficiency;
   (ii) MCO’s assessment or diagnosis of the cause; and
   (iii) A specific proposal to cure or resolve the deficiency.

(3) The Corrective Action Plan must be submitted by the deadline set forth in HHSC’s request for a Corrective Action Plan. The Corrective Action Plan is subject to approval by HHSC, which will not unreasonably be withheld.

(4) HHSC will notify MCO in writing of HHSC’s final disposition of HHSC’s concerns. If HHSC accepts MCO’s proposed Corrective Action Plan, HHSC may:
   (i) Condition such approval on completion of tasks in the order or priority that HHSC may reasonably prescribe;
   (ii) Disapprove portions of MCO’s proposed Corrective Action Plan; or
   (iii) Require additional or different corrective action(s).

Notwithstanding the submission and acceptance of a Corrective Action Plan, MCO remains responsible for achieving all written performance criteria.

(5) HHSC’s acceptance of a Corrective Action Plan under this Section will not:
   (i) Excuse MCO’s prior substandard performance;
   (ii) Relieve MCO of its duty to comply with performance standards; or
   (iii) Prohibit HHSC from assessing additional tailored remedies or pursuing other appropriate remedies for continued substandard performance.

(d) Administrative remedies.

(1) At its discretion, HHSC may impose one (1) or more of the following remedies for each item of material noncompliance and will determine the scope and severity of the remedy on a case-by-case basis:
   (i) Assess liquidated damages in accordance with Attachment B-3, “Liquidated Damages Matrix;”
   (ii) Conduct accelerated monitoring of the MCO. Accelerated monitoring includes more frequent or more extensive monitoring by HHSC or its agent;
   (iii) Require additional, more detailed, financial and/or programmatic reports to be submitted by MCO;
   (iv) Require additional and/or more detailed financial and/or programmatic audits or other reviews of the MCO;
   (v) Decline to renew or extend the Contract;
   (vi) Appoint temporary management under the circumstances described in 42 C.F.R. §438.706;
   (vii) Initiate disenrollment of a Member or Members;
   (viii) Suspend enrollment of Members;
   (ix) Withhold or recoup payment to MCO;
   (x) Require forfeiture of all or part of the MCO’s bond; or
   (xi) Terminate the Contract in accordance with Section 12.03, “Termination by HHSC.”

(2) For purposes of the Contract, an item of material noncompliance means a specific action of MCO that:
   (i) Violates a material provision of the Contract;
   (ii) Fails to meet an agreed measure of performance; or
   (iii) Represents a failure of MCO to be reasonably responsive to a reasonable request of HHSC relating to the Scope of Work for information, assistance, or support within the timeframe specified by HHSC.

(3) HHSC will provide notice to MCO of the imposition of an administrative remedy in accordance with this Section, with the exception of accelerated monitoring, which may be unannounced. HHSC may require MCO to file a written response in accordance with this Section.

(4) The Parties agree that a State or Federal statute, rule, regulation, or Federal guideline will prevail over the provisions of this Section unless the statute, rule, regulation, or guidelines can be read together with this Section to give effect to both.

(e) Damages.

(1) HHSC will be entitled to monetary damages in the form of actual, consequential, direct, indirect, special, and/or liquidated damages resulting from Contractor’s Breach of this Agreement. In some cases, the actual damage to HHSC or State of Texas as a result of MCO’s failure to meet any aspect of the responsibilities of the Contract and/or to meet specific performance standards set forth in the Contract are difficult or impossible to determine with precise
accuracy. Therefore, liquidated damages will be assessed in writing against and paid by the MCO in for failure to meet any aspect of the responsibilities of the Contract and/or to meet the specific performance standards identified by the HHSC in Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Liquidated damages will be assessed if HHSC determines such failure is the fault of the MCO (including the MCO’S Subcontractors, agents and/or consultants) and is not materially caused or contributed to by HHSC or its agents. If at any time HHSC determines the MCO has not met any aspect of the responsibilities of the Contract and/or the specific performance standards due to mitigating circumstances, HHSC reserves the right to waive all or part of the liquidated damages. All such waivers must be in writing, contain the reasons for the waiver, and be signed by the appropriate executive of HHSC.

(2) The liquidated damages prescribed in this Section are not intended to be in the nature of a penalty, but are intended to be reasonable estimates of HHSC’s projected financial loss and damage resulting from the MCO’s nonperformance, including financial loss as a result of project delays. Accordingly, in the event MCO fails to perform in accordance with the Contract, HHSC may assess liquidated damages as provided in this Section.

(3) If MCO fails to perform any of the Services described in the Contract, HHSC may assess liquidated damages for each occurrence of a liquidated damages event, to the extent consistent with HHSC’s tailored approach to remedies and Texas law.

(4) HHSC may elect to collect liquidated damages:
   (i) Through direct assessment and demand for payment delivered to MCO; or
   (ii) By deduction of amounts assessed as liquidated damages as set-off against payments then due to MCO or that become due at any time after assessment of the liquidated damages. HHSC will make deductions until the full amount payable by the MCO is collected by HHSC.

(f) Equitable Remedies
   (1) MCO acknowledges that, if MCO breaches (or attempts or threatens to breach) its material obligation under this Contract, HHSC may be irreparably harmed. In such a circumstance, HHSC may proceed directly to court to pursue equitable remedies.
   (2) If a court of competent jurisdiction finds that MCO breached (or attempted or threatened to breach) any such obligations, MCO agrees that without any additional findings of irreparable injury or other conditions to injunctive relief, it will not oppose the entry of an appropriate order compelling performance by MCO and restraining it from any further breaches (or attempted or threatened breaches).

(g) Suspension of Contract
   (1) HHSC may suspend performance of all or any part of the Contract if:
      (i) HHSC determines that MCO has committed a material breach of the Contract;
      (ii) HHSC has reason to believe that MCO has committed, or assisted in the commission of, Fraud, Abuse, Waste, malfeasance, misfeasance, or nonfeasance by any party concerning the Contract;
      (iii) HHSC determines that the MCO knew, or should have known, of Fraud, Abuse, Waste, malfeasance, or nonfeasance by any party concerning the Contract, and the MCO failed to take appropriate action; or
      (iv) HHSC determines that suspension of the Contract in whole or in part is in the best interests of the State of Texas or the HHSC Programs.
   (2) HHSC will notify MCO in writing of its intention to suspend the Contract in whole or in part. Such notice will:
      (i) Be delivered in writing to MCO;
      (ii) Include a concise description of the facts or matter leading to HHSC’s decision; and
      (iii) Unless HHSC is suspending the contract for convenience, request a Corrective Action Plan from MCO or describe actions that MCO may take to avoid the contemplated suspension of the Contract.

Section 12.03 Termination by HHSC.

This Contract will terminate upon the Expiration Date. In addition, prior to completion of the Contract Term, all or a part of this Contract may be terminated for any of the following reasons:
(a) Termination in the best interest of HHSC.
HHSC may terminate the Contract without cause at any time when, in its sole discretion, HHSC determines that termination is in the best interests of the State of Texas. HHSC will provide reasonable advance written notice of the termination, as it deems appropriate under the circumstances. The termination will be effective on the date specified in HHSC’s notice of termination.
(b) Termination for cause.
HHSC reserves the right to terminate this Contract, in whole or in part, upon the following conditions:
   (1) Assignment for the benefit of creditors, appointment of receiver, or inability to pay debts.
   HHSC may terminate this Contract at any time if MCO:
      (i) Makes an assignment for the benefit of its creditors;
      (ii) Admits in writing its inability to pay its debts generally as they become due; or
      (iii) Consents to the appointment of a receiver, trustee, or liquidator of MCO or of all or any part of its property.


(2) Failure to adhere to laws, rules, ordinances, or orders. HHSC may terminate this Contract if a court of competent jurisdiction finds MCO failed to adhere to any laws, ordinances, rules, regulations or orders of any public authority having jurisdiction and such violation prevents or substantially impairs performance of MCO’s duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

(3) Breach of confidentiality. HHSC may terminate this Contract at any time if MCO breaches confidentiality laws with respect to the Services and Deliverables provided under this Contract.

(4) Failure to maintain adequate personnel or resources. HHSC may terminate this Contract if, after providing notice and an opportunity to correct, HHSC determines that MCO has failed to supply personnel or resources and such failure results in MCO’s inability to fulfill its duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

(5) Termination for gifts and gratuities.
   (i) HHSC may terminate this Contract at any time following the determination by a competent judicial or quasi-judicial authority and MCO’s exhaustion of all legal remedies that MCO, its employees, agents or representatives have either offered or given any thing of value to an officer or employee of HHSC or the State of Texas in violation of state law.
   (ii) MCO must include a similar provision in each of its Subcontracts and must enforce this provision against a Subcontractor who has offered or given any thing of value to any of the persons or entities described in this Section, whether or not the offer or gift was in MCO’s behalf.
   (iii) Termination of a Subcontract by MCO pursuant to this provision will not be a cause for termination of the Contract unless:
         (a) MCO fails to replace such terminated Subcontractor within a reasonable time; and
         (b) Such failure constitutes cause, as described in this Subsection 12.03(b).
   (iv) For purposes of this Section, a “thing of value” means any item of tangible or intangible property that has a monetary value of more than $50.00 and includes, but is not limited to, cash, food, lodging, entertainment, and charitable contributions. The term does not include contributions to holders of public office or candidates for public office that are paid and reported in accordance with state and/or federal law.

(6) Termination for non-appropriation of funds. Notwithstanding any other provision of this Contract, if funds for the continued fulfillment of this Contract by HHSC are at any time not forthcoming or are insufficient, through failure of any entity to appropriate funds or otherwise, then HHSC will have the right to terminate this Contract at no additional cost and with no penalty whatsoever by giving prior written notice documenting the lack of funding. HHSC will provide at least 30 days advance written notice of such termination. HHSC will use reasonable efforts to ensure appropriated funds are available.

(7) Judgment and execution.
   (i) HHSC may terminate the Contract at any time if judgment for the payment of money in excess of $500,000.00 that is not covered by insurance, is rendered by any court or governmental body against MCO, and MCO does not:
         (a) Discharge the judgment or provide for its discharge in accordance with the terms of the judgment;
         (b) Procure a stay of execution of the judgment within 30 days from the date of entry thereof; or
         (c) Perfect an appeal of such judgment and cause the execution of such judgment to be stayed during the appeal, providing such financial reserves as may be required under generally accepted accounting principles.
   (ii) If a writ or warrant of attachment or any similar process is issued by any court against all or any material portion of the property of MCO, and such writ or warrant of attachment or any similar process is not released or bonded within 30 days after its entry, HHSC may terminate the Contract in accordance with this Section.

(8) Termination for insolvency.
   (i) HHSC may terminate the Contract at any time if MCO:
         (a) Files for bankruptcy;
         (b) Becomes or is declared insolvent, or is the subject of any proceedings related to its liquidation, insolvency, or the appointment of a receiver or similar officer for it;
         (c) Makes an assignment for the benefit of all or substantially all of its creditors; or
         (d) Enters into a contract for the composition, extension, or readjustment of substantially all of its obligations.
   (ii) MCO agrees to pay for all reasonable expenses of HHSC including the cost of counsel, incident to:
(a) The enforcement of payment of all obligations of the MCO by any action or participation in, or in connection with a case or proceeding under Chapters 7, 11, or 13 of the United States Bankruptcy Code, or any successor statute;
(b) A case or proceeding involving a receiver or other similar officer duly appointed to handle the MCO's business; or
(c) A case or proceeding in a State court initiated by HHSC when previous collection attempts have been unsuccessful.

(9) Termination for Criminal Conviction
HHSC will have the right to terminate the Contract in whole or in part, or require the replacement of a Material Subcontractor, if the MCO or a Material Subcontractor is convicted of a criminal offense in a state or federal court:
(i) Related to the delivery of an item or service;
(ii) Related to the neglect or abuse of patients in connection with the delivery of an item or service;
(iii) Consisting of a felony related to fraud, theft, embezzlement, breach of fiduciary responsibility, or other financial misconduct, or
(iv) resulting in a penalty or fine in the amount of $500,000 or more in a state or federal administrative proceeding.

(10) Termination for MCO's material breach of the Contract.
HHSC will have the right to terminate the Contract in whole or in part if HHSC determines, at its sole discretion, that MCO has materially breached the Contract. HHSC will provide at least 30 days advance written notice of such termination, unless HHSC in its reasonable determination finds that a shorter notice period is warranted.

Section 12.04 Termination by MCO.

(a) Failure to pay.
MCO may terminate this Contract if HHSC fails to pay the MCO undisputed charges when due as required under this Contract. Retaining premium, recoupment, sanctions, or penalties that are allowed under this Contract or that result from the MCO’s failure to perform or the MCO’s default under the terms of this Contract is not cause for termination. Termination for failure to pay does not release HHSC from the obligation to pay undisputed charges for services provided prior to the termination date.

If HHSC fails to pay undisputed charges when due, then the MCO may submit a notice of intent to terminate for failure to pay in accordance with the requirements of Subsection 12.04(d). If HHSC pays all undisputed amounts then due within 30 days after receiving the notice of intent to terminate, the MCO cannot proceed with termination of the Contract under this Article.

(b) Change to HHSC Uniform Managed Care Manual.
MCO may terminate this agreement if the Parties are unable to resolve a dispute concerning a material and substantive change to the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). MCO must submit a notice of intent to terminate due to a material and substantive change in the Uniform Managed Care Manual no later than 30 days after the effective date of the policy change. HHSC will not enforce the policy change for the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(c) Change to Capitation Rate.
If HHSC proposes a modification to the Capitation Rate that is unacceptable to the MCO, the MCO may terminate the Contract. MCO must submit a written notice of intent to terminate due to a change in the Capitation Rate no later than 30 days after HHSC’s notice of the proposed change. HHSC will not enforce the rate change against the MCO during the period of time between the receipt of the notice of intent to terminate and the effective date of termination.

(d) Notice of intent to terminate.
In order to terminate the Contract pursuant to this Section, MCO must give HHSC at least 90 days written notice of intent to terminate. The termination date will be calculated as the last day of the month following 90 days from the date the notice of intent to terminate is received by HHSC.

Section 12.05 Termination by mutual agreement.

This Contract may be terminated by mutual written agreement of the Parties.

Section 12.06 Effective date of termination.

Except as otherwise provided in this Contract, termination will be effective as of the date specified in the notice of termination.

Section 12.07 Extension of termination effective date.
The Parties may extend the effective date of termination one (1) or more times by mutual written agreement.

Section 12.08 Payment and other provisions at Contract termination.

(a) In the event of termination pursuant to this Article, HHSC will pay the Capitation Payment for Services and Deliverables rendered through the effective date of termination. All pertinent provisions of the Contract will form the basis of settlement.
(b) MCO must provide HHSC all reasonable access to records, facilities, and documentation as is required to efficiently and expeditiously close out the Services and Deliverables provided under this Contract.
(c) MCO must prepare a Turnover Plan, which is acceptable to and approved by HHSC. The Turnover Plan will be implemented during the time period between receipt of notice and the termination date, in accordance with Attachment B-1, RFP Section 9.

Section 12.09 Modification of Contract in the event of remedies.

HHSC may propose a modification of this Contract in response to the imposition of a remedy under this Article. Any modifications under this Section must be reasonable, limited to the matters causing the exercise of a remedy, in writing, and executed in accordance with Article 8, “Amendments and Modifications.” MCO must negotiate such proposed modifications in good faith.

Section 12.10 Turnover assistance.

Upon receipt of notice of termination of the Contract by HHSC, MCO will provide any turnover assistance reasonably necessary to enable HHSC or its designee to effectively close out the Contract and move the work to another vendor or to perform the work itself.

Section 12.11 Rights upon termination or expiration of Contract.

In the event that the Contract is terminated for any reason, or upon its expiration, HHSC will, at HHSC's discretion, retain ownership of any and all associated work products, Deliverables and/or documentation in whatever form that they exist.

Section 12.12 MCO responsibility for associated costs.

If HHSC terminates the Contract for Cause, the MCO will be responsible to HHSC for all reasonable costs incurred by HHSC, the State of Texas, or any of its administrative agencies to replace the MCO. These costs include, but are not limited to, the costs of procuring a substitute vendor and the cost of any claim or litigation that is reasonably attributable to MCO’s failure to perform any Service in accordance with the terms of the Contract.

Section 12.13 Dispute resolution.

(a) General agreement of the Parties.

The Parties mutually agree that the interests of fairness, efficiency, and good business practices are best served when the Parties employ all reasonable and informal means to resolve any dispute under this Contract. The Parties express their mutual commitment to using all reasonable and informal means of resolving disputes prior to invoking a remedy provided elsewhere in this Section.

(b) Duty to negotiate in good faith.

Any dispute that in the judgment of any Party to this Contract may materially or substantially affect the performance of any Party will be reduced to writing and delivered to the other Party. The Parties must then negotiate in good faith and use every reasonable effort to resolve such dispute and the Parties must not resort to any formal proceedings unless they have reasonably determined that a negotiated resolution is not possible. The resolution of any dispute disposed of by Contract between the Parties must be reduced to writing and delivered to all Parties within ten (10) Business Days.

(c) Claims for breach of Contract.

(i) General requirement. MCO’s claim for breach of this Contract will be resolved in accordance with the dispute resolution process established by HHSC in accordance with Chapter 2260, Texas Government Code.

(ii) Negotiation of claims. The Parties expressly agree that the MCO’s claim for breach of this Contract that the Parties cannot resolve in the ordinary course of business or through the use of all reasonable and informal means will be submitted to the negotiation process provided in Chapter 2260, Subchapter B, Texas Government Code.

(i) To initiate the process, MCO must submit written notice to HHSC that specifically states that MCO invokes the provisions of Chapter 2260, Subchapter B, Texas Government Code. The notice must comply with the requirements of Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.
(ii) The Parties expressly agree that the MCO’s compliance with Chapter 2260, Subchapter B, Texas Government Code, will be a condition precedent to the filing of a contested case proceeding under Chapter 2260, Subchapter C, of the Texas Government Code.

(3) Contested case proceedings. The contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be MCO’s sole and exclusive process for seeking a remedy for any and all alleged breaches of contract by HHSC if the Parties are unable to resolve their disputes under Subsection (c)(2) of this Section.

The Parties expressly agree that compliance with the contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be a condition precedent to seeking consent to sue from the Texas Legislature under Chapter 107, Civil Practices & Remedies Code. Neither the execution of this Contract by HHSC nor any other conduct of any representative of HHSC relating to this Contract will be considered a waiver of HHSC’s sovereign immunity to suit.

(4) HHSC rules. The submission, processing and resolution of MCO’s claim is governed by the rules adopted by HHSC pursuant to Chapter 2260, Texas Government Code, found at Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.

(5) MCO’s duty to perform. Neither the occurrence of an event constituting an alleged breach of contract nor the pending status of any claim for breach of contract is grounds for the suspension of performance, in whole or in part, by MCO of any duty or obligation with respect to the performance of this Contract. Any changes to the Contract as a result of a dispute resolution will be implemented in accordance with Article 8, “Amendments and Modifications.”

Section 12.14 Liability of MCO.

(a) MCO bears all risk of loss or damage to HHSC or the State due to:
   (1) Defects in Services or Deliverables;
   (2) Unfitness or obsolescence of Services or Deliverables; or
   (3) The negligence or intentional misconduct of MCO or its employees, agents, consultants, Subcontractors, or representatives.

(b) MCO must, at the MCO’s own expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC and State employees, officers, directors, contractors and agents from and against any losses, liabilities, damages, penalties, costs, fees, and expenses from any claim or action for property damage, bodily injury or death, to the extent caused by or arising from the negligence or intentional misconduct of the MCO and its employees, officers, agents, consultants, or Subcontractors. HHSC will not unreasonably withhold approval of counsel selected by MCO.

(c) MCO will not be liable to HHSC for any loss, damages or liabilities attributable to or arising from the failure of HHSC or any state agency to perform a service or activity in connection with this Contract.

Section 12.15 Pre-termination Process.

The following process will apply when HHSC terminates the Agreement for any reason set forth in Section 12.03(b), “Termination for Cause,” other than Subpart 6, “Termination for Non-appropriation of Funds.” HHSC will provide the MCO with reasonable advance written notice of the proposed termination, as it deems appropriate under the circumstances. The notice will include the reason for the proposed termination, the proposed effective date of the termination, and the time and place where the parties will meet regarding the proposed termination. During this meeting, the MCO may present written information explaining why HHSC should not affirm the proposed termination. HHSC’s Associate Commissioner for Medicaid and CHIP will consider the written information, if any, and will provide the MCO with a written notice of HHSC’s final decision affirming or reversing the termination. An affirming decision will include the effective date of termination.

The pre-termination process described herein will not limit or otherwise reduce the parties’ rights and responsibilities under Section 12.13, “Dispute Resolution;” however, HHSC’s final decision to terminate is binding and is not subject to review by the State Office of Administrative Hearings under Chapter 2260, Texas Government Code.

Article 13. Assurances & Certifications

Section 13.01 Proposal certifications.

MCO acknowledges its continuing obligation to comply with the requirements of the certifications contained in its Proposal, and will immediately notify HHSC of any changes in circumstances affecting the certifications.

Section 13.02 Conflicts of interest.

(a) Representation.
MCO agrees to comply with applicable state and federal laws, rules, and regulations regarding conflicts of interest in the performance of its duties under this Contract. MCO warrants that it has no interest and will not acquire any direct or indirect interest that would conflict in any manner or degree with its performance under this Contract.

(b) General duty regarding conflicts of interest.

MCO will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain. MCO will operate with complete independence and objectivity without actual, potential or apparent conflict of interest with respect to the activities conducted under this Contract.

Section 13.03 Organizational conflicts of interest.

(a) Definition.

An organizational conflict of interest is a set of facts or circumstances, a relationship, or other situation under which an MCO or a Subcontractor has past, present, or currently planned personal or financial activities or interests that either directly or indirectly:

1. Impairs or diminishes the MCO’s or Subcontractor’s ability to render impartial or objective assistance or advice to HHSC; or
2. Provides the MCO or Subcontractor an unfair competitive advantage in future HHSC procurements (excluding the award of this Contract).

(b) Warranty.

Except as otherwise disclosed and approved by HHSC prior to the Effective Date of the Contract, MCO warrants that, as of the Effective Date and to the best of its knowledge and belief, there are no relevant facts or circumstances that could give rise to an organizational conflict of interest affecting this Contract. MCO affirms that it has neither given, nor intends to give, at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, at any time during the procurement process or in connection with the procurement process except as allowed under relevant state and federal law.

(c) Continuing duty to disclose.

1. MCO agrees that, if after the Effective Date, MCO discovers or is made aware of an organizational conflict of interest, MCO will immediately and fully disclose such interest in writing to the HHSC project manager. In addition, MCO must promptly disclose any relationship that might be perceived or represented as a conflict after its discovery by MCO or by HHSC as a potential conflict. HHSC reserves the right to make a final determination regarding the existence of conflicts of interest, and MCO agrees to abide by HHSC’s decision.
2. The disclosure will include a description of the actions that MCO has taken or proposes to take to avoid or mitigate such conflicts.

(d) Remedy.

If HHSC determines that an organizational conflict of interest exists, HHSC may, at its discretion, terminate the Contract pursuant to Subsection 12.03(b)(9). If HHSC determines that MCO was aware of an organizational conflict of interest before the award of this Contract and did not disclose the conflict to the contracting officer, such nondisclosure will be considered a material breach of the Contract. Furthermore, such breach may be submitted to the Office of the Attorney General, Texas Ethics Commission, or appropriate State or Federal law enforcement officials for further action.

(e) Flow-down obligation.

MCO must include the provisions of this Section in all Subcontracts for work to be performed similar to the service provided by MCO, and the terms "Contract," "MCO," and "project manager" modified appropriately to preserve the state's rights.

Section 13.04 HHSC personnel recruitment prohibition.

MCO has not retained or promised to retain any person or company, or utilized or promised to utilize a consultant that participated in HHSC’s development of specific criteria of the RFP or who participated in the selection of the MCO for this Contract. Unless authorized in writing by HHSC, MCO will not recruit or employ any HHSC personnel who have worked on projects relating to the subject matter of this Contract, or who have had any influence on decisions affecting the subject matter of this Contract, for two (2) years following the completion of this Contract.

Section 13.05 Anti-kickback provision.

MCO certifies that it will comply with the Anti-Kickback Act of 1986, 41 U.S.C. §51-58 and Federal Acquisition Regulation 52.203-7, to the extent applicable.
**Section 13.06 Debt or back taxes owed to State of Texas.**

In accordance with Section 403.055 of the Texas Government Code, MCO agrees that any payments due to MCO under the Contract will be first applied toward any debt and/or back taxes MCO owes State of Texas. MCO further agrees that payments will be so applied until such debts and back taxes are paid in full.

**Section 13.07 Outstanding debts and judgments.**

MCO certifies that it is not presently indebted to the State of Texas, and that MCO is not subject to an outstanding judgment in a suit by State of Texas against MCO for collection of the balance. For purposes of this Section, an indebtedness is any amount or sum of money that is due and owing to the State of Texas and is not currently under dispute. A false statement regarding MCO’s status will be treated as a material breach of this Contract and may be grounds for termination at the option of HHSC.

**Article 14. Representations & Warranties**

**Section 14.01 Authorization.**

(a) The execution, delivery and performance of this Contract has been duly authorized by MCO and no additional approval, authorization or consent of any governmental or regulatory agency is required to be obtained in order for MCO to enter into this Contract and perform its obligations under this Contract.

(b) MCO has obtained all licenses, certifications, permits, and authorizations necessary to perform the Services under this Contract and currently is in good standing with all regulatory agencies that regulate any or all aspects of MCO’s performance of this Contract. MCO will maintain all required certifications, licenses, permits, and authorizations during the term of this Contract.

**Section 14.02 Ability to perform.**

MCO warrants that it has the financial resources to fund the capital expenditures required under the Contract without advances by HHSC or assignment of any payments by HHSC to a financing source.

**Section 14.03 Minimum Net Worth.**

The MCO has, and will maintain throughout the life of this Contract, minimum net worth that complies with standards adopted by TDI. Minimum net worth means the excess total admitted assets over total liabilities, excluding liability for subordinated debt issued in compliance with Chapter 843 of the Texas Insurance Code.

**Section 14.04 Insurer solvency.**

(a) The MCO must be and remain in full compliance with all applicable state and federal solvency requirements for basic-service health maintenance organizations, including but not limited to, all reserve requirements, net worth standards, debt-to-equity ratios, or other debt limitations. In the event the MCO fails to maintain such compliance, HHSC, without limiting any other rights it may have by law or under the Contract, may terminate the Contract.

(b) If the MCO becomes aware of any impending changes to its financial or business structure that could adversely impact its compliance with the requirements of the Contract or its ability to pay its debts as they come due, the MCO must notify HHSC immediately in writing.

(c) The MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

1. continuation of Covered Services, until the time of discharge, to Members who are confined on the date of insolvency in a hospital or other inpatient facility;
2. payments to unaffiliated health care providers and affiliated healthcare providers whose Contracts do not contain Member “hold harmless” clauses acceptable to the TDI;
3. continuation of Covered Services for the duration of the Contract Period for which a capitation has been paid for a Member;
4. provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI and the Contract.

Should TDI determine that there is an immediate risk of insolvency or the MCO is unable to provide Covered Services to its Members, HHSC, without limiting any other rights it may have by law, or under the Contract, may terminate the Contract.
Section 14.05 Workmanship and performance.

(a) All Services and Deliverables provided under this Contract will be provided in a manner consistent with the standards of quality and integrity as outlined in the Contract.  
(b) All Services and Deliverables must meet or exceed the required levels of performance specified in or pursuant to this Contract.  
(c) MCO will perform the Services and provide the Deliverables in a workmanlike manner, in accordance with best practices and high professional standards used in well-managed operations performing services similar to the Services described in this Contract.

Section 14.06 Warranty of deliverables.

MCO warrants that Deliverables developed and delivered under this Contract will meet in all material respects the specifications as described in the Contract during the period following its acceptance by HHSC, through the term of the Contract, including any subsequently negotiated by MCO and HHSC. MCO will promptly repair or replace any such Deliverables not in compliance with this warranty at no charge to HHSC.

Section 14.07 Compliance with Contract.

MCO will not take any action substantially or materially inconsistent with any of the terms and conditions set forth in this Contract without the express written approval of HHSC.

Section 14.08 Technology Access

All technological solutions offered by the MCO must comply with the requirements of Texas Government Code § 531.0162. This includes providing technological solutions that meet federal accessibility standards for persons with disabilities, as applicable.

Section 14.09 Electronic & Information Resources Accessibility Standards

(a) Applicability The following Electronic and Information Resources (EIR) requirements apply to the Contract because the MCO perform services that include EIR that: (i) HHSC employees are required or permitted to access; or (ii) members of the public are required or permitted to access. This Section does not apply to incidental uses of EIR in the performance of a Contract, unless the Parties agree that the EIR will become property of the State or will be used by the HHSC’s clients or recipients after completion of the Contract. Nothing in this section is intended to prescribe the use of particular designs or technologies or to prevent the use of alternative technologies, provided they result in substantially equivalent or greater access to and use of a Product.  
(b) Definitions.  
For purposes of this Section:  
“Accessibility Standards” means the Electronic and Information Resources Accessibility Standards and the Web Site Accessibility Standards/Specifications.  
“Electronic and Information Resources” means information resources, including information resources technologies, and any equipment or interconnected system of equipment that is used in the creation, conversion, duplication, or delivery of data or information. The term includes, but is not limited to, telephones and other telecommunications products, information kiosks, transaction machines, Internet websites, multimedia resources, and office equipment, including copy machines and fax machines.  
“Electronic and Information Resources Accessibility Standards” means the accessibility standards for electronic and information resources contained in Volume 1 Texas Administrative Code Chapter 213.  
“Web Site Accessibility Standards/ Specifications” means standards contained in Volume 1 Texas Administrative Code Chapter 206.  
“Product” means information resources technology that is, or is related to, EIR.  
(c) Accessibility Requirements.  
Under Texas Government Code Chapter 2054, Subchapter M, and implementing rules of the Texas Department of Information Resources, HHSC must procure Products that comply with the Accessibility Standards when such Products are available in the commercial marketplace or when such Products are developed in response to a procurement solicitation. Accordingly, MCO must provide electronic and information resources and associated Product documentation and technical support that comply with the Accessibility Standards.
(d) Evaluation, Testing, and Monitoring.

1. HHSC may review, test, evaluate and monitor MCO’s Products and associated documentation and technical support for compliance with the Accessibility Standards. Review, testing, evaluation and monitoring may be conducted before and after the award of a contract. Testing and monitoring may include user acceptance testing.

Neither (1) the review, testing (including acceptance testing), evaluation or monitoring of any Product, nor (2) the absence of such review, testing, evaluation or monitoring, will result in a waiver of the State’s right to contest the MCO’s assertion of compliance with the Accessibility Standards.

2. MCO agrees to cooperate fully and provide HHSC and its representatives timely access to Products, records, and other items and information needed to conduct such review, evaluation, testing and monitoring.

(e) Representations and Warranties.

1. MCO represents and warrants that: (i) as of the Effective Date of the Contract, the Products and associated documentation and technical support comply with the Accessibility Standards as they exist at the time of entering the Contract, unless and to the extent the Parties otherwise expressly agree in writing; and (ii) if the Products will be in the custody of the state or an HHS Agency’s client or recipient after the Contract expiration or termination, the Products will continue to comply with such Accessibility Standards after the expiration or termination of the Contract Term, unless HHSC and/or its clients or recipients, as applicable, use the Products in a manner that renders it noncompliant.

2. In the event MCO should have known, becomes aware, or is notified that the Product and associated documentation and technical support do not comply with the Accessibility Standards, MCO represents and warrants that it will, in a timely manner and at no cost to HHSC, perform all necessary steps to satisfy the Accessibility Standards, including but not limited to remediation, replacement, and upgrading of the Product, or providing a suitable substitute.

3. MCO acknowledges and agrees that these representations and warranties are essential inducements on which HHSC relies in awarding this Contract.

4. MCO’s representations and warranties under this subsection will survive the termination or expiration of the Contract and will remain in full force and effect throughout the useful life of the Product.

(f) Remedies.

1. Pursuant to Texas Government Code Sec. 2054.465, neither MCO nor any other person has cause of action against HHSC for a claim of a failure to comply with Texas Government Code Chapter 2054, Subchapter M, and rules of the Department of Information Resources.

2. In the event of a breach of MCO’s representations and warranties, MCO will be liable for direct, consequential, indirect, special, and/or liquidated damages and any other remedies to which HHSC may be entitled under this Contract and other applicable law. This remedy is cumulative of any and all other remedies to which HHSC may be entitled under this Contract and other applicable law.

Article 15. Intellectual Property

Section 15.01 Infringement and misappropriation.

(a) MCO warrants that all Deliverables provided by MCO will not infringe or misappropriate any right of, and will be free of any claim of, any third person or entity based on copyright, patent, trade secret, or other intellectual property rights.

(b) MCO will, at its expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC, its employees, officers, directors, contractors, and agents from and against any losses, liabilities, damages, penalties, costs, and fees from any claim or action against HHSC that is based on a claim of breach of the warranty set forth in the preceding paragraph. HHSC will promptly notify MCO in writing of the claim, provide MCO a copy of all information received by HHSC with respect to the claim, and cooperate with MCO in defending or settling the claim. HHSC will not unreasonably withhold, delay or condition approval of counsel selected by the MCO.

(c) In case the Deliverables, or any one (1) or part thereof, is in such action held to constitute an infringement or misappropriation, or the use thereof is enjoined or restricted or if a proceeding appears to MCO to be likely to be brought, MCO will, at its own expense, either:

1. Procure for HHSC the right to continue using the Deliverables; or

2. Modify or replace the Deliverables to comply with the Specifications and to not violate any intellectual property rights.

Section 15.02 Exceptions.

MCO is not responsible for any claimed breaches of the warranties set forth in Section 15.01 to the extent caused by:

(a) Modifications made to the item in question by anyone other than MCO or its Subcontractors, or modifications made by HHSC or its contractors working at MCO’s direction or in accordance with the specifications; or

(b) The combination, operation, or use of the item with other items if MCO did not supply or approve for use with the item; or
(c) HHSC’s failure to use any new or corrected versions of the item made available by MCO.

**Section 15.03 Ownership and Licenses**

(a) Definitions.  
For purposes of this Section 15.03, the following terms have the meanings set forth below:  
(1) “Custom Software” means any software developed by the MCO: for HHSC; in connection with the Contract; and with funds received from HHSC. The term does not include MCO Proprietary Software or Third Party Software.  
(2) “MCO Proprietary Software” means software: (i) developed by the MCO prior to the Effective Date of the Contract, or (ii) software developed by the MCO after the Effective Date of the Contract that is not developed: for HHSC; in connection with the Contract; and with funds received from HHSC.  
(3) “Third Party Software” means software that is: developed for general commercial use; available to the public; or not developed for HHSC. Third Party Software includes without limitation: commercial off-the-shelf software; operating system software; and application software, tools, and utilities.

(b) Deliverables.  
The Parties agree that any Deliverable, including without limitation the Custom Software, will be the exclusive property of HHSC.  
(c) Ownership rights.  
(1) HHSC will own all right, title, and interest in and to its Confidential Information and the Deliverables provided by the MCO, including without limitation the Custom Software and associated documentation. For purposes of this Section 15.03, the Deliverables will not include MCO Proprietary Software or Third Party Software. MCO will take all actions necessary and transfer ownership of the Deliverables to HHSC, including, without limitation, the Custom Software and associated documentation prior to Contract termination.  
(2) MCO will furnish such Deliverables, upon request of HHSC, in accordance with applicable State law. All Deliverables, in whole and in part, will be deemed works made for hire of HHSC for all purposes of copyright law, and copyright will belong solely to HHSC. To the extent that any such Deliverable does not qualify as a work for hire under applicable law, and to the extent that the Deliverable includes materials subject to copyright, patent, trade secret, or other proprietary right protection, MCO agrees to assign, and hereby assigns, all right, title, and interest in and to Deliverables, including without limitation all copyrights, inventions, patents, trade secrets, and other proprietary rights therein (including renewals thereof) to HHSC.  
(3) MCO will, at the expense of HHSC, assist HHSC or its nominees to obtain copyrights, trademarks, or patents for all such Deliverables in the United States and any other countries. MCO agrees to execute all papers and to give all facts known to it necessary to secure United States or foreign country copyrights and patents, and to transfer or cause to transfer to HHSC all the right, title, and interest in and to such Deliverables. MCO also agrees not to assert any moral rights under applicable copyright law with regard to such Deliverables.  
(d) License Rights.  
HHSC will have a royalty-free and non-exclusive license to access the MCO Proprietary Software and associated documentation during the term of the Contract. HHSC will also have ownership and unlimited rights to use, disclose, duplicate, or publish all information and data developed, derived, documented, or furnished by MCO under or resulting from the Contract. Such data will include all results, technical information, and materials developed for and/or obtained by HHSC from MCO in the performance of the Services hereunder, including but not limited to all reports, surveys, plans, charts, recordings (video and/or sound), pictures, drawings, analyses, graphic representations, computer printouts, notes and memoranda, and documents whether finished or unfinished, which result from or are prepared in connection with the Scope of Work performed as a result of the Contract.  
(e) Proprietary Notices.  
MCO will reproduce and include HHSC’s copyright and other proprietary notices and product identifications provided by MCO on such copies, in whole or in part, or on any form of the Deliverables.  
(f) State and Federal Governments.  
In accordance with 45 C.F.R. §95.617, all appropriate State and Federal agencies will have a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, translate, or otherwise use, and to authorize others to use for Federal Government purposes all materials, the Custom Software and modifications thereof, and associated documentation designed, developed, or installed with federal financial participation under the Contract, including but not limited to those materials covered by copyright, all software source and object code, instructions, files, and documentation.

**Article 16. Liability**

**Section 16.01 Property damage.**
(a) MCO will protect HHSC’s real and personal property from damage arising from MCO’s, its agent’s, employees’, Consultants’, and Subcontractors’ performance of the Scope of Work, and MCO will be responsible for any loss, destruction, or damage to HHSC’s property that results from or is caused by MCO’s, its agents’, employees’, consultant’s, or Subcontractors’ negligent or wrongful acts or omissions. Upon the loss of, destruction of, or damage to any property of HHSC, MCO will notify the HHSC Project Manager thereof and, subject to direction from the Project Manager or her or his designee, will take all reasonable steps to protect that property from further damage.

(b) MCO agrees to observe and encourage its employees and agents to observe safety measures and proper operating procedures at HHSC sites at all times.

(c) MCO will distribute a policy statement to all of its employees and agents that directs the employee or agent to promptly report to HHSC or to MCO any special defect or unsafe condition encountered while on HHSC premises. MCO will promptly report to HHSC any special defect or an unsafe condition it encounters or otherwise learns about.

Section 16.02 Risk of Loss.

During the period Deliverables are in transit and in possession of MCO, its carriers or HHSC prior to being accepted by HHSC, MCO will bear the risk of loss or damage thereto, unless such loss or damage is caused by the negligence or intentional misconduct of HHSC. After HHSC accepts a Deliverable, the risk of loss or damage to the Deliverable will be borne by HHSC, except loss or damage attributable to the negligence or intentional misconduct of MCO’s agents, employees, consultants, or Subcontractors.

Section 16.03 Limitation of HHSC’s Liability.

HHSC WILL NOT BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHER LEGAL THEORY. THIS WILL APPLY REGARDLESS OF THE CAUSE OF ACTION AND EVEN IF HHSC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. HHSC’S LIABILITY TO MCO UNDER THE CONTRACT WILL NOT EXCEED THE TOTAL CHARGES TO BE PAID BY HHSC TO MCO UNDER THE CONTRACT, INCLUDING CHANGE ORDER PRICES AGREED TO BY THE PARTIES OR OTHERWISE ADJUDICATED. MCO’s remedies are governed by the provisions in Article 12.

Article 17. Insurance & Bonding

Section 17.01 Insurance Coverage.

(a) Statutory and General Coverage
MCO will maintain, at the MCO’s expense, the following insurance coverage:
(1) Business Automobile Liability Insurance for all owned, non-owned, and hired vehicles for bodily injury and property damage;
(2) Comprehensive General Liability Insurance of at least $1,000,000.00 per occurrence and $5,000,000.00 in the aggregate (including Bodily Injury coverage of $100,000.00 per each occurrence and Property Damage Coverage of $25,000.00 per occurrence); and
(3) If MCO’s current Comprehensive General Liability insurance coverage does not meet the above stated requirements, MCO will obtain Umbrella Liability Insurance to compensate for the difference in the coverage amounts. If Umbrella Liability Insurance is provided, it must follow the form of the primary coverage.

(b) Professional Liability Coverage.
(1) MCO must maintain, or cause its Network Providers to maintain, Professional Liability Insurance for each Network Provider of $100,000.00 per occurrence and $300,000.00 in the aggregate, or the limits required by the hospital at which the Network Provider has admitting privileges.
(2) MCO must maintain an Excess Professional Liability (Errors and Omissions) Insurance Policy for the greater of $3,000,000.00 or an amount (rounded to the nearest $100,000.00) that represents the number of Members enrolled in the MCO in the first month of the applicable State Fiscal Year multiplied by $150.00, not to exceed $10,000,000.00.

(c) General Requirements for All Insurance Coverage
(1) Except as provided herein, all exceptions to the Contract’s insurance requirements must be approved in writing by HHSC. HHSC’s written approval is not required in the following situations:
   (i) An MCO or a Network Provider is not required to obtain the insurance coverage described in Section 17.01 if the MCO or Network Provider qualifies as a state governmental unit or municipality under the Texas Tort Claims Act, and is required to comply with, and subject to the provisions of, the Texas Tort Claims Act.
An MCO may waive the Professional Liability Insurance requirement described in Section 17.01(b)(1) for a Network Provider of Community-based Long-term Services and Supports. An MCO may not waive this requirement if the Network Provider provides other Covered Services in addition to Community-based Long Term Services and Supports, or if a Texas licensing entity requires the Network Provider to carry such Professional Liability coverage. An MCO that waives the Professional Liability Insurance requirement for a Network Provider pursuant to this provision is not required to obtain such coverage on behalf of the Network Provider.

(2) MCO or the Network Provider is responsible for any and all deductibles stated in the insurance policies.

(3) Insurance coverage must be issued by insurance companies authorized to conduct business in the State of Texas.

(4) With the exception of Professional Liability Insurance maintained by Network Providers, all insurance coverage must name HHSC as an additional insured. In addition, with the exception of Professional Liability Insurance maintained by Network Providers and Business Automobile Liability Insurance, all insurance coverage must name HHSC as a loss payee.

(5) Insurance coverage kept by the MCO must be maintained in full force at all times during the Term of the Contract, and until HHSC’s final acceptance of all Services and Deliverables. Failure to maintain such insurance coverage will constitute a material breach of this Contract.

(6) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must have extended reporting periods of two (2) years. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, the Contract Effective Date.

(7) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must provide that prior written notice be given to HHSC at least 30 calendar days before coverage is reduced below minimum HHSC contractual requirements, canceled, or non-renewed. MCO must submit a new coverage binder to HHSC to ensure no break in coverage.

(8) The Parties expressly understand and agree that any insurance coverages and limits furnished by MCO will in no way expand or limit MCO’s liabilities and responsibilities specified within the Contract documents or by applicable law.

(9) MCO expressly understands and agrees that any insurance maintained by HHSC will apply in excess of and not contribute to insurance provided by MCO under the Contract.

(10) If MCO, or its Network Providers, desire additional coverage, higher limits of liability, or other modifications for its own protection, MCO or its Network Providers will be responsible for the acquisition and cost of such additional protection. Such additional protection will not be an Allowable Expense under this Contract.

(11) MCO will require all insurers to waive their rights of subrogation against HHSC for claims arising from or relating to this Contract.

(d) Proof of Insurance Coverage

(1) Except as provided in Section 17.01(d)(2), the MCO must furnish the HHSC Project Manager original Certificates of Insurance evidencing the required insurance coverage on or before the Effective Date of the Contract. If insurance coverage is renewed during the Term of the Contract, the MCO must furnish the HHSC Project Manager renewal certificates of insurance, or such similar evidence, within five (5) Business Days of renewal. The failure of HHSC to obtain such evidence from MCO will not be deemed to be a waiver by HHSC and MCO will remain under continuing obligation to maintain and provide proof of insurance coverage.

(2) The MCO is not required to furnish the HHSC Project Manager proof of Professional Liability Insurance maintained by Network Providers on or before the Effective Date of the Contract, but must provide such information upon HHSC’s request during the Term of the Contract.

Section 17.02 Performance Bond.

(a) The MCO must obtain a performance bond with a one (1) year term. The performance bond must be renewable and renewal must occur no later than the first day of each subsequent State Fiscal Year. The performance bond must continue to be in effect for one (1) year following the expiration of the final renewal period. MCO must obtain and maintain the performance bonds in the form prescribed by HHSC and approved by TDI, naming HHSC as Obligee, securing MCO’s faithful performance of the terms and conditions of this Contract. The performance bonds must comply with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. At least one (1) performance bond must be issued. The amount of the performance bond(s) should total $100,000.00 for each MCO Program within each Service Area that the MCO covers under this Contract. Performance bonds must be issued by a surety licensed by TDI, and specify cash payment as the sole remedy. MCO must deliver each renewal prior to the first day of the State Fiscal Year.

(b) Since the CHIP Perinatal Program is a subprogram of the CHIP Program, neither a separate performance bond for the CHIP Perinatal Program nor a combined performance bond for the CHIP and CHIP Perinatal Programs is required. The same bond that the MCO obtains for its CHIP Program within a particular Service Area also will cover the MCO’s CHIP Perinatal Program in that same Service Area.
Section 17.03  TDI Fidelity Bond

The MCO will secure and maintain throughout the life of the Contract a fidelity bond in compliance with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. The MCO must promptly provide HHSC with copies of the bond and any amendments or renewals thereto.
### DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION3</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Sections 1 – 5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
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<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 1.3 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC. Section 1.8.1 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC.</td>
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<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, &quot;Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 1.6.1 is modified to replace reference to the 1915(b) waiver with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.6.2 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.8 is modified to reference the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC’s administrative rules for identification of eligible populations. Section 1.8.1 STAR Program Eligibility is deleted in its entirety. Section 1.8.2 STAR+PLUS Eligibility is deleted in its entirety. Section 1.8.3 CHIP Program Eligibility is deleted in its entirety.</td>
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<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
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<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
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<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Section 2.1 is modified to clarify that HHSC uses two dashboards. Section 4.3.7.2 is modified to correct the name to which the acronym HEDIS refers.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1-5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
1. Introduction

1.1 Point-of-Contact

The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission
Enterprise Contracts and Procurement Services
4405 North Lamar Blvd
Austin, Texas 78756-3422
ATT: Alice Hanna, Purchaser
(512) 206-5277
alice.hanna@hhsc.state.tx.us
All communications relating to this RFP must be directed to the HHSC contact person named above. All communications between Respondents and other HHSC staff members concerning this RFP are strictly prohibited. **Failure to comply with these requirements may result in proposal disqualification.**

### 1.2 Procurement Schedule

The following table documents the critical pre-award events for the procurement. All dates are subject to change at HHSC’s discretion.

<table>
<thead>
<tr>
<th>Procurement Schedule</th>
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<tbody>
<tr>
<td>Draft RFP Release Date</td>
<td>November 5, 2010</td>
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<tr>
<td>Draft RFP Respondent Comments Due</td>
<td>December 6, 2010</td>
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<tr>
<td>RFP Release Date</td>
<td>April 8, 2011</td>
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<tr>
<td>Vendor Conference</td>
<td>April 18, 2011 1:00pm CDT</td>
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<td>Respondent Questions Due</td>
<td>April 19, 2011</td>
</tr>
<tr>
<td>Letters Claiming Mandatory Contract Status Due</td>
<td>April 28, 2011</td>
</tr>
<tr>
<td>HHSC Posts Responses to Respondent Questions</td>
<td>April 29, 2011</td>
</tr>
<tr>
<td>Proposals Due</td>
<td>May 23, 2011</td>
</tr>
<tr>
<td>Deadline for Proposal Withdrawal</td>
<td>May 23, 2011</td>
</tr>
<tr>
<td>Respondent Demonstrations/Oral Presentations (HHSC option)</td>
<td>HHSC will <strong>not</strong> be holding presentations</td>
</tr>
<tr>
<td>Tentative Award Announcement</td>
<td>August 1, 2011</td>
</tr>
<tr>
<td>Anticipated Contract Start Date</td>
<td>September 1, 2011</td>
</tr>
<tr>
<td>Operational Start Date</td>
<td>March 1, 2012</td>
</tr>
</tbody>
</table>

### 1.3 Purpose

The State of Texas, by and through the Texas Health and Human Services Commission (HHSC), is soliciting competitive proposals for managed care services for recipients who participate in the following managed care programs:

- Medicaid State of Texas Access Reform Program (STAR);
- Medicaid STAR+PLUS Program;
- Children’s Health Insurance Program (CHIP), including the CHIP Perinatal subprogram.

In order to ensure that recipients have a choice of health plans in all MCO Programs, HHSC will select at least two (2) managed care organizations (MCOs) per MCO Program and Service Area. Through this Request for Proposals (RFP), HHSC is expanding both the scope of services and the geographical areas covered by its current managed care programs. New features include:

- Expansion of STAR into two (2) new regions, the Hidalgo Service Area and Medicaid Rural Service Area (MRSA).
- Expansion of STAR+PLUS into the El Paso and Lubbock Service Areas, as well as the new Hidalgo Service Area.
- Adjustments to the Service Area boundaries for STAR, STAR+PLUS and CHIP Service Areas, so that the Service Areas are consistent for all Programs.
- The addition of prescription drug benefits to the managed care structure. The prescription drug benefit will no longer be carved-out of managed care and paid through HHSC’s Vendor Drug Program. Medicaid and CHIP MCOs will be responsible for recruiting and maintaining pharmacy providers and paying for pharmacy benefits.
The addition of inpatient facility services to the managed care structure for STAR+PLUS.

For Dual Eligible Members in the STAR+PLUS Program, the addition of Medicaid Wrap Services to the scope of Covered Services at a date determined by HHSC.

Attachments B-5, 5.1, and 5.2 include maps of the planned STAR, STAR+PLUS and CHIP Service Areas.

1.4 Mission Statement

HHSC’s mission is to create a customer-focused, innovative, and adaptable managed care system that provides the highest quality of care to clients while at the same time ensures access to services. Through this procurement, HHSC seeks to accomplish its mission by contracting for measurable results that improve Member access and satisfaction; maximize program efficiency, effectiveness, and responsiveness; and limit operational costs.

1.5 Mission Objectives

To accomplish the HHSC’s mission, HHSC will prioritize desired outcomes and benefits for the managed care programs, and will focus its monitoring efforts on the MCOs’ ability to provide satisfactory results in the following areas.

1. Network adequacy and access to care

All Members must have timely access to quality of care through a Network of Providers designed to meet the needs of the population served. The MCO will be held accountable for creating and maintaining a Network capable of delivering all Covered Services to Members. The MCO must provide Members with access to qualified Network Providers within the travel distance and waiting time for appointment standards defined in this RFP.

2. Quality

HHSC is accountable to Texans for ensuring that all Members receive quality services in the most efficient and effective manner possible. Accordingly, the MCO will be responsible for providing high quality services in a professional and ethical manner. HHSC expects the MCO to implement new and creative approaches that ensure quality services, cost-effective service delivery, and careful stewardship of public resources.

3. Timeliness of claim payment

The MCO’s ability to ensure that Network Providers receive timely and fair payment for services rendered is a key component of their success in the STAR, STAR+PLUS, and CHIP programs. The MCO must have the ability to timely comply with HHSC’s claims adjudication requirements, as set forth in the Uniform Managed Care Manual. Therefore, HHSC will require strict adherence to claims adjudication standards during the term of the Contract. HHSC also encourages MCOs to provide a no-cost alternative for providers to allow billing without the use of a clearinghouse, and to include attendant care payments as part of the regular claims payment process.

4. Timeliness with which prenatal care is initiated

STAR Program data has revealed that 83% of pregnant women received prenatal care in the first trimester or within 42 days of enrollment. While this rate approximates the Medicaid managed care national average, HHSC believes that the high prevalence of births in the STAR population warrants efforts to improve timeliness of prenatal care initiation.

5. Behavioral health services

Members must have timely access to Medically Necessary Behavioral Health Services, such as mental health counseling and treatment, as well as timely and appropriate follow-up care.

6. Delivery of health care to diverse populations
Member populations in Texas are as diverse as those of any state in the nation. Health Care Services must be delivered without regard to racial or ethnic factors. HHSC expects the MCO to implement intervention strategies to avoid disparities in the delivery of Health Care Services to diverse populations and provide services in a culturally competent manner as described in Section 8.1.5.8 of the RFP.

7. Disease management requirements

The MCO must provide a comprehensive disease management program or coverage for Disease Management (DM) services for asthma, diabetes, and other chronic diseases identified by the MCO, based upon an evaluation of the prevalence of the diseases within the MCO’s membership. Please refer to the Uniform Managed Care Manual, Chapter 9.1 “Disease Management,” for additional DM requirements.

8. Service Coordination

The integration of Acute Care services and Community-based Long-Term Services and Supports is an essential feature of STAR+PLUS. A STAR+PLUS MCO must demonstrate that there are sufficient levels of qualified and competent personnel devoted to Service Coordination to meet the everyday needs of STAR+PLUS Members, including Dual Eligibles.

9. Continuity Of Care

HHSC expects that established Member/Provider relationships, existing treatment protocols, and ongoing care plans will not be impacted significantly by this procurement. Transition to the MCO must be as seamless as possible for Members and their Providers.

1.6 Overview of the HHSC MCO Programs

House Bill 7 from the 72nd Regular Session of the Texas Legislature mandated the establishment of Medicaid managed care pilot projects that utilized proven approaches for delivering comprehensive health care. In 1991, the Texas Department of Health created the Bureau of Managed Care. Since that time, Texas has administered a comprehensive set of managed care programs to serve low income Texans. These programs, as presently constituted and administered by HHSC, include the STAR, STAR+PLUS, and CHIP Programs as described in this section.

1.6.1 STAR

STAR is currently HHSC's primary managed care program for Medicaid Eligibles and operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. It grew out of a pilot project in Travis County in 1993.

STAR is currently available in Bexar, Dallas, El Paso, Harris, Nueces, Jefferson, Lubbock, Tarrant, and Travis regions. Total STAR enrollment as of August 1, 2010 was 1,452,531.

All non-ST aR counties in Texas (primarily rural areas) are currently served by the Medicaid Primary Care Case Management Program (PCCM). Total PCCM enrollment as of August 1, 2010 was 840,172. As a result of this procurement, PCCM will be replaced by STAR in the Hidalgo Service Area and the Medicaid Rural Service Area (MRSA). Note, however, that in the Hidalgo Service Area, HHSC will secure legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR Program. Refer to the Procurement Library for current and projected STAR enrollment by Service Area.

1.6.2 STAR+PLUS

STAR+PLUS is a Texas Medicaid program integrating the delivery of Acute Care services and Community-based Long-Term Services and Supports to aged, blind, and disabled (ABD) Medicaid recipients through a managed care system. STAR+PLUS began as a Medicaid pilot project in Harris County in 1998. The STAR+PLUS program operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. The waivers allow the state to provide home and community-based services for Supplemental Security Income (SSI) eligible and SSI-related Medicaid clients, and to mandate
managed care participation for SSI/SSI-related eligible clients who are 21 years of age and older. Enrollment in STAR+PLUS is voluntary for clients who are 20 years of age and younger.

As of August 1, 2010, STAR+PLUS MCOs served 169,873 Members in the Bexar, Harris, Nueces, and Travis Service Areas. Through this procurement, HHSC intends to expand STAR+PLUS to the El Paso, Hidalgo, and Lubbock Service Areas (see Attachment B-5.2 STAR+PLUS Service Area Map). As in STAR, HHSC will seek legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR+PLUS Hidalgo Service Area. Refer to the Procurement Library for current and projected STAR+PLUS enrollment by Service Area.

Section 1.6.2 modified by Version 2.3

1.6.3 CHIP

CHIP is HHSC’s program to help Texas families obtain affordable coverage for their uninsured children (from birth through the month of their 19th birthday). In 1999, the 76th Texas Legislature authorized the state’s participation in the federal CHIP program. The principal objective of the state legislation was to provide primary and preventative health care to low-income, uninsured children of Texas, including Children with Special Health Care Needs (CSHCN) who were not served by or eligible for other state-assisted health insurance programs.

HHSC began operating CHIP in 2000. CHIP Members are currently covered through two (2) types of managed care entities – health maintenance organizations (HMOs) licensed by the Texas Department of Insurance (TDI) and exclusive provider organizations (EPOs) with TDI-approved exclusive provider benefit plans (EPBPs). HMOs serve CHIP Members in eight (8), primarily urban Service Areas. EPOs serve the remaining CHIP Members, who reside primarily in the 174-county rural service area (the CHIP RSA). As of September 1, 2010, 523,895 children were enrolled in CHIP. Of these, 400,243 were enrolled in HMOs. The balance of the CHIP enrollment is in the EPOs serving the CHIP RSA. Refer to the Procurement Library for current and projected CHIP enrollment by Service Area.

The CHIP Perinatal Program, a subprogram of CHIP, is for unborn children of women who are not eligible for Medicaid. The 2006-07 General Appropriations Act (Article II, Health and Human Services Commission, Rider 70, S.B. 1, 79th Legislature, Regular Session, 2005) authorized HHSC to expend funds to provide unborn children with health benefit coverage under CHIP. The result was the CHIP Perinatal Program, which began in January 2007. This benefit allows pregnant women who are ineligible for Medicaid due to income (whose income is greater than 185 percent and up to 200 percent of FPL) or immigration status (and whose income is below 200 percent of FPL) to receive prenatal care for their unborn children. Upon delivery, newborns in families with incomes at or below 185 percent of the Federal Poverty Level (FPL) move from the CHIP Perinatal Program to Medicaid, where they receive 12-months of continuous Medicaid coverage. CHIP Perinatal newborns in families with incomes above 185 percent FPL up to and including 200 percent FPL remain in the CHIP Perinatal Program and receive CHIP benefits for a 12-month coverage period, beginning on the date of enrollment as an unborn child. CHIP Perinatal Program Members are exempt from the 90-day waiting period, the asset test, and all cost-sharing that applies to traditional CHIP Members, including enrollment fees and co-pays, for the duration of their coverage period. As of September 1, 2010, 33,860 CHIP Perinates (unborn children) and 19,076 CHIP Perinate Newborns were enrolled in this subprogram.

Throughout this RFP, references to “CHIP” apply to both the traditional CHIP Program and the CHIP Perinatal subprogram unless the context indicates otherwise.

1.7 Other HHSC Managed Care Programs

The following managed care options are not included in the scope of this procurement:

CHIP Rural Service Area (RSA): 174 primarily-rural counties.

Medicaid and CHIP Dental Programs: The Medicaid State Plan encourages eligible individuals to improve and maintain good oral health by providing access to comprehensive dental care. The CHIP Dental Program is a statewide program that provides services such as routine check-ups, cleanings, X-rays, sealants, fillings, tooth removal, crowns/caps and root canals for all CHIP children. HHSC has issued a managed care procurement with an anticipated operational start date of March 1, 2012 for both the Medicaid and CHIP Dental Programs.
STAR+PLUS Program in the Dallas and Tarrant Service Areas: Effective February 1, 2011, STAR+PLUS began serve approximately 78,000 Medicaid clients in the Dallas and Tarrant Service Areas.

STAR Health Program: On April 1, 2008, HHSC launched the STAR Health program as the first comprehensive health and medical network for children who are in the state’s foster care system. The goal is to give children health care services that are coordinated, comprehensive, easy to find, and uninterrupted when the child moves.

NorthSTAR: NorthSTAR is an integrated behavioral health delivery system for Medicaid Eligibles in the Dallas Service Area. It is an initiative of the Texas Department of Mental Health and Mental Retardation and the Texas Commission on Alcohol and Drug Abuse. Behavioral Health Services are provided by a licensed behavioral health organization. Due to the presence of NorthSTAR in the Dallas Service Area, MCOs in the Service Area will not be required to provide Behavioral Health Services to STAR Members.

1.8 Eligible Populations for HHSC MCO Programs

The Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC's administrative rules identify the populations that are eligible for STAR and STAR+PLUS, and the CHIP State Plan identifies the populations eligible for CHIP.

Federal law requires a choice of Medicaid managed care health plans in any given Service Area. For the STAR Program, during the period after which the Medicaid eligibility determination has been made, but prior to enrollment in the MCO, Medicaid Eligibles, with the exception of certain newborns and pregnant women will be enrolled under the traditional fee-for-service Medicaid program (see Article 5 of Attachment A, Uniform Managed Care Contract Terms and Conditions of the RFP). All such Medicaid Eligibles will remain in the fee-for-service Medicaid program until enrolled in or assigned to a STAR or STAR+PLUS MCO, as applicable. For the CHIP MCO Program, there is no benefit coverage for CHIP-eligible children prior to enrollment in a CHIP MCO.

1.9 Authorization

The Texas Legislature has designated HHSC as the single state agency to administer the Medicaid and CHIP Programs in the State of Texas. HHSC has authority to contract with MCOs to carry out the duties and functions of the Medicaid Managed Care Program under Title XIX of the Social Security Act; §12.011 and §12.02, Texas Health and Safety Code; and Chapter 533, Texas Government Code. HHSC has the authority to contract with MCOs to carry out the duties of the CHIP Managed Care Program under Title XXI of the Social Security Act, and Chapter 62, Texas Health and Safety Code.

Contracts awarded under this RFP are subject to all necessary federal and state approvals, including, but not limited to, Centers for Medicare and Medicaid Services (CMS) approval.

1.10 Eligible Respondents

Except as provided herein, eligible Respondents include insurers that are licensed by the TDI as HMOs in accordance with Chapter 843 of the Texas Insurance Code, or a certified Approved Non-Profit Health Corporation (ANHC), formed in compliance with Chapter 844 of the Texas Insurance Code.

For the STAR and STAR+PLUS Hidalgo Service Area, eligible respondents include HMOs, ANHCs, and EPOs with TDI-approved EPBPs. Note that under current state law, HHSC is precluded from providing services to Medicaid recipients through an HMO model in the following three (3) counties in the Hidalgo Service Area: Cameron, Hidalgo, and Maverick. HHSC will not implement any form of capitated managed care in these three (3) counties in the Hidalgo Service Area without guidance from the Texas Legislature. Respondents who are interested in bidding on the Hidalgo Service Area should nevertheless pursue one or more forms of TDI approval appropriate to these counties.

For the Medicaid Rural Service Area for STAR, eligible respondents include HMOs, ANHCs, EPOs with TDI-approved EPBPs. Note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may seek TDI approval in one (1) or more of these areas, but should note that HHSC will more favorably evaluate responses that propose to serve all three (3) areas. Should HHSC determine that it is in the
state’s best interest to subdivide the Medicaid Rural Service Area for purposes of award, the Medicaid Rural Service Area will still be treated as one (1) Service Area for rate-setting purposes.

Throughout this RFP, the term “MCO” is used to refer to HMOs, ANHCs, and EPOs.

A Respondent that has submitted its application for licensure as an HMO, for certification as an ANHC, or for approval of an EPBP prior to the Proposal due date is also eligible to respond to this RFP; however, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract (see Section 1.2, “Procurement Schedule”). Failure to receive the required approval within 60 days after HHSC executes the Contract will result in the cancellation of the award.

For more information on the reasons for HHSC’s disqualification of Respondents, see Section 3.3.2, “Conflicts of Interest,” and Section 3.3.3, “Former Employees of a State Agency.”

1.11 Term of Contract

The Initial Contract Period will begin on the Contract’s Effective Date (generally the date HHSC signs the contract) and will continue through August 31, 2015 (the “Initial Contract Period”). HHSC may, at its option, extend the Contract for an additional period or periods, not to exceed a total of eight (8) operational years. All reserved Contract extensions beyond the Initial Contract Period will be subject to good faith negotiation between the parties.

1.12 Development of Contracts

HHSC intends to execute one (1) Contract per MCO, which will include all awarded MCO Programs and Service Areas. For reference only, HHSC has included a copy of the standard Managed Care Contract in the Procurement Library. The Managed Care Contract identifies an MCO’s awarded MCO Programs and Service Areas, and identifies all documents that will become part of the agreement, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

1.13 Medicaid and CHIP Service Areas

In this RFP, HHSC distinguishes areas of Texas by MCO Program Service Areas. If a Respondent proposes to participate in an HHSC MCO Program Service Area, the Respondent must propose to serve all counties in the HHSC-defined Service Area, with the following exception. As described above, Respondents may chose to serve all or part of the STAR Medicaid Rural Service Area. Maps and tables depicting the Service Area configuration for each of the MCO Programs can be found in Attachments B-5, 5.1, and 5.2. The tables indicate the counties included in each of the designated Service Areas. The following chart summarizes the MCO Program options included in the scope of this procurement, by Service Area.

<table>
<thead>
<tr>
<th>Service Areas</th>
<th>STAR</th>
<th>STAR+PLUS</th>
<th>CHIP MCO</th>
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</thead>
<tbody>
<tr>
<td>Bexar</td>
<td>✓</td>
<td></td>
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</tr>
<tr>
<td>Dallas</td>
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<td>El Paso</td>
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<tr>
<td>Harris</td>
<td>✓</td>
<td>✓</td>
<td></td>
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<tr>
<td>Hidalgo</td>
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<td>✓</td>
<td></td>
</tr>
<tr>
<td>Jefferson</td>
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<td>✓</td>
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<tr>
<td>Lubbock</td>
<td>✓</td>
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<tr>
<td>Travis</td>
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<td>✓</td>
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As described above, HHSC intends to expand the STAR Program to include the Hidalgo Service Area and Medicaid RSA, and the STAR+PLUS MCO Program to include the El Paso, Hidalgo, and Lubbock Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.

2. Procurement Strategy and Approach

HHSC seeks to contract with at least two (2) MCOs for each MCO Program and Service Areas to provide for client choice. It is possible that a Service Area could have more than two (2) MCOs. HHSC reserves the right to enter into Contracts with more than two (2) MCOs in any Service Area based on:

- the number of managed care Eligibles in the Service Area compared to the combined capacity of qualified MCO Respondents, and
- statutory requirements, such as HHSC’s consideration of Proposals from an MCO owned or operated by a hospital district.

Section 2155.144, Texas Government Code obligates HHSC to purchase goods and services on the basis of best value. HHSC rules define “best value” as the optimum combination of economy and quality that is the result of fair, efficient, and practical procurement decision-making and that achieves health and human services procurement objectives (see 1 TAC §391.31). HHSC will evaluate proposals using the best value criteria set forth in Section 5 of this RFP.

2.1 HHSC Model Management Strategy

HHSC will use two Performance Indicator Dashboards (one for administrative and financial measures and another for quality measures). The Performance Indicator Dashboards are included in the Uniform Managed Care Manual. The Performance Indicator Dashboards are not all-inclusive sets of performance measures; HHSC will measure other aspects of the MCO's performance as well. Rather, the Performance Indicator Dashboards assemble performance indicators that assess many of the most important dimensions of the MCO's performance, and includes measures that, when publicly shared, will also serve to incentivize excellence.

As described in Section 8.1.1.1, "Performance Evaluation," after Rate Year 1 HHSC will also collaborate with each MCO to establish an annual series of performance improvement projects. The MCO will be committed to making its best efforts to achieve the established goals.

HHSC may establish some or all of the annual performance improvement projects. HHSC and each MCO will negotiate any remaining projects or goals. These projects will be highly specified and measurable. The projects will reflect areas that present significant opportunities for performance improvement. Once finalized and approved by HHSC, the projects will become part of each MCO's annual plan for its Quality Assurance and Performance Improvement (QAPI) Program, as defined in Section 8.1.7, "Quality Assessment and Performance Improvement," and will be incorporated by reference into the Contract.

HHSC recognizes the importance of applying a variety of financial and non-financial incentives and disincentives for demonstrated MCO performance. It is HHSC's objective to recognize and reward both excellence in performance and improvement in performance within existing state and federal financial constraints. It is likely that this approach will be modified over time based on several variables, including accumulated experience by HHSC and the MCO, changes in the status of state finances, and changes in each MCO's performance levels. Section 6.3, "Performance Incentives and Disincentives," describes the incentive and disincentive approach in additional detail.

The incentives and disincentives will be linked to some of the measures in the Performance Indicator Dashboard. The MCO's performance relative to the annual performance improvement projects may be used by HHSC to identify and reward excellence and improvement by the MCO in subsequent years.

Finally, HHSC plans to improve methods for sharing information regarding the Texas Medicaid and CHIP Programs with all of the MCOs through HHSC-sponsored workgroups and other initiatives.
2.2 Performance Measures and Associated Remedies

The MCO must provide all services and deliverables under the Contract at an acceptable quality level and in a manner consistent with acceptable industry standard, custom, and practice. Failure to do so may result in HHSC’s assessment of contractual remedies, including liquidated damages, as set forth in Attachment B-4, “Deliverables/Liquidated Damages Matrix.”

3. General Instructions and Requirements

3.1 Strategic Elements

3.1.1 Contract Elements

The term “Contract” means the contract awarded as a result of this RFP and all exhibits thereto. At a minimum, the following documents will be incorporated into the contract: this RFP and all attachments and exhibits; any modifications, addendum or amendments issued in conjunction with this RFP; HHSC’s “Uniform Managed Care Contract Terms and Conditions;” and the MCO’s Proposal.

Respondents are responsible for reviewing all parts of the Contract, including the “Uniform Managed Care Contract Terms and Conditions,” and noting any exceptions, reservations, and limitations on the Respondent Information and Disclosures Form.

3.1.2 HHSC’s Basic Philosophy: Contracting for Results

HHSC’s fundamental commitment is to contract for results. HHSC defines a successful result as the generation of defined, measurable, and beneficial outcomes that satisfy the Contract requirements and support HHSC’s missions and objectives. This RFP describes what is required of the MCO in terms of services, deliverables, performance measures, and outcomes, and unless otherwise noted in the RFP, places the responsibility for how they are accomplished on the MCO.

3.2 External Factors

External factors may affect the project, including budgetary and resource constraints. Any contract resulting from the RFP is subject to the availability of state and federal funds. As of the issuance of this RFP, HHSC anticipates that budgeted funds will be available to reasonably fulfill the project requirements. If, however, funds are not available, HHSC reserves the right to withdraw the RFP or terminate the resulting contract without penalty.

3.3 Legal and Regulatory Constraints

3.3.1 Delegation of Authority

State and federal laws generally limit HHSC’s ability to delegate certain decisions and functions to a vendor, including, but not limited to: (1) policy-making authority, and (2) final decision-making authority on the acceptance or rejection of contracted services.

3.3.2 Conflicts of Interest

A conflict of interest is a set of facts or circumstances in which either a Respondent or anyone acting on its behalf in connection with this procurement has past, present, or currently planned personal, professional, or financial interests or obligations that, in HHSC’s determination, would actually or apparently conflict or interfere with the Respondent’s contractual obligations to
A conflict of interest would include circumstances in which a party’s personal, professional, or financial interests or obligations may directly or indirectly:

• make it difficult or impossible to fulfill its contractual obligations to HHSC in a manner that is consistent with the best interests of the State of Texas;

• impair, diminish, or interfere with that party’s ability to render impartial or objective assistance or advice to HHSC; and/or

• provide the party with an unfair competitive advantage in future HHSC procurements.

Neither the Respondent nor any other person or entity acting on its behalf, including, but not limited to subcontractors, employees, agents, and representatives, may have a conflict of interest with respect to this procurement. Before submitting a proposal, Respondents should carefully review Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for additional information concerning conflicts of interests.

A Respondent must certify that it does not have personal or business interests that present a conflict of interest with respect to this RFP and resulting contract (see the Required Certifications form). Additionally, if applicable, the Respondent must disclose all potential conflicts of interest. The Respondent must describe the measures it will take to ensure that there will be no actual conflict of interest and that its fairness, independence, and objectivity will be maintained (see the Respondent Information and Disclosures Form). HHSC will determine to what extent, if any, a potential conflict of interest can be mitigated and managed during the term of the Contract. Failure to identify potential conflicts of interest may result in HHSC’s disqualification of a proposal or termination of the Contract.

### 3.3.3 Former Employees of a State Agency

Respondents must comply with Texas and federal laws and regulations relating to the hiring of former state employees (see e.g., Texas Government Code §572.054 and 45 C.F.R. §74.43). Such “revolving door” provisions generally restrict former agency heads from communicating with or appearing before the agency on certain matters for two (2) years after leaving the agency. The revolving door provisions also restrict some former employees from representing clients on matters that the employee participated in during state service or matters that were in the employees’ official responsibility.

As a result of such laws and regulations, a Respondent must certify that it has complied with all applicable laws and regulations regarding former state employees (see the Required Certifications Form). Furthermore, a Respondent must disclose any relevant past state employment of the Respondent’s or its subcontractors’ employees and agents in the Respondent Information and Disclosure Form.

### 3.4 HHSC Amendments and Announcements Regarding this RFP

HHSC will post all official communication regarding this RFP on its website, including the notice of tentative award. HHSC reserves the right to revise the RFP at any time. Any changes, amendments, or clarifications will be made in the form of written responses to Respondents’ questions, amendments, or addendum issued by HHSC on its website. Respondents should check the website frequently for notice of matters affecting the RFP. To access the website, go to the “HHSC Contracting Opportunities” page and enter a search for this procurement.

### 3.5 RFP Cancellation/Partial Award/Non-Award

HHSC reserves the right to cancel this RFP, to make a partial award, or to make no award if it determines that such action is in the best interest of the State of Texas.

### 3.6 Right to Reject Proposals or Portions of Proposals

HHSC may, in its discretion, reject any and all proposals or portions thereof.
3.7 Costs Incurred

Respondents understand that issuance of this RFP in no way constitutes a commitment by HHSC to award a contract or to pay any costs incurred by a Respondent in the preparation of a response to this RFP. HHSC is not liable for any costs incurred by a Respondent prior to issuance of or entering into a formal agreement, contract, or purchase order. Costs of developing proposals, preparing for or participating in oral presentations and site visits, or any other similar expenses incurred by a Respondent are entirely the responsibility of the Respondent, and will not be reimbursed in any manner by the State of Texas.

3.8 Protest Procedures

Texas Administrative Code, Title 1, Part 15, Chapter 392, Subchapter C outlines HHSC’s Respondent protest procedures.

3.9 Vendor Conference

HHSC will hold a vendor conference according to the time and date in Section 1.2, “Procurement Schedule” in the Lone Star Conference Room located at 11209 Metric Blvd, Building H, Austin, Texas. Vendor conference attendance is strongly recommended, but is not required.

Respondents may email questions for the conference to the HHSC Point of Contact (see Section 1.1) no later than five (5) days before the conference. HHSC will also give Respondents the opportunity to submit written questions at the conference. All questions should reference the appropriate RFP page and section number. HHSC will attempt to respond to questions at the vendor conference, but responses are not official until posted in final form on the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

3.10 Questions and Comments

All questions and comments regarding this RFP should be sent to the HHSC Point of Contact (see Section 1.1). Questions should reference the appropriate RFP page and section number, and must be submitted by the deadline set forth in Section 1.2. HHSC will not respond to questions received after the deadline. HHSC’s responses to Respondent questions will be posted to the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

Respondents must notify HHSC of any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in the RFP by the deadline for submitting questions and comments. If a Respondent fails to notify HHSC of these issues, it will submit a proposal at its own risk, and if awarded a contract:

- (1) must have waived any claim of error or ambiguity in the RFP or resulting contract;
- (2) must not contest HHSC’s interpretation of such provision(s); and
- (3) must not be entitled to additional compensation, relief, or time by reason of the ambiguity, error, or its later correction.

3.11 Modification or Withdrawal of Proposal

Prior to the proposal submission deadline set forth in Section 1.2, a Respondent may: (1) withdraw its proposal by submitting a written request to the HHSC Point of Contact, or (2) modify its proposal by submitting a written amendment to the HHSC Point of Contact. HHSC may request proposal modifications at any time.

HHSC reserves the right to waive minor informalities in a proposal and award a contract that is in the best interest of the State of Texas. A “minor informality” is an omission or error that, in HHSC’s determination, if waived or modified when evaluating proposals, would not give a Respondent an unfair advantage over other Respondents or result in a material change in the proposal or RFP requirements. When HHSC determines that a proposal contains a minor informality, it may at its discretion provide the Respondent with the opportunity to correct.
3.12 News Releases

Prior to tentative award, a Respondent may not issue a press release or provide any information for public consumption regarding its participation in the procurement. After tentative award, a Respondent must receive prior written approval from HHSC before issuing a press release or providing information for public consumption regarding its participation in the procurement. Requests should be directed to the HHSC Point of Contact identified in Section 1.1. Section 3.12 does not preclude business communications necessary for a Respondent to develop a proposal, or required reporting to shareholders or governmental authorities.

3.13 Incomplete Proposals

HHSC may reject without further consideration a proposal that does not include a complete, comprehensive, or total solution as requested by this RFP.

3.14 State Use of Proposal Information

HHSC reserves the right to use any and all ideas and information presented in a proposal. A Respondent may not object to HHSC’s use of such information.

3.15 Property of HHSC

Except as otherwise provided in this RFP or the resulting Contract, all products produced by a Respondent, including without limitations the proposal, all plans, designs, software, and other contract deliverables, become the sole property of HHSC. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 15 for additional information concerning intellectual property rights.

3.16 Copyright Restriction

HHSC will not consider any proposal that is copyrighted by the Respondent, in whole or part.

3.17 Additional Information

By submitting a proposal, the Respondent grants HHSC the right to obtain information from any lawful source regarding the Respondent’s and its directors’, officers’, and employees’:

(1) past business history, practices, and conduct;
(2) ability to supply the goods and services; and
(3) ability to comply with Contract requirements.

By submitting a proposal, a Respondent generally releases from liability and waives all claims against any party providing HHSC information about the Respondent. HHSC may take such information into consideration in evaluating proposals.

3.18 Multiple Responses

A Respondent may only submit one (1) proposal as a prime contractor. If a Respondent submits more than one (1) proposal, HHSC may reject one or more of the submissions. This requirement does not limit a subcontractor’s ability to collaborate with one (1) or more Respondents submitting proposals.
A Respondent may not entice or require a subcontractor to enter into an exclusive subcontract for the purpose of this procurement. Any subcontract entered into by a Respondent with a third party to meet a requirement of this RFP must not include any provision that would prevent or bar that subcontractor from entering into a comparable contractual relationship with another Respondent submitting a proposal under this procurement. This prohibition against exclusive subcontracts does not apply to professional services that solely pertain to development of the proposal, including gathering of competitive intelligence.

3.19 No Joint Proposals

HHSC will not consider joint or collaborative proposals that require it to contract with more than one (1) Respondent.

3.20 Use of Subcontractors

Subcontractors providing services under the Contract must meet the same requirements and level of experience as required of the Respondent. No subcontract under the Contract must relieve the Respondent of the responsibility for ensuring the requested services are provided. Respondents planning to subcontract all or a portion of the work to be performed must identify the proposed subcontractors and describe the subcontracted functions in their proposals.

3.21 Texas Public Information Act

Proposals will be subject to the Texas Public Information Act (the Act), located in Chapter 552 of the Texas Government Code, and may be disclosed to the public upon request. By submitting a proposal, the Respondent acknowledges that all information and ideas presented in the proposal are public information and subject to disclosure under the Texas Public Information Act, with the limited exception of Social Security Numbers and certain non-public financial reports or information submitted in response to RFP Sections 4.2.3.3 and 4.2.3.4.

If the Respondent asserts that financial reports or information provided in response to RFP Sections 4.2.3.3 and 4.2.3.4 contains trade secret or other confidential information, it must be clearly marked such information in boldface type and include the words “confidential” or “trade secret” at top of the page. Furthermore, the Respondent must identify the financial reports or information, and provide an explanation of why the reports or information are excepted from public disclosure, on the Respondent Information and Disclosures form.

HHSC will process any request from a member of the public in accordance with the procedures outlined in the Act. Respondents should consult the Texas Attorney General’s website (www.oag.state.tx.us) for information concerning the Act’s application to applications and potential exceptions to disclosure.

3.22 Inducements

HHSC submits this RFP setting forth certain information regarding the objectives of the Contract and HHSC’s desire to mitigate risk throughout the life of the Contract by use of expert MCO services.

Therefore, HHSC will consider all representations contained in a Respondent’s proposal, oral or written presentations, correspondence, discussions, and negotiations as representations of the Respondent’s expertise. HHSC accepts these representations as inducements to contract.

3.23 Definition of Terms

Defined terms must have the meaning stated as described in the Attachment A, “Uniform Managed Care Contract Terms and Conditions,” unless the context clearly indicates otherwise. Defined terms are capitalized throughout this RFP. For example, the word “Provider,” when capitalized, refers to Network provider. When the word “provider” is not capitalized, the connotation is all providers, whether Network or Out-of-Network.
4. Submission Requirements

To be considered for award, the Respondent must address all applicable RFP specifications to HHSC’s satisfaction. If requested by HHSC, the Respondent must provide HHSC with information necessary to validate any statements made in its Proposal. This includes, but may not be limited to, granting permission or access for HHSC to verify information with third parties, whether identified by the Respondent or HHSC. If any requested information is not provided within the timeframe allotted, HHSC may reject the Proposal.

Respondents must prepare and submit proposals in accordance with the provisions of this section. Proposals received that do not follow these instructions may be evaluated as non-responsive and may not be considered for award.

4.1 General Instructions

For Respondents bidding on more than one MCO Program, i.e., STAR, STAR+PLUS, or CHIP Program, HHSC has attempted to minimize the need for Respondents to submit multiple copies of the same information.

Each bid for participation in the STAR Program, the STAR+PLUS Program, and/or the CHIP Program must include the following two (2) components:

1. Business Specifications; and
2. General Programmatic Proposal.

Respondents proposing to participate in multiple MCO Programs do not need to submit multiple copies of the Business Specifications or the General Programmatic Proposal. However, these Respondents will need to carefully read each submission requirement to ensure that they provide specific information for each MCO Program bid and Service Area, as applicable, when completing any element of their Proposals.

All Proposal information must be submitted on 8 ½ x 11 inch, white bond paper, three (3)-hole punched, and placed in sturdy three (3) ring binders. Text must be no smaller than 11-point font, single-spaced. Figures may not incorporate text smaller than 8-pt font. All pages must have one-inch margins and page numbering must be sequential per section. Where practical, pages should be double-sided. Each binder must be clearly labeled with the title of this RFP, the Respondent’s legal name, and the title of the document contained in the binder, e.g., Business Proposal or Programmatic Proposal.

Proposals must be organized and numbered in a manner that facilitates reference to this RFP and its requirements. Respondents must respond to each item in the order it appears in the RFP. The response must include headings and numbering to match the corresponding section of the RFP. Respondents may place attachments and appendices in a separate section if the RFP provides that such attachments are not included in the section’s specified page limits.

4.1.1 Economy of Presentation

Unnecessarily elaborate Proposals beyond those sufficient to provide a complete and effective response to this RFP are not desired and may be construed as an indication of the Respondent’s lack of ability to provide efficient work products.

The Respondent must adhere to page limits where specified. Page limits are listed in parentheses at the end of the title of the section. A three (3) page limit, for example, means that the response should not be in excess of three (3) one-sided pages that meet the size, font, and margin requirements specified in the General Instructions in Section 4.1 above.

Some page limits are identical regardless of the number of MCO Programs in which a Respondent is proposing to participate. If a page limit is listed but does not include the phrase “per MCO Program,” the page limit applies to the entire response regardless of the number of MCO Programs bid. In these cases, the page limit will be indicated as a set number, e.g., “3 pages.”
In some cases, additional pages are provided for Respondents proposing to serve more than one MCO Program. For example, “3 pages plus 1 additional page per additional MCO Program” indicates that a Respondent proposing to serve one (1) MCO Program has a three (3) page limit, a Respondent proposing to serve two (2) MCO Programs has a four (4) page limit, and a Respondent proposing to serve all three (3) MCO Programs has a five (5) page limit. This page limit approach is designed to give Respondents submitting a Proposal for multiple MCO Programs sufficient space to respond to the submission requirement when submission responses differ across MCO Programs. Respondents proposing to serve multiple programs should have similar or identical approaches across MCO Programs where administrative efficiencies are possible and appropriate. Respondents must clearly indicate differences, if any, in their response to each submission requirement for each applicable MCO Program.

In other cases, additional pages may be provided based on certain aspects of the Respondent’s Proposal or organization, such as the number of organizational charts submitted reflecting arrangements with Material Subcontractors, or the number of Key Contract Personnel included in the Proposal for Respondents proposing to serve more than one MCO Program.

Finally, some page limits are by MCO Program, e.g., two (2) pages per MCO Program means that a Respondent proposing to serve all three (3) MCO Programs would have a six (6) page limit for that requirement.

If the Respondent chooses to repeat the RFP question in its Proposal, the question text will be included in the page limit.

In responding to questions in Section 4.2 (“Business Proposal”) and Section 4.3 (“Programmatic Proposal”) for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement, and up to one (1) page may be used to describe each Action Plan. These pages are outside of the page limit instructions for the specific submission requirement.

HHSC reserves the right not to review information provided in excess of the page limits. Respondents need not feel compelled to submit unnecessary text in order to reach the page limits.

Attachments required by the RFP, such as certain policies and procedures, are not counted in calculating the Respondent’s page limits. Respondents must not submit information or attachments that are not explicitly requested in the RFP. Elaborate artwork, expensive paper and bindings, and expensive visual or other presentation aids are neither necessary nor desired.

4.1.2 Number of Copies and Packaging

Respondents must submit one (1) hardbound original and eight (8) hardbound copies of the Proposal. The original must be clearly labeled “Original” on the outside of the binder. In addition to the hardbound original and copies, Respondents must submit 22 electronic copies of each Proposal component. At the Respondent’s option, it may produce only electronic copies of certain attachments and appendices. This exception applies to attachments and appendices that exceed ten (10) pages, such as GeoAccess tables, Significant Traditional Provider (STP) files, TDI filings, and other financial documents. The exception does not apply to the attachments referenced in Section 4.2, Section 5, “HUB Subcontracting Plan,” or Section 6, “Certifications and Other Required Forms,” which must be included in both the hardbound and electronic copies of the Proposal. If the Respondent produces only an electronic copy of an attachment or appendix, the hardbound Proposals should refer the reader to the electronic Proposal for the required information.

For the electronic copies, the Proposal, attachments, financial documents, signed forms, pamphlets, and all other documents included in the proposal hardcopy must be submitted on CDs compatible with Microsoft Office 2000 files. PDF files should be prepared in a format that allows for OCR text recognition. HHSC will not accept Proposals by facsimile or e-mail.

4.1.3 Due Date, Time, and Location

Submit all copies of the Proposal to HHSC’s Enterprise Contracts and Procurement Services (ECPS) no later than 2:00 p.m. Central Time (CT) according to the timeline in Section 1.2, “Procurement Schedule.” All submissions will be date and time stamped when received by ECPS. The clock in the ECPS office is the official timepiece for determining compliance with the deadlines in this procurement. HHSC reserves the right to reject late submissions. It is the Respondent’s responsibility to appropriately mark and deliver the Proposal to HHSC by the specified date and time. The sole point of contact for inquiries concerning this RFP is:
4.2 Part 1 – Business Proposal

The Business Proposal must include the following:

- Section 1 – Executive Summary
- Section 2 – Respondent Identification and Information
- Section 3 – Corporate Background and Experience
- Section 4 – Material Subcontractor Information
- Section 5 – HUB Subcontracting Plan
- Section 6 – Certifications and Other Required Forms

4.2.1 Section 1 – Executive Summary

(2 pages, excluding Table 1)

In this section, condense and highlight the content of the Business Proposal to provide HHSC with a broad understanding of the respondent’s approach to meeting the RFP’s business requirements. The summary must demonstrate an understanding of HHSC’s goals and objectives for this procurement. Please identify the Respondent’s proposed MCO Program(s) and the Service Areas. The Respondent should complete Table 1 by placing an “X” in all Service Areas and MCO Programs bid. (The Service Areas are described in the Attachments B-5, 5.1, 5.2, and 5.3. A Respondent may elect to bid on some, all, or none of the Service Areas.) Respondents should note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may bid on one (1) or more of these areas; however, HHSC will more favorably evaluate responses that propose to serve all three (3) areas.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Proposal for STAR</th>
<th>Proposal for STAR+PLUS</th>
<th>Proposal for CHIP</th>
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Submit the following information:

1. Respondent identification and basic information.
   a. The Respondent’s legal name, trade name, *dba*, acronym, and any other name under which the Respondent does business.
   b. The physical address, mailing address, and telephone number of the Respondent’s headquarters office.

2. TDI Authority. A copy of the MCO’s licensure, certification, or approval to operate as an HMO, ANHC, or EPBP. If the Respondent has not received TDI approval, then submit a copy of the application filed with TDI. In accordance with RFP Section 7.2.9, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract.

3. Authorized Counties. Indicate whether the Respondent is currently authorized by TDI to operate as an MCO in each county in the Service Area with a “Yes-MCO,” “No MCO,” or “Partial MCO.” If the Respondent is not authorized to conduct business as an MCO in all or part of a county, it should list those areas in Column C.

For each county listed in Column C, the Respondent must document that it applied to TDI for such approval prior to the submission of a Proposal for this RFP. The Respondent must indicate the date that it applied for such approval and the status of its application to get TDI approval in the relevant counties in this section of its submission to HHSC.

### Table 2: TDI Authority in Proposed Service Area

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<tr>
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<td>Service Area</td>
<td>TDI Authority/Status of Approval</td>
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4. Texas Comptroller Certificate. A current Certificate of Good Standing issued by the Texas Comptroller of Public Accounts, or an explanation for why this form is not applicable to the Respondent.

5. Respondent Legal Status and Ownership.
   a. The type of ownership of the Respondent by its ultimate parent:
      • wholly-owned subsidiary of a publicly-traded corporation;
      • wholly-owned subsidiary of a private (closely-held) stock corporation;
      • subsidiary or component of a non-profit foundation;
      • subsidiary or component of a governmental entity such as a County Hospital District;
      • independently-owned member of an alliance or cooperative network;
      • joint venture (describe ultimate owners)
      • stand-alone privately-owned corporation (no parents or subsidiaries); or
      • other (describe).
   b. The legal status of the Respondent and its parent (any/all that may apply):
      (i.) Respondent is a corporation, partnership, sole proprietor, or other (describe);
      • Respondent is for-profit, or non-profit;
      • the Respondent’s ultimate parent is for-profit, or non-profit;
      • the Respondent’s ultimate parent is privately-owned, listed on a stock exchange, a component of government, or other (describe).
   c. The legal name of the Respondent’s ultimate parent (e.g., the name of a publicly-traded corporation, or a County Hospital District, etc.).
   d. The name and address of any other sponsoring corporation, or others (excluding the Respondent’s parent) who provide financial support to the Respondent, and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

6. Hospital District/Non-Profit Corporation. Section 5 of the RFP requires Respondents who believe they qualify for mandatory STAR or STAR+PLUS contracts under Texas Government Code §533.004 to submit notice to HHSC no later than April 28, 2011, explaining the basis for this belief for each proposed Service Area. Please indicate whether the Respondent provided such notice to HHSC.

7. The name and address of any health professional that has at least a five percent (5%) financial interest in the Respondent, and the type of financial interest.

8. The full names and titles of the Respondent’s officers and directors.

9. The state in which the Respondent is incorporated, and the state(s) in which the Respondent is licensed to do business as an MCO. The Respondent must also indicate the state where it is commercially domiciled, if outside Texas.

10. The Respondent’s federal taxpayer identification number.
11. If any change of ownership of the Respondent’s company or its parent is anticipated during the 12 months following the Proposal Due Date, the Respondent must describe the circumstances of such change and indicate when the change is likely to occur.

12. Whether the Respondent or its parent (including other managed care subsidiaries of the parent) had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues and the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem(s) that may have led to the termination or non-renewal.

13. Whether the Respondent has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation status, and if it has or is, indicate:
   - its current NCQA or URAC accreditation status;
   - if NCQA or URAC accredited, its accreditation term effective dates; and
   - if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Contractor.

14. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Respondent, including any that the Respondent may have contracted to be run by another entity. If the Respondent has a parent, then also provide the same for the parent, and any parent(s) of the parent. If none exist, provide a clear and definitive statement to that effect.

4.2.3 Section 3 – Corporate Background and Experience

(no page limit)

1. Provide the following information on all publicly-funded managed care contracts (if the Respondent does not have publicly-funded managed care contracts, it may include information on privately-funded managed care contracts). Include information for all current contracts, as well as work performed in the past three (3) years:
   a. client name and address;
   b. name, telephone, and e-mail address of the person HHSC could contact as a reference that can speak to the Respondent’s performance;
   c. contract size: average monthly covered lives and annual revenues;
   d. whether payments under the contract were capitated or non-capitated;
   e. contract start date and duration;
   f. whether work was performed as a prime contractor or subcontractor; and
   g. a general and brief description of the scope of services provided by the Respondent; including the covered population and services (e.g., Medicaid, CHIP, state-funded program).

2. With respect to the Respondent and its parent (and including other managed care subsidiaries of the parent), briefly describe any regulatory actions, sanctions, and/or fines imposed by any federal or Texas regulatory entity, or a regulatory entity in another state, within the last three (3) years. Include a description of any letters of deficiencies, corrective actions, findings of non-compliance, and/or sanctions. Please indicate which of these actions or fines, if any, were related to Medicaid or CHIP programs. HHSC may, at its option, contact these clients or regulatory agencies and any other individual or organization whether or not identified by the Respondent.
Respondents should not include letters of support or endorsement from any individual, organization, agency, interest group, or other identified entity in this section or other parts of the Proposal.

When evaluating proposals, HHSC may consider a current or past contractor's performance under an agreement with an HHS agency in Texas, including but not limited to any corrective actions or liquidated damages imposed by HHSC or another HHS agency.

4.2.3.1 Organizational Chart

(1 page narrative for each organizational chart, excluding organizational chart itself)

Respondents should submit the following:

1. an organizational chart (Chart A), showing the corporate structure and lines of responsibility and authority in the administration of the Respondent’s business as a health plan;

2. an organizational chart (Chart B) showing the Texas organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level. If Chart A represents the entire organizational structure, label the submission as Charts A and B;

3. an organizational chart (Chart C) showing the Management Information System (MIS) staff organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level;

4. if the Respondent is proposing to use one or more Material Subcontractors, the Respondent must include an organizational chart demonstrating how the Material Subcontractor(s) will be managed within the Respondent’s Texas organizational structure, including the primary individuals at the Respondent’s organization and at each Material Subcontractor organization responsible for overseeing such Material Subcontract. This information may be included in Chart B, or in a separate organizational chart(s); and

5. submit a brief narrative explaining the organizational charts submitted, and highlighting the key functional responsibilities and reporting requirements of each organizational unit relating to the Respondent’s proposed management of the MCO Program(s), including its management of any proposed Material Subcontractors.

4.2.3.2 Résumés

(1 page per Key Personnel, excluding résumés)

Identify and describe the Respondent’s and its Subcontractor’s proposed labor skill set, years of experience, and provide résumés of all proposed key personnel. Résumés must demonstrate experience germane to the position proposed. Résumés should include work on projects cited under the respondent’s corporate experience, and the specific functions performed on such projects. Each résumé should include at least three (3) references from recent projects, if the projects were performed for unaffiliated parties. References may not be the Respondent’s or Subcontractor’s employees.

Key personnel include: Executive Director (as defined in Attachment A, Article 4), Medical Director (as defined in Attachment A, Article 4), Member Services Manager, Service Coordination Manager (STAR+PLUS only), Management Information Systems Manager, Claims Processing Manager, Provider Network Development Manager, Benefit Administration and Utilization Management Manager, Quality Improvement Manager, Behavioral Health Services Manager, Financial Functions Manager, and Reporting Manager.

**STAR+PLUS Service Coordinators.** Please refer to Section 8.3.2.1 for a description of Service Coordinator responsibilities. In addition to the Service Coordinator Manager, please submit the following for each Service Coordinator function:

1. a job description and qualifications; and

2. the anticipated maximum caseload for each Service Coordinator (number of Members per Service Coordinator) and the assumptions the Respondent used in developing the maximum caseload estimate.
4.2.3.3 Financial Capacity

(no page limit)

Submit the following financial documents to demonstrate the Respondent’s financial solvency, and its capacity to comply with Section 6, “Premium Payment, Incentives, and Disincentives,” and Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Contract Terms and Conditions”:

1. Audited Financial Statements covering the two (2) most recent years of the Respondent’s financial results. These statements must include the independent auditor’s report (audit opinion letter to the Board or shareholders), the notes to the financial statements, any written description(s) of legal issues or contingencies, and any management discussion or analysis.

Make sure that the name and address of the firm that audits the Respondent is shown. State the date of the most-recent audit, and whether the Respondent is audited annually or otherwise. State definitively if there has, or has not, been any of the following:

• a “going concern” statement was issued by any auditor in the last three (3) years;
• a qualified opinion was issued by any auditor in the last three (3) years;
• a change of audit firms in the last three (3) years; and
• any significant delay (two (2) months or more) in completing the current audit.

2. The most recent quarterly and annual financial statements filed with the TDI, and if the Respondent is domiciled in another state, the financial statements filed with the state insurance department in its state of domicile. The annual financial statement must include all schedules, attachments, supplements, management discussion, analysis and actuarial opinions.

3. The most recent financial examination report issued by TDI, and also by any state insurance department in states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If any submitted financial examination report is two (2) or more years old, or if Respondent has never had a financial examination report issued, submit the anticipated approximate date of the next issuance of a TDI or state department of insurance financial examination report.

4. The most recent Form B Registration Statement disclosure filed by Respondent with TDI, and any similar form filed with any state insurance department in other states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If Respondent is exempt from the TDI Form B filing requirement, demonstrate this and explain the nature of the exemption.

5. Other related documents, as applicable:

   a. SEC Form 10-K and 10-Q. If Respondent is a publicly-traded (stock-exchange-listed) corporation, then submit the most recent United States Securities and Exchange Commission (SEC) Form 10K Annual Report, and the most-recent 10-Q Quarterly report.

   b. IRS Form 990. If the Respondent is a non-profit entity, then submit the most recent annual Internal Revenue Service (IRS) Form 990 filing, complete with any and all attachments or schedules. If Respondent is a non-profit entity that is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.

   c. If the Respondent is a non-profit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the most recent annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for Respondent, including all attachments, schedules, and supplements.
d. Bond or debt rating analysis. If Respondent has been, in the last three (3) years, the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most-recent detailed report from each rating entity that has produced such a report.

e. Annual Report. If Respondent produces any written “annual report” or similar item that is in addition to the above-referenced documents, submit the most recent version. This might be a yearly report or letter to shareholders, the community, regulators, lenders, customers, employees, the Respondent’s owner, or other constituents.

f. If the Respondent has issued any press releases in the 12 months prior to the submission due date, wherein the press release mentions or discusses financial results, acquisitions, divestitures, new facilities, closures, layoffs, significant contract awards or losses, penalties/fines/sanctions, expansion, new or departing officers or directors, litigation, change of ownership, or other very similar issues, provide a copy of each such press release. HHSC does not wish to receive other types of press releases that are primarily promotional in nature.

With respect to items 5(a) through (e) above, Respondent must also submit a schedule that shows for each of the five (5) categories: whether there is any applicable filing or report; the name(s) of the entity that does the filing or report; and the regular or estimated filing/distribution date(s).

At a minimum, the financial statements and reports submitted hereunder must include:

1. balance sheet;
2. statement of income and expense;
3. statement of cash flows;
4. statement of changes in financial position (capitol & surplus; equity);
5. independent auditor’s letter of opinion;
6. description of organization and operation, including ownership, markets served, type of entity, number of locations and employees, and, dollar amount and type of any Respondent business outside of that with HHSC; and
7. disclosure of any material contingencies, and any current, recent past, or known potential material litigation, regulatory proceedings, legal matters, or similar issues.

The Respondent must include key non-financial metrics and descriptions, such as facilities, number of covered lives, area of geographic coverage, years in business, material changes in business situation, key risks and prospective issues, etc.

4.2.3.4 Financial Report of Parent Organization and Corporate Guarantee

(no page limit)

If another corporation or entity either substantially or wholly owns the Respondent, submit the most recent detailed financial reports (as required above in Section 4.2.3.3) for the parent organization. If there are one (1) or more intermediate owners between the Respondent and the ultimate owner, this additional requirement is applicable only to the ultimate owner.

The Respondent must also include a statement that the parent organization will unconditionally guarantee performance by the Respondent of each and every obligation, warranty, covenant, term and condition of the Contract. This guarantee is not required for Respondents owned by political subdivisions of the State (i.e., hospital districts).

If HHSC determines that an entity does not have sufficient financial resources to guarantee the Respondent’s performance, HHSC may require the Respondent to obtain another acceptable financial instrument or resource from such entity, or to obtain an acceptable guarantee from another entity with sufficient financial resources to guarantee performance.
4.2.3.5 Bonding

The Respondent must submit a statement that, if selected as a Contractor, the Respondent agrees to:

1. secure and maintain throughout the life of the Contract, fidelity bonds required by the Texas Department of Insurance in compliance with §843.402, Texas Insurance Code; and

2. secure and maintain throughout the life of the Contract, a performance bond in accordance with the Attachment A, “Uniform Managed Care Contract Terms and Conditions” and 28 T.A.C. §11.1805.

4.2.4 Section 4 – Material Subcontractor Information

(no page limit)

See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for contractual definition of Material Subcontractor. Organize this information by Material Subcontractor, and list them in descending order of estimated annual payments. For each Material Subcontractor, the MCO must provide:

1. The Material Subcontractor’s legal name, trade name, acronym, d.b.a., and any other name under which the Material Subcontractor does business.

2. The Respondent’s estimated annual payments to the Material Subcontractor, by MCO Program.

3. The physical address, mailing address, and telephone number of the Material Subcontractor’s headquarters office, and the name of its Chief Executive Officer.

4. Whether the Material Subcontractor is an Affiliate of the Respondent or an unrelated third party (see the “Uniform Managed Care Contract Terms and Conditions” for the definition of “Affiliate.”)

5. If the Material Subcontractor is an Affiliate, then provide:
   a. the name of the Material Subcontractor’s parent organization, and the Material Subcontractor’s relationship to the Respondent;
   b. the proportion, if any, of the Material Subcontractor’s total revenues that are received from non-Affiliates. If the Material Subcontractor has significant revenues from non-Affiliates, then also indicate the portion, if any, of those external (non-Affiliate) revenues that are for services similar to those that the Respondent would procure under the proposed Subcontract;
   c. a description of the proposed method of pricing under the Subcontract;
   d. indicate if the Respondent presently procures, or has ever procured, similar services from a non-Affiliate;
   e. the number of employees (staff and management) who are dedicated full-time to the Affiliate’s business;
   f. whether the Affiliate’s office facilities are completely separate from the Respondent and the Respondent’s parent. If not, identify the approximate number of square feet of office space that are dedicated solely to the Affiliate’s business;
   g. attach an organization chart for the Affiliate, showing head count, Key Personnel names, titles, and locations; and
   h. indicate if the staff and management of the Affiliate are directly employed by the Affiliate itself, or are they actually, from a technical legal perspective, employed by a different legal entity (such as a parent corporation). What corporation’s name shows up on the employee’s W2 form?
6. A description of each Material Subcontractor’s corporate background and experience, including its estimated annual revenues from unaffiliated parties, number of employees, location(s), and identification of three (3) major clients.

7. A signed letter of commitment from each Material Subcontractor that states the Material Subcontractor’s willingness to enter into a Subcontractor agreement with the Respondent, and a statement of work for activities to be subcontracted. Letters of Commitment must be provided on the Material Subcontractor’s official company letterhead, signed by an official with the authority to bind the company for the subcontracted work. The Letter of Commitment must state, if applicable, the company’s certified HUB status.

8. The type of ownership [e.g., wholly-owned subsidiary of a publicly-traded corporation; wholly-owned subsidiary of a private (closely-held) stock corporation; subsidiary or component of a non-profit foundation; subsidiary or component of a governmental entity such as a County Hospital District; independently-owned member of an alliance or cooperative network; joint venture (describe owners); etc.] Indicate the name of the ultimate owner (e.g., the name of a publicly-traded corporation or a County Hospital District).

9. Indicate status (any/all that may apply): sole proprietor, partnership, corporation, for-profit, non-profit, privately owned, and/or listed on a stock exchange. If a Subsidiary or Affiliate, name of the direct and ultimate parent organization.

10. The name and address of any sponsoring corporation or others who provide financial support to the Material Subcontractor and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

11. The name and address of any health professional that has at least a five percent (5%) financial interest in the Material Subcontractor and the type of financial interest.

12. The state in which the Material Subcontractor is incorporated, commercially domiciled, and the state(s) in which the organization is licensed to do business.

13. The Material Subcontractor’s federal taxpayer identification number.

14. Whether the Material Subcontractor had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues, the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem that may have lead to the termination.

15. Whether the Material Subcontractor has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation or certification status, and if it has or is, indicate:

   • its current NCQA or URAC accreditation or certification status;

   • if NCQA or URAC accredited or certified, its accreditation or certification term effective dates; and

   • if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Material Subcontractor.

16. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Material Subcontractor, including any websites run by another entity on the Material Subcontractor’s behalf. If the Material Subcontractor has a parent, then also provide the same for the parent organization, and any parent(s) of the parent organization. If none exist, provide a clear and definitive statement to this effect.

4.2.5 Section 5 – Historically Underutilized Business (HUB) Participation

In accordance with Texas Government Code §2162.252, a proposal that does not contain a HUB Subcontracting Plan (HSP) is non-responsive and will be rejected without further evaluation. In addition, if HHSC determines that the HSP was not developed in good faith, it will reject the proposal for failing to comply with material RFP specifications.
4.2.5.1 Introduction

HHSC is committed to promoting full and equal business opportunities for businesses in state contracting in accordance with the goals specified in the State of Texas Disparity Study. HHSC encourages the use of HUBs through race, ethnic and gender-neutral means. HHSC has adopted administrative rules relating to HUBs, and a policy on the Utilization of HUBs, which is located on HHSC’s website.

Pursuant to Texas Government Code §2161.181 and §2161.182, and HHSC’s HUB policy and rules, HHSC is required to make a good faith effort to increase HUB participation in its contracts. HHSC may accomplish the goal of increased HUB participation by contracting directly with HUBs or indirectly through subcontracting opportunities.

4.2.5.2 HHSC’s Administrative Rules

HHSC has adopted the Comptroller of Public Accounts’ (CPA) HUB rules as its own. HHSC’s rules are located in Title 1, Part 15, Chapter 392, Subchapter J of the Texas Administrative Code, and the CPA rules are located in Title 34, Part 1, Chapter 20, Subchapter C. If there are any discrepancies between HHSC’s administrative rules and this RFP, the rules will take priority.

4.2.5.3 HUB Participation Goal

The CPA has established statewide HUB participation goals for different categories of contracts in 34 T.A.C. §20.13. In order to meet or exceed the HUB participation goals, HHSC encourages outreach to certified HUBs. Contractors must make a good faith effort to include certified HUBs in the procurement process.

This contract is classified as an “All Other Services” contract under the CPA rule, and therefore has a HUB Annual Procurement Utilization Goal of 33% per fiscal year. This goal applies to MCO Administrative Services, as defined below.

4.2.5.4 Required HUB Subcontracting Plan

HHSC has determined that subcontracting opportunities are probable for this RFP for MCO Administrative Services. MCO Administrative Services are those services or functions other than the direct delivery of medical Covered Services necessary to manage the delivery of and payment for such services. MCO Administrative Services include but are not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, Management Information System (MIS) operation and reporting. The Respondent must submit an HSP (see the Procurement Library) with its proposal for such MCO Administrative Services. The HSP is required whether or not a Respondent intends to subcontract.

HSP requirements will not apply to Subcontracts with Network Providers (providers who contract directly with the MCO to deliver medical Covered Services to Members). A Respondent therefore should not include Network Providers’ participation in its HSP submissions.

In conjunction with the HSP, a Respondent must indicate whether it is a Texas certified HUB. Being a certified HUB does not exempt a respondent from completing the HSP requirement.

During the good faith effort evaluation, HHSC may, at its discretion, allow clarifications or request additional information to support the Respondent’s good faith effort development of the HSP.

4.2.5.5 CPA Centralized Master Bidders List

Respondents may search for HUB subcontractors in the CPA’s Centralized Master Bidders List (CMBL) HUB Directory, which is located on the CPA’s website at http://www2.cpa.state.tx.us/cmbl/cmbhub.html. For this procurement, HHSC has identified the following class and item codes for potential subcontracting opportunities:

NIGP Commodity Codes:

• 948-07: Administration Services, Health
Respondents are not required to use, nor limited to using, the class and item codes identified above, and may identify other areas for subcontracting.

HHSC does not endorse, recommend nor attest to the capabilities of any company or individual listed on the CPA’s CMBL. The list of certified HUBs is subject to change, so Respondents are encouraged to refer to the CMBL often to find the most current listing of HUBs.

4.2.5.6 HUB Subcontracting Procedures – If a Respondent Intends to Subcontract

An HSP must demonstrate that the Respondent made a good faith effort to comply with HHSC’s HUB policies and procedures. The following subparts outline the items that HHSC will review in determining whether an HSP meets the good faith effort standard. A Respondent that intends to subcontract must complete the HSP to document its good faith efforts.

For step-by-step audio/video instructions on how to complete the HSP, you may also visit the CPA’s website at: http://www.cpa.state.tx.us/procurement/prog/hub/hub-subcontracting-plan/.

1. Identify Subcontracting Areas and Divide Them into Reasonable Lots

A Respondent should first identify each area of the MCO Administrative Service work it intends to subcontract. Then, to maximize HUB participation, it should divide the MCO Administrative Service work into reasonable lots or portions, to the extent consistent with prudent industry practices.

2. Notify Potential HUB Subcontractors

Respondents must notify three (3) or more certified HUBs of each subcontracting opportunity. For example, if a Respondent intends to subcontract two (2) areas of MCO Administrative Service work, then for each class/item code, the Respondent must notify at least three (3) vendors who provide that type of work.

Respondents must provide written notice to potential HUB subcontractors prior to submitting proposals. The notice must include:

1. a description of the scope of work to be subcontracted;
2. information regarding the location to review project plans or specifications;
3. information about bonding and insurance requirements;
4. required qualifications and other contract requirements; and
5. a description of how the subcontractor can contact the Respondent.

Respondents must give potential HUB subcontractors a reasonable amount of time to respond to the notice, generally no less than five (5) working days from receipt. In rare situations, HHSC will allow a shorter notification period if the Respondent demonstrates: (1) circumstances warranting a shorter notification period, and (2) potential subcontractors still had sufficient time to complete their responses.

Respondents must use the CMBL, the HUB Directory, and Internet resources when searching for HUB subcontractors. Respondents may rely on the services of contractor groups; local, state and federal business assistance offices; and other organizations that provide assistance in identifying qualified applicants for the HUB program. Respondents also must provide written notice to minority or women trade organizations or development centers, which can disseminate notice of subcontracting opportunities to their members/participants. A list of minority and women trade organizations is located on HHSC’s website under the Minority and Women Organization link.
3. Written Justification of the Selection Process

A Respondent must provide written justification of its selection process if it chooses a non-HUB subcontractor. The justification should demonstrate that the Respondent negotiated in good faith with qualified HUB bidders, and did not reject qualified HUBs who were the best value responsive bidders.

4.2.5.7 Alternatives to Good Faith Effort Requirements (Applies Only to Mentor Protégé and Professional Services Contracts)

HHSC will accept a Mentor Protégé Agreement that has been entered into by a Respondent (mentor) and a certified HUB (protégé) in accordance with Texas Government Code §2161.065.

Participation in the Mentor Protégé Program, along with the submission of a protégé as a subcontractor in an HSP, constitutes a good faith effort for the particular area subcontracted to the protégé. If a Respondent proposes to subcontract with a protégé, it does not need to provide notice to three (3) vendors for that subcontracted area. To demonstrate that a Respondent meets the good faith requirement for mentor/protégé arrangements, the HSP should:

1. include a fully executed copy of the Mentor Protégé Agreement, which must be registered with the CPA prior to submission to HHSC; and
2. identify areas of the HSP that will be performed by the protégé.

4.2.5.8 HUB Subcontracting Procedures – If a Respondent Does Not Intend to Subcontract

If the Respondent plans to complete all MCO Administrative Service requirements with its own equipment, supplies, materials and/or employees, it is still required to complete an HSP. The Respondent must complete the “Self Performance Justification” portion of the HSP, and attest that it does not intend to subcontract for any administrative goods or services, including the class and item codes identified in Section 4.2.5.5. In addition, the Respondent must identify the sections of the proposal that describe how it will complete the Scope of Work using its own resources or provide a statement explaining how it will complete the Scope of Work using its own resources. The Respondent must provide the following information regarding self-performance if requested by HHSC:

1. evidence of sufficient Respondent staffing to meet the RFP requirements;
2. monthly payroll records showing the Respondent staff fully dedicated to the contract; and
3. documentation proving employment of qualified personnel holding the necessary licenses and certificates required to perform the Scope of Work.

4.2.5.9 Post-award HSP Requirements

After contract award, HHSC will coordinate a post-award meeting with the successful Respondents to discuss HSP reporting requirements. The MCO must maintain business records documenting compliance with the HSP, and must submit monthly reports to HHSC by completing the HUB “Prime Contractor Progress Assessment Report.” This monthly report is required as a condition for payment. In addition, the MCO must allow periodic onsite reviews of the MCO’s headquarters or work site where services are to be performed if requested by HHSC.

Once accepted, the finalized HSP will become part of the Contract with the successful Respondents. The Uniform Managed Care Manual outlines the procedures for changing the HSP, as well as the HSP compliance and reporting requirements. All changes to the approved HSP require prior HHSC approval. In general, if the MCO decides to subcontract any part of the Contract after the award, it must follow the good faith effort procedures outlined in Section 4.2.5.6 e.g., divide work into reasonable lots, notify at least three (3) vendors per subcontracted area, provide written justification of the selection process, participate in the Mentor Protégé Program, or for professional services contracts meet the 20% goal). For this reason, HHSC encourages Respondents to identify, as part of their HSP, multiple subcontractors who are able to perform the work in each area the Respondent plans to subcontract. Selecting additional subcontractors may help the
selected MCO make changes to its original HSP, when needed, and will allow HHSC to approve any necessary changes expeditiously.

Failure to meet the HSP and post-award requirements will constitute a breach of contract, and will be subject to remedial actions. HHSC may also report noncompliance to the CPA in accordance with the CPA’s respondent performance (see 34 T.A.C. §20.108) and debarment program (see 34 T.A.C. §20.105).

4.2.6 Section 6 – Certifications and Other Required Forms

Respondents must submit the following required forms with their proposals:

1. Child Support Certification;
2. Debarment, Suspension, Ineligibility, and Voluntary Exclusion of Covered Contracts;
3. Federal Lobbying Certification;
4. Nondisclosure Statement;
5. Required Certifications; and
6. Respondent Information and Disclosures.

The required forms are located on HHSC’s website, under the “Business Opportunities” link. HHSC encourages Respondents to carefully review all of these forms and submit questions regarding their completion prior to the deadline for submitting questions (see Section 1.2, “Procurement Schedule”).

Respondents should note that the “Respondent Information and Disclosures” form asks Respondents to provide information on certain litigation matters. In addition to the information required on this form, Respondents must provide all of the information described in Uniform Managed Care Manual Chapter 5.8, “Report of Legal and Other Proceedings.” Respondents may include this supplemental information on the “Respondent Information and Disclosures” form, or under a separate submission.

4.3 Part 2 – Programmatic Proposal

Respondents must provide a detailed description of the proposed programmatic solution, which must support all business activities and requirements described in the RFP. The Programmatic Proposal must reflect a clear understanding of the nature of the work undertaken.

Respondents should carefully read the submission requirement instructions for specific questions in this section. For each applicable programmatic submission requirement, the Respondent must indicate, in addition to the information requested in each subsection, the following information if applicable to the Respondent and its Proposal:

Material Subcontractor: If the Respondent plans to provide the service or perform the function through a Material Subcontractor, the Respondent must detail the services and/or function to be subcontracted, and how the Respondent and the Material Subcontractor will coordinate such service or function. Respondents should describe any prior working relationships with the Material Subcontractor.

Action Plan: This requirement applies to any Respondent who is not currently: (1) providing services or performing functions relating to a specific RFP submission requirement as a current vendor in STAR, STAR+PLUS, and/or CHIP, or (2) meeting the Operations Phase Requirements in Section 8 relating to a specific submission requirement for STAR, STAR+PLUS, and/or CHIP. In the Action Plan, the Respondent must, for each such submission requirement: (1) submit a description of its current comparable experience and abilities, if any; (2) describe how the Respondent will meet the Contract responsibilities, including assigned resources for completing such activities; and (3) a timeline for completing such activities.
In responding to questions for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement and up to one (1) page may be used to describe each Action Plan. These pages are not included in the page limit instructions for the specific submission requirement.

HHSC understands that some Respondents may not have current experience providing managed care services to STAR, STAR+PLUS, and/or CHIP members in Texas. In responding to questions relating to experience, Respondents should clearly indicate if their experience is in Texas, and if their experience is with STAR, STAR+PLUS, CHIP, or other comparable populations of managed care members. For Respondents proposing to serve STAR+PLUS members, the Proposal should describe the Respondent’s experience with elderly and disabled populations, including persons eligible for Medicare.

The Programmatic Proposal must include a detailed description of the following program components, at a minimum:

1. Section 1 – Proposed Programs, Service Area, and Capacity
2. Section 2 – Experience Providing Covered Services
3. Section 3 – Value-added Services
4. Section 4 – Access to Care
5. Section 5 – Provider Network Provisions
6. Section 6 – Member Services
7. Section 7 – Quality Assessment and Performance Improvement
8. Section 8 – Utilization Management
9. Section 9 – Early Childhood Intervention (ECI)
10. Section 10 – Services for People with Special Health Care Needs
11. Section 11 – Care Management/Service Coordination
12. Section 12 – Disease Management (DM)/Health Home Services
13. Section 13 – Behavioral Health Services and Network
14. Section 14 – Management Information Systems Requirements
15. Section 15 – Fraud and Abuse
16. Section 16 – Pharmacy Services
17. Section 17 – Transition Plan
18. Section 18 – Additional Requirements Regarding Dual Eligibles

4.3.1 Section 1 – Proposed Programs, Service Area, and Capacity

(3 pages, excluding tables)

The Respondent shall:
1. complete the MCO Program Proposed Service Area and Capacity table found in the **Procurement Library**, which must include for each proposed Service Area indicated in Table 1 of the Respondent’s Executive Summary, an estimate of the number of HHSC MCO Members the Bidder has the capacity to serve in each MCO Program bid on the Operational Start Date;

2. describe the calculations and assumptions used to arrive at these Service Area capacity projections. In developing these projections, the Respondent should consider the capacity of its Network, including its PCP Network, its Behavioral Health Services Network, its specialty care Network, its Pharmacy Network, and for STAR+PLUS, its home and community-based services Network. Respondents should specify:
   - the anticipated STAR, STAR+PLUS, or CHIP Program enrollment, as applicable;
   - the expected utilization of services, taking into consideration the characteristics and health care needs of specific populations represented in the particular HHSC MCO Program;
   - the numbers and types (in terms of training, experience, and specialization) of providers required to furnish the Covered Services;
   - the numbers of Network Providers and providers with signed contracts, LOAs, or LOIs who are not accepting new patients, by MCO Program;
   - the geographic location of providers and HHSC MCO members, considering travel time, the means of transportation ordinarily used by HHSC MCO members, and whether the location provides physical access for members with disabilities; and
   - generally describe anticipated Service Area capacity changes, if any, for each of the proposed Service Areas over the Initial Contract Period; and

3. generally describe methods that the MCO will use to ensure access to all Covered Services upon potential population growth due to changes in law, including growth resulting from the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010.

### 4.3.2 Section 2 – Experience Providing Covered Services

(3 pages, plus 1 additional page for each additional MCO Program bid, if any.)

Covered Services are described in **Section 8.1.2, “Covered Services;” Section 8.2.2, “Provisions Related to Covered Services for Medicaid Members;” and Attachment B-1, “STAR Covered Services,” Attachment B-1.1, “CHIP Covered Services,” and Attachment B-1.2, “STAR+PLUS Covered Services.”**

For all MCO Programs bid, the Respondent must:

1. briefly describe the Respondent’s experience providing, on a capitated basis, Acute Care services, including Behavioral Health Services, equivalent or comparable to Covered Services included in the MCO Programs bid (STAR Covered Services are described in Attachment B-1, CHIP Covered Services are described in Attachment B-1.1, and STAR+PLUS Covered Services are described in Attachment B-1.2). The description should indicate:
   a. the extent to which the Respondent has experience providing such Acute Care services for a managed care population(s) comparable to the population in the MCO Programs bid; and
   b. the Respondent’s experience providing such Acute Care services in Texas, and in the Respondent’s proposed Service Areas, if applicable;

2. indicate which STAR or CHIP Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid or CHIP population;

3. for STAR+PLUS Respondents, briefly describe the Respondent’s experience providing managed Community-based Long-Term Services and Supports and Acute Care services equivalent or comparable to STAR+PLUS Covered Services described in Attachment B-1.2. The description should indicate:
a. the extent to which the Respondent has experience providing Community-based Long-Term Services and Supports and Acute Care services for a managed care population(s) comparable to the population in STAR+PLUS; and

b. the Respondent’s experience providing such Community-based Long-Term Services and Supports in Texas, and in the Respondent’s proposed Service Areas, if applicable;

4. indicate which STAR+PLUS Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid population;

5. briefly describe the Respondent’s proposal for providing Covered Services, including any plans for expansions of its Provider Network in any of the proposed Service Areas prior to a Readiness Review. If the Respondent proposes to use a Material Subcontractor to provide or manage Behavioral Health Services, Pharmacy Services, or any other Covered Service, the Respondent must describe its relationship with the Material Subcontractor, as required by Section 4.3;

6. for STAR Respondents for the Medicaid Rural Service Area, describe the Respondent’s experience in providing Medicaid wrap-around services for Dual Eligibles entitled to these benefits. If the Respondent does not have experience in providing these services, indicate how the Respondent intends to meet this requirement; and

7. for STAR+PLUS Respondents, describe the Respondent’s experience in providing Service Coordination for Dual Eligibles. Respondent should specifically describe the processes and procedures used to coordinate Medicare services with Medicaid Community-based Long-Term Services and Supports and related services. If the Respondent does not have experience coordinating these services, indicate how the Respondent intends to meet this requirement.

4.3.3 Section 3 – Value-added Services

(1 page per Value-added Service)

Respondents may propose to offer Value-added Services as described in Section 8.1.2.1. If offered, the Respondent will not receive additional compensation for Value-added Services, and may not report the costs of Value-added Services as allowable medical or administrative costs.

For each MCO Program and Value-added Service proposed, the Respondent must:

1. define and describe the Value-added Service;

2. specify the applicable Service Areas for the proposed Value-added Services;

3. identify the category or group of Members eligible to receive the proposed Value-added Services if it is a type of service that is not appropriate for all Members;

4. note any limitations or restrictions that apply to the Value-added Services;

5. for each Service Area, identify the types of Providers responsible for providing the Value-added Service, including any limitations on Provider capacity if applicable.

6. propose how and when Providers and Members will be notified about the availability of such Value-added Service;

7. describe how a Member may obtain or access the Value-added Service;

8. include a statement that the Respondent will provide any Value-added Service(s) that are approved by HHSC for at least 12 months after the Operational Start Date of the Contract; and

9. describe if, and how, the Respondent will identify the Value-added Service in administrative data (Encounter Data).

The Respondent may propose different Value-added Services for each MCO Program and Service Area bid.
4.3.4 Section 4 – Access to Care

Access to Care standards are described in Section 8.1.3.

4.3.4.1 Travel Distances

(no page limit, should only submit applicable tables)

For each proposed Service Area and for each MCO Program bid (if the proposed Provider Network would be different across MCO Programs within a Service Area), submit tables created using GeoAccess, or a comparable software program, to demonstrate the geographic adequacy of the Respondent’s proposed Provider Network compared to the projected population in each proposed Service Area.

Providers in the demonstrated Provider Network must have an executed contract with the Respondent, a letter of intent (LOI), or a letter of agreement (LOA) indicating the provider intends to contract with the Respondent if HHSC awards the Respondent an MCO Contract. Respondents do not need to submit the signed contracts, LOIs, or LOAs with the Proposal, but HHSC may request to review these documents during its evaluation of the Proposal. Providers who have not signed a Network Provider contract or LOI/LOAs may not be included in the Respondent’s Network for purposes of responding to this RFP submission requirement.

For each proposed Service Area, the Respondent must generate GeoAccess or comparable tables to display the following information on its proposed Provider Network utilizing the Member Files provided by HHSC. For purposes of Geo Mapping, the distribution method will be to place all members at the center of the zip code.

1. adults with access to PCPs (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which adults have such access;

2. children with access to PCPs:
   a. Percentage and number of child Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which children have such access;
   b. Percentage and number of child Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which children have such access;

3. access to cardiologists (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Network cardiologist within 75 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Network cardiologists within 75 miles, and the average number of miles within which adults have such access;

4. access to Acute Care Hospitals:
   a. Percentage and number of Members with access to a Network Acute Care Hospital within 30 miles;
5. access to outpatient Behavioral Health Services Providers (does not apply to the STAR Dallas Service Area, where Behavioral Health services are provided through NorthSTAR):
   a. Percentage and number of Members with access to one (1) Network outpatient Behavioral Health Service Provider within 75 miles, and the average number of miles within which Members have such access;
   b. Percentage and number of Members with access to two (2) Network outpatient Behavioral Health Providers within 75 miles, and the average number of miles within which Members have such access;

6. access to OB/GYNs (does not apply to CHIP Members or CHIP Perinatal Newborn Members – but does apply to CHIP Perinate Members (unborn children)):
   a. Percentage and number of female Members over age 19 with access to one (1) Network OB/GYN within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);
   b. Percentage and number of female Members over age 19 with access to two (2) Network OB/GYNs within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);
   c. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;
   d. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;

7. access to otolaryngologists (STAR and CHIP only):
   a. Percentage and number of child Members with access to one (1) Network otolaryngologist (ENT) within 75 miles, and the average number of miles within which children have such access; and
   b. Percentage and number of child Members with access to two (2) Network otolaryngologists (ENTs) within 75 miles, and the average number of miles within which children have such access; and

8. access to Pharmacies:
   a. Percentage and number Members with access to one (1) Network pharmacy within 15 miles, and the average number of miles within which Members have such access;
   b. Percentage and number Members with access to two (2) Network pharmacies within 15 miles, and the average number of miles within which Members have such access;
   c. Percentage and number Members with access to one (1) 24 hour Network pharmacy within 75 miles, and the average number of miles within which Members have such access; and
   d. Percentage and number Members with access to two (2) 24 hour Network pharmacies within 75 miles, and the average number of miles within which Members have such access.

Respondents should submit one (1) set of the above tables for each MCO Program and Service Area bid (e.g., one (1) table for the STAR Tarrant Service Area, one (1) table for the STAR Harris Service Area, etc.). Respondents should report the zip code, the city or town associated with the zip code, the percentage and number of eligible Members residing within the zip code, and the percentage and number of eligible Members residing within a zip code who have access to Network Provider addresses within the HHSC-specified travel distance standard. Each table should be sorted in descending order based on zip code-eligible
Member population. In addition, each Service Area table should report the aggregate percentage of eligible Members residing within the Service Area who have access within the HHSC-specified travel standard.

### 4.3.4.2 Assessing Access to Care

(3 pages, plus one additional page per additional MCO Program bid if the Respondent’s response is different by MCO Program)

1. Identify the process(es) by which the Respondent must measure and regularly verify:
   - a. Network compliance, including pharmacy, regarding travel distance access in Section 8.1.3.2;
   - b. Provider compliance regarding appointment access standards in Section 8.1.3.1, and
   - c. PCP compliance with after-hours coverage standards in Section 8.1.4.2.

2. Describe the steps the Respondent has taken in the past when it identified:
   - a. a deficiency in its compliance with plan or state travel distance access standards;
   - b. a Provider that was not meeting plan or state appointment access standards, and
   - c. a PCP that was not in compliance with the plan or state after-hours coverage requirements.

   If the Respondent has not taken such steps listed in 2a, b, or c above with regularity, describe how it proposes to take such steps in the future.

3. Describe the processes the Respondent implement to accommodate additional Members and to ensure the access standards are met if actual enrollment exceeds projected enrollment.

### 4.3.5 Section 5 – Provider Network Provisions

Provider Network requirements are primarily described in Section 8.1.4. In addition, the Significant Traditional Provider (STP) requirements applicable to Medicaid MCOs are described in Section 8.2.3.

#### 4.3.5.1 Provider Network

(1 page, excluding Provider listing and tables)

Network Providers must have an executed contract with the Respondent, a letter of intent (LOI) or a letter of agreement (LOA) indicating the Provider intends to contract with the Respondent should HHSC award the Respondent a contract for the applicable MCO Program. Network Providers must be licensed in the State of Texas to provide the contracted Covered Services. As described in Section 8.1.4.4, the MCO must credential Network Providers before they may serve Members. Sample LOI/LOA agreements and sample Network Providers tables can be found in the Procurement Library.

1. For each Service Area in which the Respondent proposes to participate in the STAR, STAR+PLUS, and/or CHIP Program, the Respondent must submit a complete listing of proposed Network Providers for each of the following Acute Care provider types. Such listing must indicate for each provider type: the name, address, and NPI and/or TPI, if applicable, of the Providers with signed contracts, LOIs or LOAs. If the Respondent’s Provider Network is identical across more than one MCO Program within a Service Area, the Respondent may submit one Excel file worksheet for the Service Area that specifies the applicable MCO Programs. The Respondent must include in an Excel file at least the two (2) nearest Providers meeting each of the following provider type descriptions. The Respondent must also include in the Excel file all Providers in the designated provider type within the Service Area. The listing must include separate lists of each provider type in the order listed below and a separate worksheet for each proposed Service Area:
Acute Care Services

a. Acute Care Hospitals, inpatient and outpatient services;

b. Hospitals providing Level 1 trauma care;

c. Hospitals providing Level 2 trauma care;

d. Hospitals designated as transplant centers;

e. Hospitals designated as Children’s Hospitals by the CMS;

f. other Hospitals with specialized pediatric services;

g. Psychiatric Hospitals providing mental health services, inpatient and outpatient;

h. Other facilities or clinics that provide outpatient mental health services;

i. Hospitals providing substance abuse services, inpatient and outpatient; and

j. other facilities or clinics providing outpatient substance abuse services.

2. For STAR+PLUS only, identify a list of Community-based Long-Term Services and Supports Providers with whom the Respondent has a signed contract, LOI or LOA. These Providers should be listed by type, name, and address. Respondent should also list the array of Community-based Long-Term Services and Supports each of these entities provides.

Community-based Long-Term Services and Supports (for STAR+PLUS only)

a. Personal Assistance Services (PAS);  
b. Day Activity and Health Services (DAHS);  
c. adaptive aids and medical supplies;  
d. adult foster care;  
e. assisted living and residential care services;  
f. emergency response services;  
g. home delivered meals;  
h. in-home skilled nursing care;  
i. dental services;  
j. minor home modifications;  
k. respite care;  
l. therapy – occupational;  
m. therapy – physical;  
n. therapy – speech, hearing, and/or language pathology services;  
o. consumer directed services; and
p. transition assistance services.

3. Identify the types of Providers the Respondent allows to be PCPs for adults, PCPs for children, OB/GYNs, and outpatient Behavioral Health Service Providers. The Respondent should identify its contract requirements for these provider types and any exceptions. For example, Respondent should note under what circumstances, if any, an internist is allowed to be a PCP for children, or a family practitioner is allowed to be an OB/GYN.

4.3.5.2 Significant Traditional Providers

(No page limit, Respondents should only submit STP tables, not text, with the exception of bidders not meeting the 50 percent threshold described in Section 5.2. These Respondents should provide clear documentation of any problems in meeting this threshold)

The STP requirements in Section 8.2.3 are applicable as follows:

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs) in STAR and STAR+PLUS. For STAR MCOs, STP requirements for other provider types are limited to the following areas: Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, STP requirements for other provider types apply to Jefferson, El Paso, Lubbock and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette.

HHSC-designated Medicaid Significant Traditional Providers (STPs) can be found in the Procurement Library. The STP list includes, without limitation, SUD, pharmacy, and State Mental Health Hospitals for all MCO Programs. For STAR+PLUS, STPs also include Community-based Long-Term Services and Supports Providers.

For each STP provider type in the MCO Program(s) and Service Area(s) bid, the Respondent must complete the charts provided in the Procurement Library.

4.3.5.3 Provider Network Capacity

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

HHSC has targeted improved Network capacity and improved Member access to Covered Services as a priority for the Initial Contract Period.

1. indicate which, if any, Covered Services are not available from a qualified Provider in the Respondent’s proposed Network in the Service Area and how the Respondent proposes to provide such Covered Services to Members in the Service Area; and

2. briefly describe how deficiencies will be addressed when the Provider Network is unable to provide a Member with appropriate access to Covered Services due to lack of a qualified Network Provider within the travel distance of the Member’s residence specified in Section 8.1.3.2. The description should include, but not be limited to, how the Respondent will address deficiencies in the Network related to:

   a. the lack of an age-appropriate Network PCP with an Open-Panel within the required travel distance of the Member’s residence;

   b. for female Members, the lack of an Network OB/GYN with an open practice within the travel distance of the Member’s residence;

   c. the lack of a Network cardiologist within the travel distance of the Member’s residence (STAR and STAR+PLUS only); and

   d. the lack of a Network pharmacy within the travel distance of the Member’s residence.
4.3.5.4 Credentialing and Re-credentialing

(4 pages plus 2 additional pages for Respondents bidding STAR+PLUS)

Provider credentialing and re-credentialing requirements are described in Section 8.1.4.4. For all of the following submission requirements, instead of attaching copies of the Respondent’s credentialing/re-credentialing policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. Describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Acute Care Providers by type of Provider, and demonstrate how the Respondent ensures, or proposes to ensure, that the minimum credentialing requirements are met. Such description must demonstrate compliance with Section 8.1.4.4.

2. Describe the re-credentialing process or process between re-credentialing cycles for Acute Care Providers and how the Respondent will capture and assess the following information:
   a. Member Complaints and Appeals;
   b. results from quality reviews and Provider quality profiling;
   c. utilization management information; and
   d. information from licensing and accreditation agencies.

3. For STAR+PLUS only, describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Providers of Community-based Long-Term Services and Supports by type of Provider, and how Respondent will ensure that the minimum credentialing and licensing requirements are met by any Provider rendering Covered Services.

4. For STAR+PLUS only, describe the re-credentialing process for Providers of Community-based Long-Term Services and Supports. The description of the re-credentialing process should include how the Respondent will capture and assess the following information:
   a. Member Complaints and Appeals;
   b. results from quality reviews and quality Provider profiling;
   c. utilization management information; and
   d. information from licensing and accreditation agencies.

5. A Respondent currently operating in Texas must separately report the following information for its Texas Network. A Respondent not currently operating in Texas must separately report the same information for a managed care program it operates in another state that is similar to the MCO Program bid:
   a. the percentage of providers in its Network re-credentialed in the past three (3) years, for the following provider types: primary care physician, specialty care provider, and masters-level outpatient Behavioral Health Service providers; and
   b. the number and percentage of providers in its Network who were subjected to the regularly scheduled re-credentialing process over the past 24 months that were denied continued Network status.

4.3.5.5 Provider Hotline

(3 pages, plus 2 additional pages for each additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)
Describe the proposed Provider Hotline function and how the Respondent would meet the requirements of Section 8.1.4.7. Such description must include:

1. normal hours of operation of the hotline;

2. staffing for the hotline;

3. training for the hotline staff on Covered Services and HHSC MCO Program requirements;

4. the routing of calls among hotline staff to ensure timely and appropriate response to provider inquiries;

5. responsibilities of hotline staff, if any, in addition to responding to HHSC Provider Hotline calls (e.g., responding to non-Network provider calls and/or HHSC Member Hotline calls);

6. after-hours procedures and available services;

7. provider hotline telephone reports for the most recent four (4) quarters with data that show the monthly call volume, the monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and the monthly trends for the abandonment rate; and

8. Whether the Provider Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the MCO Programs bid must submit the information in #7 above for each provider hotline operated, and identify any proposed changes to provider hotline functions.

A Respondent not currently participating in any of the MCO Programs bid must submit the information in #7 above for a similar managed care program that it operates. If such a Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider hotline telephone report for the same managed care program.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Provider Hotlines, so long it meets the RFP Provider Hotline requirements for all MCO Programs bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Provider Hotline, or if proposing to staff a single Provider Hotline for multiple programs, and should note in its Proposal the differences, if any, in its Provider Hotline and staffing for each MCO Program bid.

### 4.3.5.6 Provider Training

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Provider training requirements are described in Section 8.1.4.6.

1. Provide a brief description of the proposed Provider training programs for each MCO Program bid. For STAR+PLUS only, distinguish between training programs for Acute Care Providers and Community-based Long-Term Services and Supports Providers. The description should include:

   a. the types of programs to be offered, including the modality of training;

   b. what topics will be covered;

   c. which Providers will be invited to attend;

   d. how the Respondent proposes to maximize Provider participation;

   e. how Provider training programs will be evaluated;

   f. the frequency of Provider training; and
2. Briefly describe two (2) examples of recent Provider training programs relevant to each of the MCO Programs bid. These examples must include:

   a. a description of the training program;
   b. a summary of distributed materials (the actual materials are not to be submitted);
   c. number and type of attendees; and
   d. results of any evaluations from the training.

A Respondent currently participating in any of the MCO Programs bid must submit the above Provider training examples for each such MCO Program. A Respondent may use the same such Provider education example for more than one (1) MCO Program, provided the education program was given to Providers participating in each MCO Program.

A Respondent not currently participating in one (1) or more of the MCO Programs bid must submit the above provider training examples for a similar managed care program. If the Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider education information in this submission requirement.

4.3.5.7 Provider Incentives

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Respondent must submit a proposal for a pilot “gain sharing” program. The program should focus on collaborating with Network physicians and Hospitals in order to allow them to share a portion of the Respondent’s savings resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions. The proposal should include mechanisms whereby the Respondent will provide incentive payments to Hospitals and physicians for quality care. The proposal should include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for payment.

4.3.6 Section 6 – Member Services

4.3.6.1 Member Services Staffing

(5 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding organizational chart(s))

The MCO must maintain a Member Services Department to assist Members and Members’ representatives in obtaining Covered Services as described in Section 8.1.5.

1. Provide an organizational chart of the Member Services Department, showing the placement of Member Services within the Respondent’s organization and showing the key staff within the Member Services Department.

2. Explain the functions of the Member Services staff, including brief job descriptions and qualifications.

3. Describe the curriculum for training to be provided to Member Services representatives, including when the training is conducted and how the training addresses:

   a. Covered Services, including Behavioral Health Services and Community-based Long Term Services and Supports;
   b. MCO Program requirements;
c. Cultural Competency; and

d. providing assistance to Members with limited English proficiency.

4. Identify the turnover rate for Member Services staff in the past two (2) years. A Respondent operating any HHSC MCO Program must provide the staff turnover rate for each of its MCO Programs. A Respondent not currently operating an HHSC MCO program must provide its Member Services staff turnover rate for a comparable managed care program and identify the managed care program.

5. For STAR+PLUS only, identify the number and professional background of Member Services staff that the Respondent intends to dedicate to the Service Coordination function.

6. Identify the percentage of Member Services staff who will be physically located in the Service Area.

A Respondent submitting a multi-program response must clearly indicate any differences in the Respondent’s Member services approach across each of the MCO Program bid.

4.3.6.2 Member Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

The Member Hotline requirements are described in Section 8.1.5.6.

Describe the proposed Member Hotline function, including:

1. normal hours of operation;

2. number of Member Hotline staff, expressed in the number of full time employees (FTEs) per 1000 Members who are available 8:00 a.m. to 5:00 p.m., local time in the Service Area, Monday through Friday, excluding state-approved holidays;

3. routing of calls among Member Hotline staff to ensure timely and accurate response to Member inquiries;

4. responsibilities of Member Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC Member calls and/or HHSC Provider Hotline or Behavioral Health Hotline calls);

5. after-hours procedures and available services, including those provided to non-English speaking Members in Major Population Groups;

6. the number and percentage of FTE Member Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Member Hotline staff who are multi-lingual for any additional language, by language spoken;

8. for STAR+PLUS only, the number and percentage of FTE Member Hotline staff dedicated to the Service Coordination function;

9. Member Hotline telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and monthly trends for the abandonment rate; and

10. Whether the Member Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of HHSC’s MCO Programs must submit the information in #9 above for each Member Hotline operated, and identify any proposed changes to hotline functions.
If the Respondent is not currently participating in any of HHSC’s MCO Programs, it should describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Member Hotline described in Section 8.1.5.6. Such a description must include the information listed in items 1 to 10 above.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Member Hotlines, if it meets the RFP Member Hotline requirements for all MCO Program bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Member Hotline, or if proposing to staff a single Member Hotline for multiple programs, and should note the differences, if any, in its Member Hotline and staffing for each MCO Program bid.

4.3.6.3 Member Service Scenarios

(5 pages)

Describe the procedures a Member Services representative will follow to respond to the following situations:

1. a Member has received a bill for payment of Covered Services from a Network Provider or Out-of-Network Provider;
2. a Member is unable to reach her PCP after normal business hours;
3. a Member is having difficulty scheduling an appointment for preventive care with her PCP;
4. for STAR+PLUS only, a Member is having difficulty scheduling an appointment for preventive care with her Medicare PCP;
5. for STAR+PLUS only, a Member is in urgent need of meals, adaptive aids, or other Community-Based Long-Term Services and Supports and is unable to reach their Service Coordinator or provider,
6. a Member becomes ill while traveling outside of the Service Area, and
7. a Member has a request for a specific medication that the pharmacy is unable to provide.

4.3.6.4 Cultural Competency

(3 pages)

Provide a high-level description of the processes the Respondent will put in place to meet the requirements of the cultural competency requirements as described in Section 8.1.5.8, “Cultural Competency Plan.”

1. Describe how the Respondent will ensure culturally competent services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each.
2. Describe how the Respondent will develop intervention strategies and work with Network Providers to avoid disparities in the delivery of medical services to diverse populations.

4.3.6.5 Member Complaint and Appeal Processes

(3 pages per MCO Program, excluding flow chart)

Medicaid Member Complaint and Appeal Processes are described in Section 8.2.6. CHIP Member Complaint and Appeal Processes are described in Section 8.4.2. For each MCO Program bid, a Respondent’s proposal should describe how it intends
to meet the applicable Member Complaint and Appeal requirements. A Respondent should not submit detailed Complaint and Appeal policies and procedures as an attachment.

For each MCO Program bid, the Respondent must:

1. describe the process the Respondent will put in place for the review of Member Complaints and Appeals, including which staff will be involved;
2. provide a flowchart that depicts the process the Respondent will employ, from the receipt of a request through each phase of the review to notification of disposition, including providing notice of access to HHSC Fair Hearings;
3. document the MCO’s average time for resolution over the past 12 months for Member Complaints and Appeals (excluding Expedited Appeals), from date of receipt to date of notification of disposition; and
4. for STAR and STAR+PLUS only, describe the number and job descriptions of Member Advocates, how Members are informed of the availability of Member Advocates, and how Members access Advocates.

### 4.3.6.6 Marketing Activities and Prohibited Practices

(no page limit)

If the Respondent has been sanctioned or placed under corrective action for prohibited Marketing practices related to managed care products by the CMS, Texas, or by another state:

1. describe the basis for each sanction or corrective action, and
2. explain how the Respondent would ensure that it would not commit any practices prohibited by the CMS or HHSC in its Marketing activities.

A Respondent should have reported whether it has been sanctioned or been placed under corrective action by the federal government, Texas, or any other state in the past three (3) years as part of its Business Specifications submission.

### 4.3.6.7 Continuity of Care (for STAR and STAR+PLUS only)

(3 pages plus 1 additional page if the Respondent is proposing to participate in both STAR and STAR+PLUS)

Describe the proposed Continuity of Care Transition Plan for serving new Members whose current PCP, OB/GYN, specialty care providers (including Behavioral Health Service providers) or Community-based Long-Term Services and Supports are not participants in the Respondent’s Provider Network. Respondents proposing to serve STAR+PLUS Members must also describe the proposed Continuity of Care Transition Plan for serving new Members whose current home health services provider is not a participant in the Respondent’s proposed Provider Network.

If a Respondent is proposing to serve both STAR and STAR+PLUS MCO Members, the Respondent should note the differences, if any, in its Continuity of Care Transition Plan in each MCO Program bid.

### 4.3.6.8 Objection to Providing Certain Services

(1 page)

In accordance with 42 C.F.R. §438.102, the Respondent may file an objection to provide, reimburse for, or provide coverage of, counseling or referral service for a Covered Service based on moral or religious grounds (see Section 8.2.2.7). HHSC reserves
the right to make downward adjustments to Capitation Rates for any Respondent that objects to providing certain services based on moral or religious grounds.

Respondent should indicate objections, if any, to providing a Covered Service based on moral or religious grounds. Identify the specific service(s) to which it objects and describe the basis for its objection on moral or religious grounds.

4.3.6.9 Coordination of Services for Dual Eligibles

(2 pages)

Coordination of Services for STAR+PLUS Dual Eligibles is described in Section 8.3.7.1, and Medicaid wrap-services are described in Section 8.2.3.

As applicable to the Programs bid, please describe the Respondent’s process for coordinating Medicaid and Medicare care for STAR+PLUS Dual Eligibles, and providing Medicaid wrap-around services to Dual Eligibles in STAR+PLUS and STAR (Medicaid Rural Service Area only).

4.3.7 Section 7 – Quality Assessment and Performance Improvement

The Quality Assessment and Performance Improvement (QAPI) requirements of the RFP are described in Section 8.1.7.

4.3.7.1 Clinical Initiatives

(3 pages, plus 2 additional pages per additional MCO Program, excluding QA plan)

1. For each MCO Program bid, describe data-driven clinical initiatives that the Respondent initiated within the past 24 months that have yielded improvement in clinical care for a managed care population comparable to the population bid and document two (2) statistically significant improvements generated by the Respondent’s clinical initiatives.

2. For STAR+PLUS only, propose two (2) clinical initiatives focused on Community-based Long-Term Services and Supports for STAR+PLUS Members, including how Members will be involved in such initiatives and the Respondent’s experience implementing similar clinical initiatives.

3. For each MCO Program bid, describe two (2) new or ongoing Acute Care clinical initiatives that the Respondent proposes to pursue in the first year of the Contract. Document why each topic warrants quality improvement investment, and describe the Respondent’s measurable goals for the initiative.

4. For STAR+PLUS only, describe the planned approach the Respondent will take towards quality assessment and ongoing review of providers with whom it intends to contract, using the following provider types as an example:
   a. Adult Day Health Facilities;
   b. Personal Assistance Services providers, and
   c. Home and Community Support Services Agencies (HCSSAs).

5. For Respondents that already participate in an HHSC MCO Program, provide a copy of the most recent QAPI Plan. For Respondents that do not participate in an HHSC MCO Program, provide a copy of a 2009 quality assurance plan for a comparable managed care population.

6. Many Texas Medicaid and CHIP children reportedly receive their immunizations through Local Health Departments. Discuss the impact this has on creating a Medical Home for child Members, and what steps, if any, the Respondent proposes to take to improve child preventive services delivery.

4.3.7.2 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Quality Data

(3 pages, plus 2 additional pages per additional MCO Program bid)
HHSC's External Quality Review Organization (EQRO) will perform HEDIS and Consumer Assessment of Healthcare Providers and Systems (CAHPS) calculations required by HHSC for MCO Program management. The following questions are designed to solicit information on a Respondent's proposed approach to generating its own clinical indicator information to identify and address opportunities for improvement, as well as the Respondent's approach to acting on clinical indicator data reported by HHSC's EQRO.

For each MCO Program bid, the Respondent must:
1. identify the MCO-level HEDIS and any other statistical clinical indicator measures the Respondent will generate to identify opportunities for clinical quality improvement;
2. document examples of statistical clinical indicator measures previously generated by the Respondent during 2008-2009 for a managed care population comparable to the population in the MCO Program bid;
3. describe efforts that the Respondent has made to assess member satisfaction during 2008-2009 for a managed care population comparable to the population in the MCO Program bid; and
4. describe management interventions implemented in 2008 or 2009 based on member satisfaction measurement findings for a managed care population comparable to the population in the MCO Program bid, and whether these interventions resulted in measurable improvements in later member satisfaction findings.

4.3.7.3 Clinical Practice Guidelines

(2 pages per MCO Program bid)

There is significant evidence that medical professionals are often slow to adopt evidence-based clinical practice guidelines.

1. For each MCO Program bid, describe two (2) clinical guidelines that are relevant to the enrolled populations and that the Respondent believes are currently not being adhered to at a satisfactory level.
2. Describe what steps the Respondent will take to increase compliance with the clinical guidelines noted in its response to question number 1 above.
3. Provide a general description of the Respondent’s process for developing and updating clinical guidelines, and for disseminating them to participating Providers.

4.3.7.4 Provider Profiling

(3 pages, excluding sample profile reports)

1. Describe the Respondent’s practice of profiling the quality of care delivered by Network PCPs, and any other Acute Care Providers (e.g., high volume specialists, Hospitals), including the methodology for determining which and how many Providers will be profiled.
2. For STAR+PLUS, describe the Respondent’s method to ensure the quality of care delivered by Long-Term Services and Supports Providers.
3. Submit sample quality profile reports used by the Respondent, or proposed for future use (identify which).
4. Describe the rationale for selecting the performance measures presented in the sample profile reports.
5. Describe the proposed frequency with which the Respondent will distribute such reports to Network Providers, and identify which Providers will receive such profile reports.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its provider profiling activities and reports for each MCO Program bid.

4.3.7.5 Network Management
Describe how the Respondent will actively work with Network Providers to ensure accountability and improvement in the quality of care provided by both Acute and Long-Term Services and Supports Providers. The description should include:

1. the steps the Respondent will take with each profiled Provider following the production of each profile report, including a description of how the Respondent will motivate and facilitate improvement in the performance of each profiled Provider;
2. the process and timeline the Respondent proposes for periodically assessing Provider progress on its implementation of strategies to attain improvement goals;
3. how the Respondent will reward Providers who demonstrate continued excellence and/or significant performance improvement over time, through non-financial or financial means, including pay-for-performance;
4. how the Respondent will share “best practice” methods or programs with Providers of similar programs in its Network;
5. how the Respondent will take action with Providers who demonstrate continued unacceptable performance and performance that does not improve over time;
6. the steps the Respondent will take with a Provider that specifically is not meeting HHSC contractual access standards; and
7. the extent to which the Respondent currently operates a Network management program consistent with HHSC requirements in Section 8.1.7.8, and measurable results it has achieved from such Network management efforts.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Network Management activities and reports for each MCO Program bid.

**4.3.8 Section 8 – Utilization Management**

Utilization Management (UM) requirements are described generally in Section 8.1.8 and specifically for Behavioral Health Services in Section 8.1.15. A Respondent’s response to this submission requirement should address UM for all Covered Services.

1. Describe the UM guidelines the Respondent plans to employ, including whether and how the guidelines comply with the standards in Sections 8.1.8 and 8.1.15.
2. If the UM guidelines were developed internally, describe the process by which they were developed and when they were developed or last revised.
3. Describe how the UM guidelines will generally be applied to authorize or retrospectively review services for the spectrum of Covered Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its UM activities for each MCO Program bid.

**4.3.9 Section 9 – Early Childhood Intervention (ECI)**

ECI Services are described in Section 8.1.9.
1. Describe the Respondent’s experience with, and general approach to, providing ECI services, including how the Respondent will identify such individuals.

2. Describe procedures and protocols for using the IFSP information to develop a Member Care Plan and authorize services.

3. Describe procedures and protocols for developing and including the interdisciplinary team in the assessment and care planning process.

4. Describe the process by which the Respondent will provide the IFSP and other necessary information to the PCP.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for ECI for each MCO Program bid.

4.3.10 Section 10 – Services for People with Special Health Care Needs

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Services for people with special health care needs are described in Section 8.1.12. Note: All STAR+PLUS Members are considered to be persons with Special Health Care Needs as defined in Attachment A, "Uniform Managed Care Contract Terms and Conditions."

1. Describe the Respondent’s experience with, and general approach to, providing services for adults with Special Health Care Needs (STAR and STAR+PLUS only), including how the Respondent will identify such individuals and the criteria it will use in assessing whether an adult is a Member with Special Health Care Needs (MSHCN).

2. Describe the Respondent’s experience with, and general approach to, providing services for Children with Special Health Care Needs (CSHCN), including how the Respondent will identify such individuals and the criteria it will use in assessing whether a Member is a CSHCN.

3. Describe the process for initially and periodically assessing Members’ needs for services, and identify the staff performing the assessments and their credentials.

4. Describe procedures and protocols for using the assessment information to develop a Member Care Plan and authorize services.

5. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

6. Describe the process by which the Respondent will allow MSHCN to have:
   
   a. direct access to a specialist as appropriate for the Member’s condition and identified needs, such as a standing referral to a specialty physician; and
   
   b. access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. § 11.900 and Section 8.1.3.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for MSHCN for each MCO Program bid.

4.3.11 Section 11 – Care Management and/or Service Coordination

(9 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)
Care Management and/or Service Coordination is described in Sections 8.1.12.2 and 8.1.13. Additional requirements for Service Coordination are described in Section 8.3.2.

1. Describe the Respondent’s experience providing Care Management and/or Service Coordination to members with high-cost catastrophic situations (e.g., recent spinal cord injury) and the Respondent’s proposal for implementing high-cost catastrophic Care Management and/or Service Coordination, including how the Respondent will identify Members for high cost catastrophic Care Management and/or Service Coordination, and the criteria used to identify such Members.

2. Describe the Respondent’s experience providing Care Management and/or Service Coordination services to Members with the following serious health care conditions, as applicable to the MCO Programs bid, and the Respondent’s proposal for offering Care Management and/or Service Coordination services to these Members. Include how Members will be identified for Care Management and/or Service Coordination, and the criteria used to identify such Members:
   a. women with high-risk pregnancies (STAR only); and
   b. individuals with mental illness and co-occurring substance abuse.

3. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Care Management and/or Service Coordination initiatives.

4. For STAR+PLUS only, describe the duties and responsibilities of the Service Coordinator to authorize Community-based Long-Term Services and Supports. The Respondent must describe in detail how the Service Coordinator will function in relation to the Member’s PCP for:
   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and
   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

5. For STAR+PLUS only, submit detailed information, including protocols and procedures, for identifying Members requiring Service Coordination, and for providing the Service Coordination function to them. The information should include how the protocols and procedures vary for:
   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and for
   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

6. For STAR+PLUS only, describe the circumstances or conditions when the Member would require a licensed nurse or other allied health care provider as a Service Coordinator.

7. For STAR+PLUS only, submit criteria for identifying and training certain Members and their Member Representative(s) to coordinate and direct the Member’s own care, to the extent the Member is capable of doing so. Criteria should include those used to enable the Member and family to select, train, and supervise providers of Community-based Long-Term Services and Supports.

8. For STAR+PLUS only, describe the criteria and processes for advising Members of, and assisting them to access, the most appropriate, least restrictive home and community-based services as alternatives to institutional care. Additionally, describe how the Respondent will ensure that the Member is given the opportunity to make an informed choice among the options for care settings.

9. For STAR+PLUS only, submit a list of the relevant community organizations in each proposed STAR+PLUS Service Area with which the Respondent will coordinate services for Members and to which it will refer Members for services.

10. For STAR+PLUS only, describe the process for initially and periodically assessing Members’ needs for services.
11. For STAR+PLUS only, describe how the Respondent will identify Members who are at risk of nursing facility placement.

12. For STAR+PLUS only, submit all functional assessment instruments proposed for use and describe how the assessment instrument(s) will be employed to identify the Member’s need for Community-based Long-Term Services and Supports. (Note: If the MCO is allowed to modify a functional assessment instrument required by the State, HHSC must approve the proposed instrument prior to implementation. See Section 8.3.3 for more information.)

13. For STAR+PLUS only, identify who will perform each assessment and specify their credentials.

14. Describe procedures and protocols for using the assessment information to develop a Member Service/Care Plan and authorize services.

15. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

16. For STAR+PLUS only, provide a description of the appropriate staffing ratio of Service Coordinators to Members, and the Respondent’s target ratio of Service Coordinators to Members.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Care Management and/or Service Coordination activities in the applicable MCO Programs.

4.3.12 Section 12 – Disease Management (DM)/Health Home Services

(3 pages, plus 1 additional page for each MCO Program bid)

Disease Management/Health Home Services is described in Section 8.1.14.

1. Describe the Respondent’s experience in implementing Disease Management/Health Home Services programs for populations comparable to the proposed HHSC MCO Program.

2. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Disease Management/Health Home Services initiatives, and briefly describe the analyses used to identify such outcomes and savings.

3. Identify the process by which the Respondent proposes to provide Members with Disease Management/Health Home Services. Describe how the Respondent will identify Members in need of such Disease Management/Health Home Services program, the proposed outreach approach, and the Disease Management/Health Home Services program components for Members of different risk levels.

4. Describe the process by which the Respondent will ensure continuity of care with the Member’s previous Disease Management/Health Home Services program(s), if any.

4.3.13 Section 13 – Behavioral Health Services and Network

The Behavioral Health Services and Network requirements are described in Section 8.1.15. Note: STAR Members in the Dallas Service Area will receive Behavioral Health services through the NorthSTAR Program instead of STAR.

4.3.13.1 Behavioral Health Services Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding telephone reports)

The Behavioral Health Services Hotline requirements are described in Section 8.1.15.3.

Describe the proposed Behavioral Health Services Hotline function, including:
1. verification that it is, or will be, staffed 24 hours per day, 365 days per year;

2. staffing of Behavioral Health Services Hotline staff, including clinical credentials;

3. routing of calls among Behavioral Health Services Hotline staff to ensure timely and accurate response to Member inquiries;

4. the curriculum for training to be provided to Behavioral Health Services Hotline representatives, including when the training will be conducted and how the training will address a) Covered Services; b) HHSC MCO Program requirements; c) Cultural Competency; and d) providing assistance to Members with limited English proficiency.

5. responsibilities of Behavioral Health Services Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC member calls and/or HHSC Provider Hotline or Member Hotline calls);

6. the number and percentage of FTE Behavioral Health Services Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Behavioral Health Services Hotline staff who are multi-lingual for any additional language, by language spoken;

8. Behavioral Health Services telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system), and monthly trends for the abandonment rate; and

9. whether the Behavioral Health Services Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the HHSC MCO Programs bid must submit the information above for each Behavioral Health Services Hotline that it operates, and should provide the monthly call volume for each Service Area by MCO Program. Such a Respondent should also indicate any changes it proposes to its Behavioral Health Services Hotline.

If the Respondent is not currently participating in the STAR, STAR+PLUS, or CHIP MCO Programs, describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Behavioral Health Services Hotline described in Section 8.1.15.3. Such a description must include the information listed in items 1 to 9 above.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Behavioral Health Services Hotline, or if proposing to staff a single Behavioral Health Services Hotline for multiple programs, shall note in its Proposal the differences, if any, in its Behavioral Health Services Hotline and staffing for each applicable MCO Program.

4.3.13.2 Behavioral Health Provider Network Expertise

(no page limit)

1. For each proposed Service Area, identify Behavioral Health Service Providers with expertise in providing services to each of the following populations, as applicable to the Respondent’s Proposal.
   a. substance abusers;
   b. children and adolescents;
   c. persons with a dual diagnosis of mental health and substance abuse; and
   d. services for linguistic and cultural minorities.
2. Indicate the criteria the Respondent will use to determine that such Behavioral Health Providers have the requisite expertise.

4.3.13.3 Coordination of Behavioral Health Care

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

1. Describe the Respondent’s approach to coordinating Behavioral Health Service delivery with primary care services delivered by a Member’s PCP, and vice versa.

2. Describe or propose innovative programs and identify Network Providers contracted to serve special populations through integrated medical/Behavioral Health Service delivery models. Describe the program model services, treatment approach, special considerations, and expected outcomes for the special populations.

3. Describe the process by which the Respondent will ensure the delivery of outpatient Behavioral Health Services within seven (7) days of inpatient discharge for Behavioral Health Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its coordination of Behavioral Health Services in the applicable MCO Programs.

4.3.13.4 Behavioral Health Quality Management

(2 pages per MCO Program bid)

1. Identify the areas Respondent believes to be the greatest opportunities for clinical quality improvement in behavioral health in each MCO Program bid and provide supporting information.

2. Discuss the approaches the Respondent will pursue to realize one such opportunity for each MCO Program bid.

3. Describe how the Respondent proposes to integrate behavioral health into its quality assurance program, as described in Section 8.1.7.5.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in the Respondent’s Behavioral Health quality management activities in each applicable MCO Program.

4.3.13.5 Behavioral Health Emergency Services

(2 pages per MCO Program bid)

For each MCO Program bid, describe the Respondent’s experience with, and plans for, providing Behavioral Health Emergency Services, including, emergency screening services, Emergency Services, and short-term crisis stabilization to Medicaid, CHIP, or other similar populations.

4.3.14 Section 14 – Management Information System (MIS) Requirements

(10 pages plus an additional 6 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program - Page limit excludes system diagrams and process flow charts.)

For each MCO Program bid, the Respondent must:

1. describe the Management Information System (MIS) the Respondent will implement, including how the MIS will comply with Health Insurance Portability and Accountability Act of 1996 (HIPAA). The response must address the requirements of Section 8.1.18. At a minimum, the description should address:
   a. hardware and system architecture specifications;
b. data and process flows for all key business processes in Section 8.1.18; and
c. attest to the availability of the data elements required to produce required management reports;

2. if claims processing and payment functions are outsourced, provide the above information for the Material Subcontractor;

3. describe how the Respondent would ensure accuracy, timeliness, and completeness of Encounter Data submissions for each of the MCO Programs bid;

4. describe the Respondent’s ability and experience in performing coordination of benefits and Third Party Liability/Third Party Recovery (TPL/TPR);

5. describe the Respondent’s ability and experience in allowing providers to submit claims electronically and its ability and experience in processing electronic claims payments to providers:
   a. if currently processing claims electronically, generally describe the type and volume of provider claims received electronically in the previous year versus paper claims for each claim type;
   b. if currently making claims payments to providers electronically, generally describe the type and volume of provider claims payment processed electronically;
   c. does the MCO provide a no-cost alternative for providers to allow billing without the use of a clearinghouse? If so please describe; and
   d. does the MCO include attendant care payments as part of the regular claims payment process (for STAR+PLUS only)? If so please describe;

6. describe the Respondent’s experience and capability to comply with the Internet website requirements of Section 8.1.5.5, and briefly describe any additional website capabilities that the Respondent proposes to offer to Members or Providers;

7. provide acknowledgment and verification that the Respondent’s proposed systems are 5010 compliant by submitting a copy of the 5010 compliancy plan, and proposed timeline for meeting the deadlines for being 5010 compliant; and

8. describe the Respondent’s capability to pay providers via direct deposit and its experience in doing so, including the percentage, number, and types of providers paid via direct deposit in the most recent 12 month period for which the Respondent has such statistics. If the Respondent operates in Texas, the Respondent must provide this information related to its experience in Texas. If the Respondent does not currently operate in Texas, the Respondent must provide this information for a state in which the Respondent currently operates a managed care program similar to the MCO Programs bid.

4.3.15 Section 15 – Fraud and Abuse

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Fraud and Abuse requirements of the RFP are described in Section 8.1.19. The Respondent must describe how it will implement a Fraud and Abuse Plan that will comply with state and federal law and this RFP, including the requirements of §531.113, Texas Government Code. The Respondent must:

1. include detail about what parts of the organization and which key staff will have responsibilities in implementing and carrying out the Fraud and Abuse program; and

2. identify which officer or director of the Respondent organization will have overall responsibility and authority for carrying out the Fraud and Abuse Program provisions.
4.3.16 Section 16 – Pharmacy Services

(8 pages plus an additional 2 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Pharmacy Services requirements are described in Section 8.1.21. For all of the following submission requirements, instead of attaching copies of the Respondent’s policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. The Respondent must describe the processes it will use to manage the pharmacy benefit under both of the following scenarios:
   a. HHSC requires the MCO to implement the Medicaid and CHIP formularies and preferred drug lists (PDLs); and
   b. the MCO is allowed to establish its own formularies and PDLs.

2. The Respondent must describe the policies and procedures for how mail-order pharmacies will be available to Members.

3. The Respondent must identify the rationale for requiring prior authorizations, identify the types of drugs that normally require prior authorization, and describe the policies and procedures for the prior authorization process.

4. The Respondent must describe how rebates will be negotiated (if HHSC determines that the MCO will perform this service), identified, and reported.

5. The Respondent must describe the policies and procedures for drug utilization reviews, including ensuring prospective reviews take place at the dispensing pharmacy’s point of sale (POS).

6. The Respondent must describe its policies and procedures for targeted interventions for Network Providers over-utilizing certain drugs.

4.3.17 Section 17 – Transition Plan

(4 pages per MCO Program bid)

The Transition Plan Requirements are described in Section 7.

1. Briefly describe the Respondent’s experience establishing and maintaining electronic interfaces with other contractors responsible for portions of Medicaid and CHIP operations. A Respondent with experience participating in one or more MCO Programs must clearly note its experience in establishing and maintaining such interfaces in Texas. A Respondent without experience establishing and maintaining electronic interfaces with other contractors responsible for Medicaid or CHIP operations must note its experience in establishing and maintaining similar electronic interfaces with similar contractors.

2. A Respondent that is proposing to participate in an HHSC MCO Program in a Service Area for the first time must, for each MCO Program bid, briefly describe its Transition Plan for all proposed Service Areas, including major activities related to the System Readiness Review and the Operational Readiness Review, including Network development, internal system testing, and proposed schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO and any differences in its transition approach by Service Area.

3. A Respondent that is currently a contractor for an HHSC MCO Program must, for each such MCO Program, briefly describe its Transition Plan, including major activities related to the System Readiness Review and the Operational Readiness Review, such as Network Development, internal system testing, and schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO, and any differences in its transition approach by Service Area.
4.3.18 Section 18 – Additional Requirements Regarding Dual Eligibles (for STAR+PLUS only)

(4 pages)

The additional provisions regarding certain categories of Dual Eligibles are described in Section 8.3.7.

1. Submit evidence of Respondent’s MA Dual SNP contract with CMS if any, including the contract number and counties/zip codes served, or submit documentation showing that an application for such a contract has or will be submitted to CMS. For Respondents that do not already have an MA Dual SNP contract and who intend to obtain one, describe the plans for submitting an application and obtaining such a contract. The description should include the timeline for submitting the application and the proposed counties/zip codes for coverage.

2. Describe the Respondent’s experience in providing Medicare encounter data in HIPAA-compliant formats to federal or state authorities.

3. Describe how the Respondent intends to coordinate care for Dual Eligible Members, including:
   a. How the Respondent will identify Long-Term Services and Supports providers in the relevant Service Areas.
   b. The processes and procedures Respondent will use to coordinate the delivery of Community-based Long-Term Services and Supports with Medicare benefits for Dual Eligible Members.
   c. The training Respondent will provide to staff and providers regarding Community-based Long-Term Services and Supports and the coordination of those services with Medicare benefits.

4. Describe how the Respondent will work with the State to share information regarding Medicare and Medicaid participating providers, Member complaints, and HEDIS data.

5. Evaluation Process and Criteria

5.1 Overview of Evaluation Process

HHSC will use a formal evaluation process to select the successful Respondent. HHSC will consider capabilities or advantages that are clearly described in the proposal, which may be confirmed by oral presentations, site visits, demonstrations, and/or references contacted by HHSC. HHSC reserves the right to contact individuals, entities, or organizations that have had dealings with the Respondent or proposed staff, whether or not identified in the proposal.

HHSC will more favorably evaluate proposals that offer no or few exceptions, reservations, or limitations to the terms and conditions of the RFP, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

5.2 Evaluation Criteria

HHSC will evaluate proposals based on the following best value criteria, listed in order of precedence:

• The extent to which the Respondent’s proposal demonstrates an ability to accomplish the missions and objectives for this procurement, including:
  • the extent to which the proposal meets HHSC’s needs, and the MCO Program clients’ needs for high quality and accessible medical care;
  • The degree to which the proposal demonstrates program innovation, adaptability, and exceptional customer service; and
• the extent to which the Respondent accepts without reservation or exception the RFP’s terms and conditions, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

• Indicators of probable performance under the Contract, including past performance in Texas or comparable experience; financial resources and solvency, including the impact on the Respondent’s and its Subcontractors’ ability to perform, and relevant organizational experience.

• Effect of the acquisition on agency productivity; including the level of effort and resources required to monitor the Respondent’s performance and maintain a good working relationship with the Respondent.

Proposals for the STAR Medicaid Rural Service Area that include all three (3) regions will be given preference over proposals that do not include all three (3) regions. If all other considerations are equal, HHSC will give preference to:

1. proposals from Texas institutions providing graduate medical education;

2. proposals that include substantial participation by Network providers who are Significant Traditional Providers (STP). HHSC defines “substantial participation” as proposals that include at least 50 percent of the STPs in a Service Area. The Respondent must either have a Network Provider agreement in place with the STP, or a Letter of Intent/Letter of Agreement to participate in the Network. A listing of STPs for the new Service Areas can be found in the Procurement Library; and

3. proposals that ensure continuity of coverage for Medicaid Members for at least three (3) months beyond the period of Medicaid eligibility. For purposes of this provision, HHSC defines “continuity of coverage” as providing the full set of Covered Services.

NOTE: Respondents who are licensed as health maintenance organizations pursuant to Chapter 843 of the Texas Insurance Code, and believe they meet the requirements for mandatory contracting under Texas Government Code §533.004, must provide written notice to HHSC’s Point of Contact (see RFP Section 1.1) no later than April 28, 2011. The notice must provide a clear description of why the Respondent believes it is entitled to a mandatory contract under the Texas Government Code.

5.3 Initial Compliance Screening

HHSC will perform an initial screening of all proposals received. Unsigned proposals and proposals that do not include all required forms and sections are subject to rejection without further evaluation.

In accordance with Section 3.11, “Modification or Withdrawal of Proposal,” HHSC reserves the right to waive minor informalities in a proposal and award contracts that are in the best interest of the State of Texas.

5.4 Competitive Field Determinations

HHSC may determine that certain proposals are within the field of competition for admission to discussions. The field of competition consists of the proposals that receive the highest or most satisfactory evaluations. HHSC may, in the interest of administrative efficiency, place reasonable limits on the number of proposals admitted to the field of competition.

5.5 Oral Presentations and Site Visits

HHSC may, at its sole discretion, request oral presentations, site visits, and/or demonstrations from one or more Respondents admitted to the field of competition. HHSC will notify selected Respondents of the time and location for these activities, and may supply agendas or topics for discussion. HHSC reserves the right to ask additional questions during oral presentations, site visits, and or demonstrations to clarify the scope and content of the written proposal.

The Respondent’s oral presentation, site visit, and/or demonstration must substantially represent material included in the written proposal, and should not introduce new concepts or offers unless specifically requested by HHSC.

5.6 Best and Final Offer
Respondents will not submit cost proposals for this RFP. HHSC will establish the Capitation Rates for each Program and Service Area in accordance with the methodology described in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms and Conditions of Payment.” HHSC may, but is not required to, permit Respondents to prepare one or more revised offers for services. For this reason, Respondents are encouraged to treat their original proposals, and any revised offers requested by HHSC, as best and final offers of services.

5.7 Discussions with Respondents

HHSC may, but is not required to, conduct discussions with all, some, or none of the Respondents admitted to the field of competition for the purpose of obtaining the best value for the State of Texas. It may conduct discussions for the purpose of:

• obtaining clarification of proposal ambiguities;
• requesting modifications to a proposal; and/or
• obtaining a best and final offer of services.

HHSC may make an award prior to the completion of discussions with all Respondents admitted to the field of competition if HHSC determines that the award represents best value to the State of Texas.

5.8 Contract Awards

Respondents are allowed to select which MCO Programs and Services Areas to include in their Proposals. It is possible that a Respondent submitting a Proposal for more than one MCO Program in a Service Area could be awarded a Contract for some, but not all, of the MCO Programs. Similarly, a Respondent could be awarded a Contract for some, but not all, of its proposed Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.
## DOCUMENT HISTORY LOG

<table>
<thead>
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<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION3</th>
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<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
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<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
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<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Section 6.3.2.1 is modified to change “Rate Period 1” to “FSR Reporting Period 12/13.” Section 6.3.2.2 is modified to change “Rate Period” to “FSR Reporting Period.”</td>
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<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 6.3.2.5 is modified to remove auto-assignment default methodology.</td>
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<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
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<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Section 6.2.1 is modified to remove the reference to Bariatric Supplemental Payments. Section 6.3.1.2 is modified to provide HHSC more flexibility to implement reward-based assignment methodologies. Section 6.3.2.2 is modified to add the word “Program” to the section title. Section 6.3.2.3 is renamed “Performance-Incentive Program”. Subsection 6.3.2.3.1 “Quality Challenge Award” is renamed “Quality Challenge Award Program” and to add clarifying language. Subsection 6.3.2.3.2 State-MCO Shared Savings Program is added.</td>
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<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 6, “Incentives &amp; Disincentives.”</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

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6.1 Capitation Rate Development ...................................................................................... 6-3
6. Premium Payment, Incentives, and Disincentives

This section describes performance incentives and disincentives related to HHSC’s value-based purchasing approach. For further information, MCOs should refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

Under the MCO Contracts, health care coverage for Members will be provided on a fully insured basis. The MCO must provide the Services and Deliverables, including Covered Services, to enrolled Members in exchange for the monthly Capitation Payments. Section 8, “Operations Phase Requirements,” includes the MCO’s financial responsibilities regarding Out-of-Network Emergency Services and Medically Necessary Covered Services that are not available through Network Providers.

6.1 Capitation Rate Development

Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms & Conditions of Payment” for information concerning Capitation Rate development.


HHSC will pay the MCO monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Member Months times the applicable monthly Capitation Rate by Member Rate Cell.

The MCO must understand and expressly assume the risks associated with the performance of the duties and responsibilities under the Contract, including the failure, termination, or suspension of funding to HHSC, delays or denials of required approvals, cost of claims incorrectly paid by the MCO, and cost overruns not reasonably attributable to HHSC. The MCO must further agree that no other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services or Deliverables due under the Contract.

6.2.1 Capitation Payments

The MCO must refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions" for information and Contract requirements on the:

1. time and Manner of Payment,
2. adjustments to Capitation Payments,
3. Delivery Supplemental Payment, and
4. Experience Rebate.

6.3 Performance Incentives and Disincentives

HHSC has included several financial and non-financial performance incentives and disincentives on this Contract. These incentives and disincentives are subject to change by HHSC over the course of the Contract. The MCO is prohibited from passing down financial disincentives and/or sanctions imposed on the MCO to health care providers, except on an individual basis and related to the individual provider’s inadequate performance.
6.3.1 Non-financial Incentives

6.3.1.1 Performance Profiling

HHSC intends to distribute information on key performance indicators to MCOs on a regular basis, identifying an MCO’s performance, and comparing that performance to other MCOs and to HHSC standards and/or external benchmarks. HHSC may recognize MCOs that attain superior performance and/or improvement by publicizing their achievements. For example, HHSC may post information concerning exceptional performance on its website, where it will be available to both stakeholders and members of the public. Likewise, HHSC may post its final determination regarding poor performance or MCO peer group performance comparisons on its website, where it will be available to both stakeholders and members of the public.

6.3.1.2 Auto-assignment Methodology for Medicaid MCOs

HHSC may revise its auto-assignment methodology during the Contract Period for enrollees who do not select an MCO. The new assignment methodology may reward those MCOs that demonstrate superior performance or improvement on one or more key dimensions of performance (see 1 Tex. Admin. Code § 353.403(d)(3)(B) for Medicaid).

HHSC will invite MCO comments on potential approaches prior to implementation of a performance-based auto-assignment algorithm.

6.3.2 Financial Incentives and Disincentives

6.3.2.1 Experience Rebate Reward

The standard Experience Rebate (see Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10.11, “STAR and CHIP Experience Rebate”) provides for an MCO to retain 100 percent of pre-tax income (as costs and income are defined by the Uniform Managed Care Manual), when such income is three percent (3%) (or less) of revenues, and further provides for a graduated scale of rebating to HHSC a portion of relevant MCO income in excess of three percent (3%) of revenues (subject to loss carry-forwards and other stipulations). As a financial incentive for demonstrated superior performance with respect to HHSC-specified performance indicators, the HHSC may raise the three percent (3%) threshold that commences rebates to three and one-half percent (3.5%). In consultation with the MCOs, HHSC will develop the methodology for determining the level of performance necessary for an MCO to earn the Experience Rebate Reward. The finalized methodology will be added to the Uniform Managed Care Manual.

HHSC will calculate whether a MCO is eligible for the Experience Rebate Reward, if applicable, prior to the 90-day Financial Statistical Report (FSR) filing.

HHSC anticipates that it will not implement the Experience Rebate Reward incentive for FSR Reporting Period 12/13 of the Contract. HHSC will invite MCO comments on potential approaches prior to implementation of the new performance-based Experience Rebate Reward.

6.3.2.2 Performance-Based Capitation Rate (5%-at-risk)

HHSC will place each MCO at risk for 5% of the Capitation Payment. HHSC retains the right to reduce the percentage of the Capitation Payment placed at risk in a given FSR Reporting Period.

During the FSR Reporting Period, HHSC will pay the MCO the full monthly Capitation Payments as described in Section 6.2. Then, at the end of each FSR Reporting Period, HHSC will evaluate if the MCO has demonstrated that it has fully met the performance expectations for which the MCO is at risk. If the MCO falls short on some or all of the performance expectations,

HHSC will adjust a future monthly Capitation Payment in accordance with Uniform Managed Care Manual Chapter 6.2, Financial Incentive Methodology, by an appropriate portion of the aggregate at-risk amount. HHSC's objective is that all MCOs achieve performance levels that enable them to retain the full at-risk amount.
HHSC will determine the extent to which the MCO has met the performance expectations by assessing the MCO's performance for each applicable MCO Program relative to performance targets for the FSR Reporting Period. HHSC will conduct separate accounting for each MCO Program's at-risk Capitation Payment amount.

HHSC will identify no more than 10 at-risk performance indicators for each MCO Program. Some of the performance indicators will be standard across all Programs while others may apply to only one (1) Program.

Specific contractual requirements are set forth in the Uniform Managed Care Manual, Chapter 6.2, Financial Incentive Methodology.

Failure to timely provide HHSC with necessary data related to the calculation of the performance indicators will result in HHSC's assignment of a zero percent (0%) performance rate for each related performance indicator.

MCOs will report actual Capitation Payments received on the Financial Statistical Report (FSR) during the FSR Reporting Period that is at risk (i.e., the MCO will not report Revenues at a level equivalent to 95% of the payments received, leaving five percent (5%) as contingent). Actual Capitation Payments received include all of the at-risk Capitation Payment paid to the MCO. Any loss of the at-risk amount that may be realized in a subsequent FSR Reporting Period, via reduction to a monthly payment, will not be reported in the FSR as a reduced amount of capitation revenue, but will instead be reported below the income line, as an informational item, as described in the Uniform Managed Care Manual, Chapter 5.3.1, "Financial Statistical Report and Instructions." Any performance assessment based on performance for a FSR Reporting Period will appear on the final (334-day) FSR for that FSR Reporting Period.

HHSC will evaluate the performance-based Capitation Rate methodology annually in consultation with MCOs. HHSC may then modify the methodology as it deems necessary and appropriate, in order to motivate, recognize, and reward MCOs for superior performance. The methodologies for all FSR Reporting Periods will be included in Uniform Managed Care Manual Chapter 6.2, "Financial Incentive Methodology."

6.3.2.3 Performance Based Incentive Program

HHSC, at its discretion, may implement one or both of the following financial incentive programs in conjunction with provisions listed in 6.3.2.2.

6.3.2.3.1 Quality Challenge Award Program

Should one or more MCOs be unable to earn the full amount of the performance-based at-risk portion of the Capitation Rate, HHSC may reallocate the funds through the MCO Program's Quality Challenge Award. Under this program, HHSC may use these funds to reward MCOs that demonstrate superior clinical quality, service delivery, access to care, or Member satisfaction. HHSC will determine the number of MCOs that will receive Quality Challenge Award funds annually based on the amount of the funds to be reallocated. Separate Quality Challenge Award payments will be made for each of the MCO Programs.

As with the performance-based Capitation Rate, each MCO will be evaluated separately for each MCO Program. HHSC may evaluate MCO performance annually on some combination of performance indicators in order to determine which MCOs demonstrate superior performance. In no event will a distribution from the Quality Challenge Award, plus any other incentive payments made in accordance with the MCO Contract, when combined with the Capitation Rate payments, exceed 105% of the Capitation Rate payments to an MCO. Measures utilized for the Quality Challenge Program may be the same as those used in the Performance-Based Capitation Rate Program, or may be different than those selected for the Performance-Based Capitation Rate Program.

Information about the data collection period to be used and each indicator that will be considered for any specific time period can be found in Uniform Managed Care Manual Chapter 6.2.6, "Quality Challenge Award Performance Indicators."

Failure to provide timely and accurate information may result in HHSC's assignment of a 0% performance rate for each applicable Quality Challenge Award indicator.

HHSC may evaluate the Quality Challenge Award methodology annually in consultation with MCOs. HHSC may make methodology modifications annually as it deems necessary and appropriate to motivate, recognize, and reward MCOs for superior performance based on available Quality Challenge Award funds and/or other performance incentives applicable to the award. HHSC may include the Quality Challenge Award methodology and risk adjustment factors, or any other modifications in Uniform Managed Care Manual Chapter 6.2.6, "Quality Challenge Award Performance Indicators."
6.3.2.3.2 State-MCO Shared Savings Program

HHSC may implement a process to enable MCOs to share in a percentage of year-over-year savings achieved by the MCO related to targeted performance measures. Opportunities for shared savings will be contingent on whether performance measures were met as described in Section 6.3.2.2. Shared savings amounts will be subject to the percentage identified by HHSC (e.g., 50%/50%, 25%/75%) and will only pertain to state general revenue funds.

Programs identified in 6.3.2.3.1 and 6.3.2.3.2 could be operated concurrently, at HHSC’s discretion.

6.3.2.4 Remedies and Liquidated Damages

All areas of responsibility and all requirements in the Contract will be subject to performance evaluation by HHSC. Any and all responsibilities or requirements not fulfilled will be subject to contractual remedies, including without limitation liquidated damages. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix” for performance standards that carry liquidated damage values.

6.3.2.5 Frew Incentives and Disincentives

As required by the "Frew vs. Janek Corrective Action Order: Managed Care,” this Contract includes a system of incentives and disincentives associated with the Medicaid Managed Care Texas Health Steps Medical Checkups Reports and Children of Migrant Farm Workers Reports. These incentives and disincentives apply to Medicaid MCOs.

The incentives and disincentives and corresponding methodology are set forth in the Uniform Managed Care Manual, Chapter 12 "Frew.”

6.3.2.6 Nursing Facility Utilization Disincentive

HHSC has developed the nursing facility utilization disincentive to prevent inappropriate admission to nursing facilities. The rate of nursing facility admissions for Medicaid-only STAR+PLUS Members will be part of the Performance Indicator Dashboard (see Section 6.3.2.2).

6.3.2.7 Additional Incentives and Disincentives

HHSC will evaluate all performance-based incentives and disincentive methodologies annually and in consultation with the MCOs. HHSC may then modify the methodologies as needed, as funds become available, or as mandated by court decree, statute, or rule, in an effort to motivate, recognize, and reward MCOs for performance.

Information about the data collection period to be used, performance indicators selected or developed, or MCO ranking methodologies used for any specific time period will be found in the Uniform Managed Care Manual.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 7
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### 7. Transition Phase Requirements

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<th>EFFECTIVE DATE</th>
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<td>September 1, 2013</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
7.1 Introduction

This Section presents the scope of work for the Transition Phase of the Contract, which includes those activities that must take place between the time of Contract award and the Operational Start Date.

The Transition Phase will include all activities that must be completed successfully prior to a MCO’s Operational Start Date for each applicable MCO Program and Service Area, including all Readiness Review activities. HHSC will conduct Readiness Reviews to determine whether the MCO has implemented all systems and processes necessary to begin serving Members. MCOs must satisfy all Readiness Review requirements no later than 60 days prior to the Operational Start Date for each applicable MCO Program and Service Area, with the exception of HHSC’s review of the Service Coordination function. HHSC may, at its discretion, terminate the contract, postpone the MCO’s Operational Start Date(s) and assess contractual remedies if an MCO fails to timely satisfy all Readiness Review requirements. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions” and the Attachment B-3, “Deliverables/Liquidated Damages Matrix” for additional information.

The MCO is required to promptly provide a Corrective Action Plan and/or Risk Mitigation Plan as requested by HHSC in response to Transition Phase deficiencies identified by the MCO, HHSC, or its agent. The MCO must promptly alert HHSC of deficiencies, and must correct a deficiency or provide a Corrective Action Plan and/or Risk Mitigation Plan no later than ten (10) calendar days after HHSC’s notification of deficiencies. If the MCO documents to HHSC’s satisfaction that the deficiency has been corrected within ten (10) calendar days of such deficiency notification by HHSC, no Corrective Action Plan is required.

7.2 Transition Phase Schedule and Tasks

The MCO has overall responsibility for the timely and successful completion of each of the Transition Phase tasks. The MCO is responsible for clearly specifying and requesting information needed from HHSC, other HHSC contractors, and Providers in a manner that does not delay the schedule or work to be performed.

7.2.1 Contract Start-Up and Planning

HHSC and the MCO will work together during the initial Contract start-up phase to:

- define project management and reporting standards;
- establish communication protocols between HHSC and the MCO;
- establish contacts with other HHSC contractors;
- establish a schedule for key activities and milestones; and
- clarify expectations for the content and format of Contract Deliverables.

The MCO will be responsible for developing a written work plan, referred to as the “Transition/Implementation Plan,” which will be used to monitor progress throughout the Transition Phase. The MCO must update the Transition/Implementation Plan provided with its proposal no later than 30 days after the Contract’s Effective Date, then provide monthly implementation progress reports through the sixth month of MCO Program operations. HHSC may require more frequent reporting as it determines necessary.

7.2.2 Administration and Key MCO Personnel

No later than the Effective Date of the Contract, the MCO must designate and identify Key MCO Personnel that meet the requirements in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 4, “Contract Administration and Management.” The MCO will supply HHSC with resumes of each Key MCO Personnel as well as any organizational
information that has changed relative to the MCO’s Proposal, such as updated job descriptions and updated organizational charts (including updated Management Information System (MIS) job descriptions and an updated MIS staff organizational chart), if applicable. If the MCO is using a Material Subcontractors, the MCO must also provide the organizational chart for these Material Subcontractors.

7.2.3 Organizational Readiness Review

In order to complete an organizational review and assess the most current corporate environment, the MCO must submit an Organization Update Report no later than 60 days prior to the Operational Start Date that updates the organizational information submitted in its proposal (see Section 4.2, “Business Proposal”). For each of the numbered items below, the report must describe whether the information provided in MCO’s proposal has changed. If so, the report must include relevant portions of the proposal with changes highlighted.

1. Respondent identification and information, Section 4.2.2.

2. Corporate background and experience:
   a. Item #1, concerning publicly-funded managed care contracts, under Section 4.2.3;
   b. Item # 2, concerning regulatory actions, sanctions, and/or fines, under Section 4.2.3;
   c. Section 4.2.3.1, concerning organizational charts; and
   d. Section 4.2.3.2, concerning resumes; and

3. Material Subcontractor information, Section 4.2.4.

7.2.4 Financial Readiness Review

To complete a financial review, the MCO must submit a Financial Update Report no later than 60 days prior to the Operational Start Date. At a minimum, the report must include the following:

1. Material change in financial condition.

   For both the MCO and its ultimate parent, the report must identify whether either entity has experienced any material financial deterioration following proposal submission. The report must identify and briefly describe any changes to the financial statements, including changes to net worth; cash flow; loss of contracts; credit, audit, regulatory, and/or legal issues; major contingencies, etc. The report must also describe any known potential issues, and any issues with respect to change of ownership or control.

2. Updated financial statements.

   The report must include the most recently updated financial statements, which should be more current than those provided in the proposal. The updated financial statements should include the most recent quarterly (or monthly) internal financial statements, the most-recently completed annual statements, and the most-recent audited statements. The statements should generally include the notes, management discussion, and where appropriate, the audit letter. Internal most-recent-month statements are not expected to include these items.

   The report must include any of the following new or updated reports (as referenced under Sections 4.2.3.3 and 4.2.3.4) that have become available since proposal submission: TDI financial examination report (or similar report from another state); Form B Registration statement filing; IRS Form 990; and bond or debt rating analysis. It is not necessary to submit updated SEC 10-K or 10-Q filings with the report.

In addition to the Financial Update Report, the MCO must submit documentation demonstrating it has secured all required bonds in accordance with TDI requirements, Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Terms and Conditions,” Article 17. Such documentation is due no later than ten (10) business days after the Contract Effective Date.

7.2.4.1 Employee Bonus and/or Incentive Payment Plan
If the MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan during the Operations Phase, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must conform with the Uniform Managed Care Manual, Chapter 6.1, “Cost Principles for Expenses.”

7.2.5 System Testing and Transfer of Data

The MCO must have hardware, software, network and communications systems with the capability and capacity to handle and operate all MIS systems and subsystems identified in Section 8.1.18, “Management Information System Requirements.” For example, the MCO’s MIS system must comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as indicated in Section 8.1.18.4, “HIPAA Compliance.”

During this Readiness Review task, the MCO will accept into its system any and all necessary data files and information available from HHSC or its contractors. The MCO will install and test all hardware, software, and telecommunications required to support the Contract. The MCO will define and test modifications to the MCO’s systems required to support the business functions of the Contract.

The MCO will produce data extracts and receive all electronic data transfers and transmissions. If any errors or deficiencies are evident, the MCO will develop resolution procedures to address problems identified. The MCO will provide HHSC, or a designated vendor, with test data files for systems and interface testing for all external interfaces. This includes testing of the required telephone lines for Providers and Members and any necessary connections to the HHSC Administrative Services Contractor. The HHSC Administrative Services Contractor will provide enrollment test files to new MCOs that do not have previous HHSC enrollment files. The MCO will demonstrate its system capabilities and adherence to Contract specifications during Readiness Review.

7.2.6 System Readiness Review

The MCO must assure that systems services are not disrupted or interrupted during the Operations Phase of the Contract. The MCO must coordinate with HHSC and other contractors to ensure the business and systems continuity for the processing of all health care claims and data as required under this contract.

The MCO must submit descriptions of interface and data and process flow for each key business processes described in Section 8.1.18.3, “System-wide Functions.”

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day systems activities. No later than 90 days prior to the Operational Start Date, new MCOs must develop and incumbent MCOs must update the following plans:

1. Disaster Recovery Plan;*
2. Business Continuity Plan*;
3. Security Plan;
4. Joint Interface Plan;
5. Risk Management Plan; and

*The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

7.2.7 Demonstration and Assessment of System Readiness

The MCO must provide documentation on systems and facility security and provide evidence or demonstrate that it is compliant with HIPAA. The MCO must also provide HHSC with a summary of all recent external audit reports, including findings and corrective actions, relating to the MCO’s proposed systems, including any SAS70 audits that have been conducted in the past three (3) years. The MCO must promptly make additional information on the detail of such system audits available to HHSC upon request.

In addition, HHSC will provide to the MCO a test plan that will outline the activities that need to be performed by the MCO prior to the Operational Start Date(s). The MCO must be prepared to assure and demonstrate system readiness. The MCO must execute system readiness test cycles to include all external data interfaces, including those with the MCO’s Pharmacy Benefits Manager (PBM) and other Material Subcontractors.

HHSC, or its agents, may independently test whether the MCO’s MIS has the capacity to administer the STAR, STAR+PLUS, and/or CHIP business. This Readiness Review may include a desk review and/or an onsite review. HHSC may request additional documentation to support the provision of STAR, STAR+PLUS, and/or CHIP MCO Services. Based in part on the MCO’s assurances of systems readiness, information contained in the Proposal, additional documentation submitted by the MCO, and any review conducted by HHSC or its agents, HHSC will assess the MCO’s understanding of its responsibilities and the MCO’s capability to assume the MIS functions required under the Contract.

7.2.8 Operations Readiness

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day business activities related to the provision of STAR, STAR+PLUS, and/or CHIP MCO Services, including coordination with Subcontractors and HHSC’s contractors. The MCO will be responsible for developing and documenting its approach to quality assurance.

7.2.8.1 Readiness Review

Readiness Review includes all activities that the MCO must complete prior to the Operational Start Date. At a minimum, the MCO must, for each MCO Program:

1. Develop new, or revise existing, operations procedures and associated documentation to support the MCO’s proposed approach to conducting operations activities in compliance with the contracted Scope of Work.
2. Submit a comprehensive plan for Network adequacy that includes a list of all contracted and credentialed Providers, in an HHSC-approved format. At a minimum, the list must include the acute care and long-term care Provider types identified in Texas Government Code § 533.005(20)(A). The plan must include a description of additional contracting and credentialing activities scheduled to be completed before the Operational Start Date. The MCO must submit a listing of all contracted and credentialed providers to be included in the first Provider Directory 90 days prior to the first enrollment kit mail out, or as otherwise directed by HHSC.
3. Inform all Network Providers about the information required to submit a claim: (1) at least 30 days prior to the Operational Start Date, and (2) as a provision within the Network Provider agreement.
4. Prepare and implement a Member Services staff training curriculum and a Provider training curriculum.
5. Prepare a Coordination Plan documenting how the MCO will coordinate its business activities with those activities performed by HHSC’s contractors, the MCO’s PBM and other Material Subcontractors, if any. The Coordination Plan will include identification of coordinated activities and protocols for the Transition Phase.
6. Develop and submit the following draft materials: Member Handbook, Provider Manual, Provider Directory, and Member Identification Card for HHSC’s. The materials must at a minimum meet the requirements specified in Section
8.1.5, "Member Services" and include the Critical Elements defined in Uniform Managed Care Manual Chapter 3, "Critical Elements."

7. Develop and submit the MCO's proposed Member Complaint and Appeals processes for STAR, STAR+PLUS, and CHIP, as applicable to the MCO.

8. Provide sufficient copies of the final Provider Directory to the HHSC Administrative Services Contractor in sufficient time to meet the enrollment schedule.

9. Demonstrate toll-free telephone systems and reporting capabilities for the Member Services Hotline, the Behavioral Health Hotline, and the Provider Services Hotline.

10. Submit a written plan for providing pharmacy services, including proposed policies and procedures for:

   - routinely updating formulary data following receipt of HHSC's daily files (no less frequently than weekly, and off-cycle upon HHSC's request);
   - prior authorization of drugs, including how HHSC's preferred drug lists (PDLs) will be incorporated into prior authorization systems and processes. The MCO must adopt HHSC's prior authorization policies unless HHSC grants a written exception, and HHSC's approval is required for all Clinical Edit policies;
   - implementing drug utilization review;
   - overriding standard drug utilization review criteria and clinical edits when Medically Necessary based on the individual Member's circumstances (e.g., overriding quantity limitations, drug-drug interactions, refill too soon, etc.);
   - call center operations, including how the MCO will ensure that staff for all appropriate hotlines are trained to respond to prior authorization inquiries and other inquiries regarding pharmacy services, and
   - monitoring the PBM Subcontractor.

   The plan must also include a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information.

   Additionally, the MCO must include a written attestation by the PBM Subcontractor in the plan stating, in the three (3) years preceding the Contract's Effective Date, the PBM Subcontractor has not been: (1) convicted of an offense involving a material misrepresentation or any act of fraud or of another violation of state or federal criminal law; (2) adjudicated to have committed a breach of contract, or (3) assessed a penalty or fine of $500,000 or more in a state or federal administrative proceeding. If the PBM Subcontractor cannot affirmatively attest to any of these items, then it must provide a comprehensive description of the matter and all related corrective actions.

11. Between the date of Contract award and the Operational Start date, the MCO must identify a list of Pharmacy Providers with whom the MCO's PBM has successfully contracted and credentialed for inclusion in the first Provider Directory. These providers should be listed by name and address with an indicator for pharmacies that are open 24-hours.

12. No later than 30 days after the Contract Effective Date, new MCOs must develop and incumbent MCOs must update their written Fraud and Abuse Compliance Plans. See Section 8.1.19, Fraud and Abuse for the requirements of the plan, including new requirements for special investigation units. As part of the Fraud and Abuse Compliance Plan, the MCO must:

   - Designate executive and essential personnel to attend mandatory training in fraud and abuse detection, prevention and reporting. Executive and essential fraud and abuse personnel means MCO staff persons who: (1) are directly involved in the decision-making and administration of the fraud and abuse detection program within the MCO, and (2) who supervise staff in the following areas: data collection, Provider enrollment or disenrollment, Encounter Data, claims processing, Utilization Review, Appeals or Grievances, quality assurance and marketing. The training will be conducted by the Office of Inspector General, Health and Human Services Commission, and will be provided free of charge. The MCO must schedule and complete training no later than 90 days after the Contract's Effective Date.
- Designate an officer or director within the organization responsible for carrying out the provisions of the Fraud and Abuse Compliance Plan.

- For STAR+PLUS MCOs, complete hiring and training of Service Coordination staff no later than 45 days prior to the Operational Start Date.

  If this function is subcontracted to another entity, the Subcontractor also meets all the requirements in this section and the Fraud and Abuse section as stated in Section 8, "Operations Phase Requirements."

13. The MCO must submit a copy of each Material Subcontract in accordance with the timeframes identified in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08, "Subcontractors."

14. No later than ten (10) days after the Contract Effective Date, the MCO must submit documentation demonstrating that it has secured all required insurance, in accordance with TDI requirements and Section 8, "Operations Phase Requirements," and Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 17.

HHSC may require the MCO to resubmit one or more of the above items if the MCO begins providing a new service or benefit, expands into a new Program or Service Area, or implements a major systems change after the Contract's Effective Date.

During the Readiness Review, HHSC may request additional information, including more detailed or updated information regarding the MCO's operating procedures and documentation. HHSC will assess the MCO's understanding of its responsibilities and the MCO's capability to assume the functions required under the Contract, based in part on the MCO's assurances of operational readiness, information contained in the Proposal, and in Transition Phase documentation submitted by the MCO.

7.2.8.2 Value-Added Services

The MCO must use HHSC's template for submitting proposed Value-added Services. (See Uniform Managed Care Manual Chapter 4.4) Once approved by HHSC, this document is incorporated by reference into the Contract.

During the Transition Phase, HHSC will offer a one-time opportunity for the MCO to propose two (2) additional Value-added Services to its list of current, approved Value-added Services. HHSC will establish the requirements and the timeframes for submitting the two (2) additional proposed Value-added Services.

During this HHSC-designated opportunity, the MCO may propose either to add new Value-added Services or to enhance its approved Value-added Services. The MCO may propose two (2) additional Value-added Services per MCO Program, which will be effective on the Operational Start Date. The services do not have to be the same for each Program. The Contract will be amended to include any additional Value-added Services approved by HHSC.

The MCO does not have to add Value-added Services during the HHSC-designated opportunity, but this will be the only time during the Transition Phase for the MCO to add Value-added Services. At no time during the Transition Phase will the MCO be allowed to delete, limit or restrict any of its approved Value-added Services.

7.2.9 Assurance of System and Operational Readiness

In addition to successfully providing the Deliverables described in the preceding sections, the MCO must assure HHSC that all processes, MIS systems, and staffed functions are ready and able to successfully assume responsibilities for operations prior to the Operational Start Date. In particular, the MCO must assure that Key MCO Personnel, Member Services staff, Provider Services staff, and MIS staff are hired and trained, MIS systems and interfaces are in place and functioning properly, communications procedures are in place, Provider Manuals have been distributed, and that Provider training sessions have occurred according to an HHSC-approved schedule.

7.2.10 TDI and Centers for Medicare and Medicaid Services (CMS) Licensure, Certification or Approval
The MCO must receive TDI licensure, certification or approval (as applicable) for all zip codes in the awarded Service Areas no later than 60 days after HHSC executes the Contract. In addition, HHSC encourages STAR+PLUS MCO to contract with the CMS to provide a Medicare Advantage Special Needs Plan for Dual Eligibles in the most populous counties in the STAR+PLUS Service Area(s) no later than January 1, 2013.

7.2.11 Post-Transition

The MCO will work with HHSC, Providers, and Members to promptly identify and resolve problems identified after the Operational Start Date and to communicate to HHSC, Providers, and Members, as applicable, the steps the MCO is taking to resolve the problems.
## DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Section 8, “Operations Phase Requirements.”</td>
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<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 8.1.1.1 is modified to change the timeframes for PIPs from SFY to calendar year and to revise due dates. Section 8.1.3 is modified to clarify PCP requirement’s application (does not apply to CHIP Perinates (unborn children) and add a requirement regarding timely access to Network Providers, as required by 42 CFR §438.206(c)(1)(ii). Section 8.1.3.2 is modified to add pharmacy access requirements effective 9/1/12. These standards are derived from Medicare Part D access standards, and the standards currently being met in the fee-for-service program. Section 8.1.4 is modified to require MCOs to enter into network provider agreements with any willing State Hospital and to clarify requirements for contracting with specialty pharmacies. Section 8.1.5.5 is modified to require the MCOs to include a link to financial literacy information on the OCCC web page as required by HB 2615. Section 8.1.8 is modified to add prior authorizations by pharmacists. Section 8.1.17 is modified to require MCOs to submit pharmacy encounter data no later than 25 calendar days after the date of adjudication. Section 8.1.18.4 is modified to clarify claims transaction formats for pharmacy claims. Section 8.1.19 is modified to require MCOs to designate primary and secondary contact for all OIG requests and to outline the process and timeframes for responding to the OIG, to change the 60 day timeline for submitting the annual plan to 90 days, and to require MCOs to ensure their subcontractors receiving or making annual Medicaid payments of at least $5 million comply with 1902(a)(68)(A) of the Social Security Act. Section 8.1.20.2 is modified to add DUR reporting requirements. Section 8.1.21 is revised to delete MCO developed PDLs and to clarify the reimbursement process. Section 8.1.21.1 is revised to clarify legal references and Clinical Edit requirements, and to add requirements regarding 340B drugs. Section 8.1.21.4 is modified to add requirements for the rebate dispute resolution process. Section 8.1.21.5 is modified to clarify that HHSC will provide up to 1 year of medication history to the MCOs for new Members with previous Medicaid eligibility. Section 8.1.21.9 is modified to clarify requirements for contracting with specialty pharmacies.</td>
</tr>
<tr>
<td>Section</td>
<td>Revision</td>
<td>Date</td>
<td>Change</td>
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<tr>
<td>8.1.21.10</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Section 8.1.21.10 is deleted in its entirety.</td>
</tr>
<tr>
<td>8.1.23.1</td>
<td></td>
<td></td>
<td>Section 8.1.23.1 is modified that copayment amounts are capped at the MCO’s cost and that CHIP copayments do not apply to preventive services or pregnancy-related services.</td>
</tr>
<tr>
<td>8.1.24</td>
<td></td>
<td></td>
<td>Section 8.1.24 is modified to clarify that MCOs must notify Medicaid and CHIP Providers of availability of vaccines through Texas Vaccines for Children Program and work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmunTrac Registry.</td>
</tr>
<tr>
<td>8.2.2.3.4</td>
<td></td>
<td></td>
<td>Section 8.2.2.3.4 is modified to require MCOs to use standard Texas Health Steps language in their Member Materials as provided in the UMCM.</td>
</tr>
<tr>
<td>8.2.2.8</td>
<td></td>
<td></td>
<td>Section 8.2.2.8 is amended to clarify the requirements regarding non-capitated dental services and to add “Texas Health Steps environmental lead investigation (ELI)”. Remainder of list is renumbered.</td>
</tr>
<tr>
<td>8.2.4.2</td>
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<td>Section 8.2.4.2 is modified to add a reference to Gov’t Code §533.005(a)(19).</td>
</tr>
<tr>
<td>8.2.8</td>
<td></td>
<td></td>
<td>Section 8.2.8 is modified to add the phrase “unless an exception applies under federal law” to the first sentence.</td>
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<tr>
<td>8.2.13</td>
<td></td>
<td></td>
<td>Section 8.2.13 is modified to specify that MCOs may be required to provide other wrap-around services at a date to be determined by HHSC.</td>
</tr>
<tr>
<td>8.3.2</td>
<td></td>
<td></td>
<td>Section 8.3.2 is modified to require the MCO to consider the availability of the PACE program when considering whether to refer a member to a nursing facility or other long-term care facility.</td>
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<tr>
<td>8.3.7.1</td>
<td></td>
<td></td>
<td>Section 8.3.7.1 is modified to clarify the MA Dual SNP requirements.</td>
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<tr>
<td>8.4.3</td>
<td></td>
<td></td>
<td>Section 8.4.3 is modified to correct a cross-reference.</td>
</tr>
<tr>
<td>8.1.21</td>
<td></td>
<td></td>
<td>Section 8.1.21 is modified to add pharmaceutical delivery requirements.</td>
</tr>
<tr>
<td>Section</td>
<td>Modification</td>
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<tr>
<td>8.1.1.1</td>
<td>Section is modified to conform to the timelines in the UMCM.</td>
<td></td>
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<tr>
<td>8.1.3</td>
<td>Section is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
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<tr>
<td>8.1.3.2</td>
<td>Section is modified to clarify language regarding additional benchmark performance standards.</td>
<td></td>
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<tr>
<td>8.1.4</td>
<td>Section is modified to correct reference to TMPPM.</td>
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<tr>
<td>8.1.4.6</td>
<td>Section is modified to require HHSC review of all provider materials relating to Medicaid managed care or CHIP.</td>
<td></td>
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<tr>
<td>8.1.4.8</td>
<td>Section is modified to clarify the applicable federal regulations.</td>
<td></td>
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</tr>
<tr>
<td>8.1.5.1</td>
<td>Section is modified to prohibit the MCOs from including any language in their member materials which limits the members’ ability to contest or appeal denial of a benefit.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1.5.2</td>
<td>Section is modified to clarify that PCP name is not required for Dual Eligible STAR+PLUS Members or CHIP Perinates.</td>
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<tr>
<td>8.1.5.7</td>
<td>Section is modified to remove the acronym “CPW”.</td>
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<tr>
<td>8.1.9</td>
<td>Section is modified to clarify the requirements regarding IFSPs.</td>
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<td>8.1.12.2</td>
<td>Section is modified to remove the acronym “CPW”.</td>
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<tr>
<td>8.1.14</td>
<td>Section is renamed and modified to remove all references to Health Home Services.</td>
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<tr>
<td>8.1.14.1</td>
<td>Section is renamed and modified to remove all references to Health Home Services.</td>
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<tr>
<td>8.1.14.2</td>
<td>Section is renamed and modified to remove all references to Health Home Services.</td>
<td></td>
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<tr>
<td>8.1.19</td>
<td>Section is modified to update the time frames for responding to the OIG and to add language regarding Credible Allegation of Fraud notices.</td>
<td></td>
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</tr>
<tr>
<td>8.1.20.2</td>
<td>Items (j) and (l) are modified to correct UMCM references. Items (n) and (o) are modified to include pharmacy providers. Item (s) “Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports” is added.</td>
<td></td>
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<tr>
<td>8.1.20.2</td>
<td>Section is modified to add STAR+PLUS LTSS Utilization reporting requirements.</td>
<td></td>
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<tr>
<td>8.1.24</td>
<td>Section is modified to change the Texas Health Steps Periodicity Schedule to ACIP Immunization Schedule. Section is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.</td>
<td></td>
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<tr>
<td>8.1.26</td>
<td>Health Home Services is added.</td>
<td></td>
<td></td>
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<tr>
<td>8.1.26.1</td>
<td>Health Home Services and Participating Providers is added.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1.26.2</td>
<td>MCO Health Home Services Evaluation is added</td>
<td></td>
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</tr>
<tr>
<td>8.2.2.3.2</td>
<td>Section is modified to correct the acronym for Oral Evaluation and Fluoride Varnish.</td>
<td></td>
<td></td>
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</tbody>
</table>
Section 8.2.2.3.3 is modified to clarify statutory authority.
Section 8.2.2.3.5 is modified to add training requirements for pharmacy and DME.
Section 8.2.2.8 is modified to remove the acronym “CPW”.
Section 8.2.2.11 is modified to replace the acronym CPW with “Case Management for Children and Pregnant Women” and the acronym THSteps with “Texas Health Steps”.
Section 8.2.7.1 is modified to correct URL for UM guidelines.
Section 8.2.8 is modified to clarify the pay and chase requirements for prenatal and preventative care, and recoveries in the context of state child support enforcement actions (SSA §1902(a)(25)(E) and (F); and to correct contract cross reference.
Section 8.2.10 is modified to remove the acronym “CPW” and to replace it with Case Management for Children and Pregnant Women.
Section 8.3.1.1 is modified to clarify eligibility for DAHS.
Section 8.3.1.2 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver” and to add DAHS to the list of Community Based LTSS under the HCBS STAR+PLUS Waiver.
Section 8.3.2.6 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.
Section 8.3.2.8 is modified to update the MAO reference.
Section 8.3.3 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.
Section 8.3.4 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver” and to increase the cost of care threshold from 200% to 202%.
Section 8.3.4.1 is modified to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.
Section 8.3.4.2 is modified to change the section name from “For Medical Assistance Only (MAO) Non-Member Applicants” to “For 217-Like Group Applicants’ and to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed.
Section 8.3.4.3 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.
Section 8.3.5 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.
Section 8.3.6.4 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver.
Section 8.4.3 is modified for consistency with the Medicaid pay and chase requirements.
<table>
<thead>
<tr>
<th>Revision</th>
<th>Date</th>
<th>Details</th>
</tr>
</thead>
</table>
| 2.4      | March 1, 2013 | All references to the previous Executive Commissioner Suehs are changed to his successor, Executive Commissioner Janek.  
Section 8.1.2.1 is modified to add language regarding reducing or deleting Value-added Services.  
Section 8.1.3.2 is modified to clarify network provider access and compliance rating.  
Section 8.1.4.11 Provider Advisory Groups is added.  
Section 8.1.5.10 Member Advisory Groups is added.  
Section 8.1.18.5 is modified to add new language modeled off of insurance code requirements.  
Section 8.2.3 is modified to add new language regarding terminating Significant Traditional Providers.  
Section 8.2.13 is modified to address supplemental payments to MCOs for wrap-around services for outpatient drugs and biological products for STAR+PLUS Members.  
Section 8.2.13.1 Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products is added.  
Section 8.3.1.1 is modified to delete Personal Attendant Services and delete language after (DAHS) is the service column.  
Section 8.3.1.2 is modified to delete DAHS service description and Licensure and Certification Requirements and modify Personal Assistance Services.  
8.3.6.6 Electronic Visit Verification is added. |
| 2.5      | June 1, 2013 | Contract amendment did not revise Attachment B-1, |
| 2.6      | September 1, 2013 | Section 8.1.1.1 is modified to remove references to overarching goals and to clarify that HHSC will provide the PIP topics.  
Section 8.1.2.1 is modified to clarify that MCOs may not charge copayments for Value-added Services, but may offer discounts for non-covered services as Value-added Services as required by SB 632.  
Section 8.1.3.1 is modified to clarify timeframes for PCP referrals.  
Section 8.1.3.2 is modified to add a requirement for 2 PCPs within 30 miles for Medicaid child Members to comply with the Frew Corrective Action order.  
Section 8.1.4 is modified to add new pharmacy requirements as required by SB 1106 and HB 1358.  
Section 8.1.4.2 is modified for clarification and to comply with requirements of SB 406, 83R.  
Section 8.1.4.4 is modified to add timeframes for completing the credentialing process and to comply with requirements of SB 365, 83R. |
<table>
<thead>
<tr>
<th>Section</th>
<th>Modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1.4.8</td>
<td>Modified to clarify the MCO's obligations for payment and Network Provider agreements and to comply with requirements of SB 7, 83R. Section 8.1.4.8.1 is modified to correct “Provider Preventable Conditions” to “Potentially Preventable Complications”. Section 8.1.4.8.2 is modified to clarify provider incentives.</td>
</tr>
<tr>
<td>8.1.10</td>
<td>Modified for clarification and to comply with requirements of SB 1401, 83R.</td>
</tr>
<tr>
<td>8.1.12</td>
<td>Provider Protection Plan is added as required by SB 1150, 83R.</td>
</tr>
<tr>
<td>8.1.5.5</td>
<td>Modified to allow MCOs to offer provider search functionality on their websites instead of PDF versions of the Provider Directory. In addition, duplicative language is removed.</td>
</tr>
<tr>
<td>8.1.5.6</td>
<td>Modified to require the MCO's Member Services representatives to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program.</td>
</tr>
<tr>
<td>8.1.5.6.1</td>
<td>Modified to require the MCO's nurseline staff to be trained regarding the override process for Members in the HHSC-OIG Lock-in Program.</td>
</tr>
<tr>
<td>8.1.5.7</td>
<td>Modified to allow MCOs to use certified community health workers/promotoras to conduct outreach and member education activities.</td>
</tr>
<tr>
<td>8.1.5.9</td>
<td>Modified to correct cross references.</td>
</tr>
<tr>
<td>8.1.8</td>
<td>Modified to update the URL for UM guidelines.</td>
</tr>
<tr>
<td>8.1.8.1</td>
<td>“Compliance with State and Federal Prior Authorization Requirements” is added as required by SB8, SB 644, and SB1216, 83R.</td>
</tr>
<tr>
<td>8.1.9</td>
<td>Modified to update the T.A.C. references and to align the age reference with the definition.</td>
</tr>
<tr>
<td>8.1.14</td>
<td>Modified to add a new Subsection 8.1.14.1 Special Populations. Subsequent subsections are renumbered.</td>
</tr>
<tr>
<td>8.1.15</td>
<td>Modified to add requirements for special populations.</td>
</tr>
<tr>
<td>8.1.15.7</td>
<td>Modified to clarify which DSM edition is referenced.</td>
</tr>
<tr>
<td>8.1.15.7</td>
<td>Modified to delete the duplicative definition. The term “Court-Ordered Commitment” is defined in Attachment A.</td>
</tr>
<tr>
<td>8.1.18.1</td>
<td>Modified to require MCO Provider Agreements to comply with Texas Gov't. Code regarding reimbursement of claims based on orders or referrals by supervising providers.</td>
</tr>
<tr>
<td>8.1.18.5</td>
<td>Modified for clarification, for consistency with Section 1213.005 of the Insurance Code, and to comply with requirements of House Bill 15, 83R</td>
</tr>
<tr>
<td>8.1.19</td>
<td>Modified to include the HHSC-OIG Lock-in Program.</td>
</tr>
<tr>
<td>8.1.20</td>
<td>Modified for clarification that records must be provided “at no cost.”</td>
</tr>
<tr>
<td>8.1.20.1</td>
<td>Modified to correct the name to which the acronym HEDIS refers.</td>
</tr>
<tr>
<td>8.1.20.2</td>
<td>Modified to add Service Coordination reporting requirements.</td>
</tr>
<tr>
<td>8.1.21</td>
<td>Pharmacy Services is modified to reorganize the section and to add requirements as required by SB 644, HB 1358, 83R.</td>
</tr>
<tr>
<td>8.1.21.1</td>
<td>Formulary and Preferred Drug List (PDL) is added.</td>
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</table>
Section 8.1.21.2 Prior Authorization for Prescription Drugs is modified to add “and 72-hour Emergency Supplies” to the title and to add requirements as required by SB 644, HB 1358, 83R.

Section 8.1.21.3 Coverage Exclusions is modified for clarity.

Section 8.1.21.5 Pharmacy Rebate Program is modified to require MCOs to include NDCs on all encounters.

Section 8.1.21.6 Drug Utilization Review (DUR) Program is modified to add requirements as required by SB 644, HB 1358, 83R.

Section 8.1.21.7 Pharmacy Benefit manager (PBM) is modified to add requirements as required by SB 644, HB 1358, 83R.

Section 8.1.21.8 Financial Disclosures for Pharmacy Services is modified for clarity.

Section 8.1.21.9 Limitations Regarding Registered Sex Offenders is modified for clarity.

Section 8.1.21.10 Specialty Drugs is modified to add requirements as required by SB 644, HB 1358, 83R.

Section 8.1.21.11 Maximum Allowable Cost (MAC) Requirements is added.

Section 8.1.21.12 Mail-order and Delivery is added.

Section 8.1.21.13 Health Resources and Services Administration (HRSA) 340B Discount Drug Program is added.

Section 8.1.21.14 Pharmacy Claims and File Processing is added.

Section 8.1.21.15 Pharmacy Audits is added.

Section 8.1.21.16 E-prescribing is added.

Section 8.1.22 is modified to add more detail regarding FQHC/RHC payments.

Section 8.1.27 Cancellation of Product Orders is added.

Section 8.2.2.4 is modified to include education and care coordination for Members who are at high risk for pre-term labor.
Section 8.2.2.8 is modified to add ECI Specialized Skills Training, to clarify the requirements for DADS hospice services, and to add court-ordered commitments to inpatient mental health facilities as a condition of probation.

Section 8.2.4.2 is modified for clarification and to comply with requirements of SB 7, 83R.

Section 8.2.13 is modified to clarify the language.

Section 8.2.13.1 is modified to clarify the language.

Section 8.3.2 is modified to add new subsections 8.3.2.1 “Service Coordination Plan Requirements,” and 8.3.2.2 “Service Coordination Structure.” Subsequent subsections are renumbered.

Section 8.3.2.3 is modified to include minimum requirements for Service Coordinators.

Section 8.3.4.3 is modified to require the MCO to inform the Member about CDS during the annual reassessment.

Section 8.3.4.4 STAR+PLUS Utilization Reviews is added as required by SB 348, 83R.

Section 8.3.7.2 is modified to remove the reference to Attachment B-6.

Section 8.3.8 Minimum Wage Requirements for STAR+PLUS Attendants in Community Settings Reviews is added as required by Article II, Rider 61 of the General Appropriations Act (83R).

Revision 2.7 September 1, 2013 Section 8.2.16 “Supplemental Payments for Qualified Providers” is added. Additional detail regarding the process, including payment and reporting requirements will be added to the UMCM.

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions

2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.

3 Brief description of the changes to the document made in the revision.

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8.1.3 Access to Care ..................................................................... 8-19
8.1.4 Provider Network ................................................................. 8-25
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8. OPERATIONS PHASE REQUIREMENTS

This Section describes Scope of Work requirements for the Operations Phase of the Contract.

Section 8.1 includes the general Scope of Work that applies to all MCO Programs (STAR, STAR+PLUS, and CHIP).

Section 8.2 includes the additional Medicaid Scope of Work that applies only to the STAR and STAR+PLUS MCOs.

Section 8.3 includes the additional Scope of Work that applies only to STAR+PLUS MCOs.
Section 8.4 includes the additional CHIP Scope of Work that applies only to CHIP MCOs.

The CHIP Perinatal Program is a CHIP subprogram. CHIP Program requirements apply to the CHIP Perinatal Program, unless the Contract otherwise indicates.

Additional information regarding the STAR, STAR+PLUS, and CHIP Program requirements, such as reporting timeframes and formats is included in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and the Uniform Managed Care Manual. HHSC reserves the right to modify these documents as it deems necessary using the procedures set forth in the Attachment A, "Uniform Managed Care Contract Terms and Conditions."

8.1 General Scope of Work

In each MCO Program and Service Area, HHSC will select MCOs to provide Health Care Services and prescription drug benefits to Members. The MCO must have approval from the Texas Department of Insurance (TDI) to operate as an HMO, ANHC, and/or an EPO in all zip codes in the respective Service Area(s).

Coverage for benefits will be available to enrolled Members effective on the Operational Start Date. The Operational Start Date is March 1, 2012, for all MCO Programs and Service Areas.

8.1.1 Administration and Contract Management

The MCO must comply, to the satisfaction of HHSC, with: (1) all provisions set forth in this Contract, and (2) all applicable provisions of state and federal laws, rules, regulations, and waiver agreements with the Centers for Medicare and Medicaid Services (CMS).

8.1.1.1 Performance Evaluation

On an annual basis, HHSC will provide the MCO with two Performance Improvement Project (PIP) topics per Program. The MCO must develop one per topic. If directed by HHSC, the MCO must conduct one PIP in collaboration with other MCOs in the Service Area. The PIP projects are due to HHSC no later than August 30 each year. PIPs will follow CMS protocol, as described below. The purpose of health care quality PIPs is to assess and improve processes, and thereby outcomes, of care. In order for such projects to achieve real improvements in care and for interested parties to have confidence in the reported improvements, PIPs must be designed, conducted, and reported in a methodologically sound manner.

MCOs must use the following ten (10) step CMS protocol when conducting PIPs:

1. select the study topic(s);
2. define the study question(s);
3. select the study indicator(s);
4. use a representative and generalizable study population;
5. use sound sampling techniques (if sampling is used);
6. collect reliable data;
7. implement intervention and improvement strategies;
8. analyze data and interpret study results;
9. plan for real improvement; and
10. achieve sustained improvement.

(See Uniform Managed Care Manual Chapter 10.2.4, Performance Improvement Project Submission Instructions and 10.2.5, Performance Improvement Project Template).

The MCO must participate in semi-annual Contract Status Meetings (CSMs) with HHSC for the primary purpose of reviewing progress toward the achievement of annual PIPs and Contract requirements. HHSC may request additional CSMs as it deems necessary to address areas of noncompliance. HHSC will provide the MCO with reasonable advance notice of additional CSMs, generally at least five (5) Business Days.
The MCO must provide to HHSC, no later than 14 Business Days prior to each semi-annual CSM, an electronic report detailing the MCO's progress toward and any barriers in meeting the annual PIPs.

HHSC will track MCO performance on PIPs. It will also track other key facets of MCO performance through the use of a Performance Indicator Dashboard for Quality Measures (see Uniform Managed Care Manual Chapter 10.1.7). HHSC will compile the Performance Indicator Dashboard based on MCO submissions, data from the External Quality Review Organization (EQRO), and other data available to HHSC. HHSC will share the Performance Indicator Dashboard with the MCO on an annual basis.

8.1.1.2 Additional Readiness Reviews and Monitoring Efforts

During the Operations Phase, HHSC may conduct desk and/or onsite reviews as part of its normal Contract monitoring efforts. Additionally, an MCO that chooses to make a change to any operational system or undergo any major transition may be subject to an additional Readiness Review(s). HHSC will determine whether the proposed changes will require a desk review and/or an onsite review. The MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent for onsite reviews conducted as part of Readiness Review or HHSC’s normal Contract monitoring efforts. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.18, “Management Information System Requirements,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.2 Covered Services

The MCO is responsible for authorizing, arranging, coordinating, and providing Covered Services in accordance with the requirements of the Contract. The MCO must provide Medically Necessary Covered Services to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. The MCO must not impose any pre-existing condition limitations or exclusions or require Evidence of Insurability to provide coverage to any Member.

The MCO must provide full coverage for Medically Necessary Covered Services to all Members and, for STAR+PLUS Members, Functionally Necessary Community Long-term Services and Supports, without regard to the Member’s:

1. previous coverage, if any, or the reason for termination of such coverage;
2. health status;
3. confinement in a health care facility; or
4. for any other reason.

The MCO must not practice discriminatory selection, or encourage segregation among the total group of eligible Members by excluding, seeking to exclude, or otherwise discriminating against any group or class of individuals.

Covered Services for all Medicaid MCO Members are listed in Attachments B-2, “STAR Covered Services,” and B-2.2, “STAR+PLUS Covered Services.” Medicaid MCOs are responsible for providing all services and benefits available to clients of the Medicaid Fee-for-Service Program to the MCO’s Medicaid Members, with the exception of Non-Capitated Services (Section 8.2.2.8). Medicaid MCOs must provide the services and benefits described in the most recent Texas Medicaid Provider Procedures Manual and any updates to the Manual provided through Texas Medicaid Bulletins. A description of CHIP Covered Services and exclusions is provided in Attachment B-2.1, “CHIP Covered Services.” Covered Services are subject to change due to changes in federal and state law; changes in Medicaid, CHIP or CHIP Perinatal Program policy; and changes in medical practice, clinical protocols, or technology.
8.1.2.1 Value-added Services

MCOs may propose additional services for coverage. These are referred to as "Value-added Services." Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improved health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

The MCO generally must offer Value-added Services to all MCO Program Members in a Service Area. For Medicaid Acute Care services, the MCO may distinguish between the Dual Eligible and non-Dual Eligible populations. The MCO is not required to offer the same Value-added Services to CHIP Perinate Members as traditional CHIP Members and CHIP Perinate Newborn Members. Value-added Services do not need to be consistent across more than one (1) MCO Program or across more than one (1) Service Area. Value-added Services that are approved by HHSC during the contracting process will be included in the Contract's scope of services.

Any Value-added Services that a MCO elects to provide must be provided at no additional cost to HHSC. The costs of Value-added Services are not reportable as allowable medical or administrative expenses, and therefore are not factored into the rate setting process. In addition, the MCO must not pass on the cost of the Value-added Services to Members or Providers.

The MCO may offer discounts on non-covered benefits to Members as Value-added Services, provided that the MCO complies with Texas Insurance Code § 1451.155 and § 1451.2065. The MCO must ensure that Providers do not charge Members for any other cost-sharing for a Value-added Service (including copayments or deductibles).

The MCO must specify the conditions and parameters regarding the delivery of the Value-added Services in the MCO's Marketing Materials and Member Handbook, and must clearly describe any limitations or conditions specific to the Value-added Services.

During the Operations Phase, Value-added Services can be added or removed only by written amendment of the Contract. MCOs will be given the opportunity to add or enhance Value-added Services twice per State Fiscal Year, with changes to be effective September 1 and March 1. MCOs will also be given the opportunity to delete or reduce Value-added Services once per State Fiscal Year, with changes to be effective September 1. HHSC may allow additional modifications to Value-added Services if Covered Services are amended by HHSC during a State Fiscal Year. This approach allows HHSC to coordinate biannual revisions to HHSC's MCO Comparison Charts for Members. A MCO's request to add, enhance, delete, or reduce a Value-added Service must be submitted to HHSC by April 1 of each year to be effective September 1 for the following contract period. The MCOs cannot reduce or delete any Value-added Services until September 1 of the next SFY. A second request to add or enhance Value-added Services must be submitted to HHSC by October 1 each year to be effective March 1. (See Uniform Managed Care Manual Chapter 4.5 "Physical and Behavioral Health Value-Added Services Template.")

A MCO's request to add a Value-added Service must:

a. define and describe the proposed Value-added Service;
b. specify the Service Areas and MCO Programs for the proposed Value-added Service;
c. identify the category or group of Members eligible to receive the Value-added Service if it is a type of service that is not appropriate for all mandatory Members;
d. note any limits or restrictions that apply to the Value-added Service;
e. identify the Providers responsible for providing the Value-added Service;
f. describe how the MCO will identify the Value-added Service in administrative data (Encounter Data);
g. propose how and when the MCO will notify Providers and Members about the availability of such Value-added Service;
h. describe how a Member may obtain or access the Value-added Service; and
i. include a statement that the MCO will provide such Value-added Service for at least 12 months from the September 1 effective date.

A MCO cannot include a Value-added Service in any material distributed to Members or prospective Members until the Parties have amended the Contract to include that Value-added Service. If a Value-added Service is deleted by amendment, the MCO must notify each Member that the service is no longer available through the MCO. The MCO must also revise all materials distributed to prospective Members to reflect the change in Value-added Services.
**8.1.2.2 Case-by-Case Added Services**

Except as provided below, the MCO may offer additional benefits that are outside the scope of services to individual Members on a case-by-case basis. Case-by-case services may be based on Medical Necessity, cost-effectiveness, the wishes of the Member/Member’s family, the potential for improved health status of the Member, and for STAR+PLUS Members based on Functional Necessity.

Section 8.1.2.2, “Case-by-Case Added Services,” does not apply to the CHIP Perinate Members (unborn children).

**8.1.3 Access to Care**

All Covered Services must be available to Members on a timely basis in accordance the Contract's requirements and medically appropriate guidelines, and consistent with generally accepted practice parameters. The MCO must comply with the access requirements as established by the Texas Department of Insurance (TDI) for all MCOs doing business in Texas, except as otherwise required by this Contract. Medicaid MCOs must be responsive to the possibility of increased Members due to the phase-out of the PCCM model in Service Areas where HHSC has determined that adequate MCO coverage exists.

The MCO must provide coverage for Emergency Services to Members 24 hours a day and seven (7) days a week, without regard to prior authorization or the Emergency Service provider's contractual relationship with the MCO. The MCO's policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws and regulations, whether the provider is Network or Out-of-Network. A MCO is not responsible for payment for unauthorized non-emergency services provided to a Member by Out-of-Network providers.

The MCO must also have a toll-free emergency and crisis Behavioral Health Services Hotline available 24 hours a day, seven (7) days a week. The Behavioral Health Services Hotline must meet the requirements described in Section 8.1.15.3. For Medicaid Members, a MCO must provide coverage for Emergency Services in compliance with 42 C.F.R. §438.114, and as described in more detail in Section 8.2.2.1. The MCO may arrange Emergency Services and crisis Behavioral Health Services through mobile crisis teams.

For CHIP Members, Emergency Covered Services, including emergency Behavioral Health Services, must be provided in accordance with the requirements of the Texas Insurance Code and TDI regulations.

MCOs must require, and make best efforts to ensure, that PCPs are accessible to STAR, STAR+PLUS, CHIP, and CHIP Perinate Newborn Members 24 hours a day, seven (7) days a week and that its Network Primary Care Providers (PCPs) have after-hours telephone availability that is consistent with Section 8.1.4. The MCO must ensure that Network Providers offer office hours to Members that are at least equal to those offered to the MCO's commercial lines of business or Medicaid fee-for-service participants, if the provider accepts only Medicaid patients.

CHIP MCOs are not required to establish PCP Networks for CHIP Perinates (Unborn Child).

The MCO must provide that if Medically Necessary Covered Services are not available through Network Providers, the MCO must, upon the request of a Network Provider, allow a referral to a non-network physician or provider within the time appropriate to the circumstances relating to the delivery of the services and the condition of the patient, but in no event to exceed five (5) Business Days after receipt of reasonably requested documentation. The MCO must fully reimburse the non-network provider in accordance with the Out-of-Network methodology for Medicaid as defined by HHSC in 1 T.A.C. §353.4, and for CHIP, at the usual and customary rate defined by TDI in 28 T.A.C. Section 11.506.

The Member will not be responsible for any payment for Medically Necessary Covered Services, including Functionally Necessary Covered Services, other than:

1. HHSC-specified copayments for CHIP Members, where applicable;

2. HHSC-specified copayments for Medicaid Members, where applicable (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract); and
STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services and enter a 24-hour setting will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC. If the MCO provides Members who do not qualify for the HCBS STAR+PLUS Waiver services in a 24-hour setting as an alternative to nursing facility or Hospitalization, the Member will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC.

8.1.3.1 Waiting Times for Appointments

Through its Provider Network composition and management, the MCO must ensure that the following standards are met. In all cases below, "day" is defined as a calendar day, and the standards are measured from the date of presentation or request, whichever occurs first.

1. Emergency Services must be provided upon Member presentation at the service delivery site, including at non-network and out-of-area facilities;
2. urgent care, including urgent specialty care, must be provided within 24 hours;
3. routine primary care must be provided within 14 days;
4. initial outpatient behavioral health visits must be provided within 14 days;
5. PCPs must make referrals for specialty care on a timely basis, based on the urgency of the Member's medical condition, but no later than 30 days;
6. pre-natal care must be provided within 14 days, except for high-risk pregnancies or new Members in the third trimester, for whom an appointment must be offered within five days, or immediately, if an emergency exists;
7. preventive health services for adults must be offered within 90 days; and
8. preventive health services for children, including well-child checkups should be offered to CHIP Members in accordance with the American Academy of Pediatrics (AAP) periodicity schedule. Medicaid MCOs should utilize the Texas Health Steps periodicity schedule. For a New Member birth through age 20, overdue or upcoming well-child checkups, including Texas Health Steps medical checkups, should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. The Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due on the child's birthday. The annual medical checkup is considered timely if it occurs no later than 364 calendar days after the child's birthday. For purposes of this requirement, the terms "New Member" and "Existing Member" are defined in Chapter 12.4 of the Uniform Managed Care Manual.

8.1.3.2 Access to Network Providers

The MCO's Network must include all of the provider types described in this section in sufficient numbers, and with sufficient capacity, to provide timely access to all Covered Services in accordance with the waiting times for appointments in Section 8.1.3.1. The MCO's Network must provide timely access to regular and preventive care to all Members, and Texas Health Steps services to all child Members in Medicaid.

This section includes distance standards for each provider type. For each provider type, the MCO must provide access to at least 90 percent of members in each Program and Service Area within the prescribed distance standard for each State Fiscal Quarter. This 90-percent benchmark does not apply to pharmacy providers (refer to the "Pharmacy Access" heading for applicable benchmarks).

HHSC will consider requests for exceptions to the distance standards for all provider types under limited circumstances. Each exception request must be supported by information and documentation as specified in HHSC's exception request template.

Medicaid PCP Access: At a minimum, the MCO must ensure that all adult Members have access to one age-appropriate Network PCP with an Open Panel within 30 miles of the Member's residence. Child Members must have access to two age-appropriate Network PCPs with an Open Panel within 30 miles of the Member's residence.

CHIP PCP Access: At a minimum, the MCO must ensure that all Members have access to one age-appropriate PCP in the Provider Network with an Open Panel within 30 miles of the Member's residence. This provision does not apply to CHIP Perinates, but it does apply to CHIP Perinate Newborns.
For the purpose of assessing compliance with the Medicaid and CHIP PCP access requirements, an internist who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20, and a pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

As described above, the MCO can request a special exception if no appropriate provider types are located within the mileage standards.

**OB/GYN Access:** STAR, STAR+PLUS and CHIP Program Networks: with the following exception, STAR, STAR+PLUS and CHIP MCOs must ensure that all female Members have access to an OB/GYN in the Provider Network within 75 miles of the Member's residence. CHIP MCOs must ensure that CHIP Perinate Members (unborn children) in rural areas have access to Network OB/GYNs within 125 miles of the Member's residence.

If an OB/GYN is acting as the Member's PCP, the MCO must follow the access requirements for the PCP (within 30 miles of the Member's residence).

The MCO must allow female Members to select an OB/GYN within its Provider Network. A female Member who selects an OB/GYN must be allowed direct access to the OB/GYN's Health Care Services without a referral from the Member's PCP or a prior authorization. The MCO must allow pregnant Member who is past the 24th week of pregnancy to remain under the Member's current OB/GYN care though the Member's post-partum checkup, even if the OB/GYN provider is, or becomes, Out-of-Network.

**Outpatient Behavioral Health Service Provider Access:** At a minimum, the MCO must ensure that all Members have access to a covered outpatient Behavioral Health Service Provider in the Network within 75 miles of the Member's residence. Outpatient Behavioral Health Service Providers must include Masters and Doctorate-level trained practitioners practicing independently or at community mental health centers, other clinics or at outpatient Hospital departments. A Qualified Mental Health Provider - Community Services (QMHP-CS) is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C. §412.303(48). QMHP-CSs must be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs must be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services.

**Other Specialist Physician Access:** At a minimum, the MCO must ensure that all Members have access to a Network specialist physician for all covered services within 75 miles of the Member's residence for common medical specialties. For adult Members, common medical specialties must include general surgery, cardiology, orthopedics, urology, and ophthalmology. For child Members, common medical specialties must include orthopedics and otolaryngology. In addition, all Members must be allowed to: 1) select a Network ophthalmologist or therapeutic optometrist to provide eye Health Care Services, other than surgery, and 2) have access without a PCP referral to eye Health Care Services from a Network specialist who is an ophthalmologist or therapeutic optometrist for non-surgical services.

**Hospital Access:** The MCO must ensure that all Members have access to an Acute Care Hospital in the Provider Network within 30 miles of the Member's residence. For MCOs participating in the CHIP Program, exceptions to this access standard must be approved by HHSC on a case-by-case basis for Perinate Members (unborn children). MCOs participating in the Medicaid Rural Service Area may also request exceptions on a case-by-case basis.

**Pharmacy Access:** Effective March 1, 2012, the MCO must meet the following minimum requirements. The MCO must ensure that all Members have access to at least one (1) Network Pharmacy within 15 miles of the Member's residence, and access to at least one (1) pharmacy with 24-hour coverage within 75 miles of the Member's residence. MCOs may request exceptions to this requirement on a case-by-case basis.

Effective September 1, 2012, HHSC will apply additional benchmark performance standards. For purposes of this requirement only, the terms urban, suburban, and rural counties have the following meaning:

*Urban* - Counties that have been designated as metropolitan by the Office of Management and Budget (OMB), and that contain the most populated city within a metropolitan area, also known as Metropolitan Statistical Area. HHSC Strategic Decision Support (SDS) classifies these counties as Metro Central City counties. A county meets the definition of metropolitan if it has a central city, or pair of twin cities in it, with a minimum population of 50,000.
Suburban - Counties that have been designated as metropolitan by the OMB, and that are adjacent (share a boundary) to a Metro Central City county. The SDS classifies these counties as Metro Suburban counties.

Rural - Non-metropolitan counties of the state, regardless of whether they are adjacent or non-adjacent to a metropolitan county.

For counties included in the Medicaid Rural Service Area, the following standard applies to STAR effective September 1, 2012:

- In urban counties, at least 75 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
- In suburban counties, at least 55 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence; and
- In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

For all other counties and Programs, the following standard applies effective September 1, 2012:

- In urban counties, at least 80 percent of Members must have access to a Network Pharmacy within 2 miles of the Member's residence;
- In suburban counties, at least 75 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence;
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence; and
- In urban, suburban, and rural counties, at least 90 percent of Members must have access to a 24-hour pharmacy within 75 miles of the Member's residence.

Note: MCOs may request exceptions to these requirements on a case-by-case basis. Mail order pharmacies, including specialty pharmacies that only mail prescriptions, will not be included when calculating these percentages. However, MCOs will be required to report on the number of prescriptions filled and number of clients served through mail order/specialty pharmacies by MCO Program and Service Area.

All other Covered Services, except for services provided in the Member's residence: At a minimum, the MCO must ensure that all Members have access to at least one (1) Network Provider for each of the remaining Covered Services described in Attachments B-2, "STAR Covered Services," B-2.1 "CHIP Covered Services," and B-2.2, "STAR+PLUS Covered Services," within 75 miles of the Member's residence. This access requirement includes, but is not limited to, specialists, specialty Hospitals, psychiatric Hospitals, diagnostic and therapeutic services, and single or limited service health care physicians or Providers, as applicable to the MCO Program.

The MCO is not precluded from making arrangements with physicians or providers outside the MCO's Service Area for Members to receive a higher level of skill or specialty than the level available within the Service Area, including but not limited to, treatment of cancer, burns, and cardiac diseases. HHSC may consider exceptions to the above access-related requirements when an MCO has established, through utilization data provided to HHSC, that a normal pattern for securing Health Care Services within an area does not meet these standards, or when an MCO is providing care of a higher skill level or specialty than the level which is available within the Service Area.

8.1.3.3 Monitoring Access

The MCO is required to systematically and regularly verify that Covered Services furnished by Network Providers are available and accessible to Members in compliance with the standards described in Sections 8.1.3.1 and 8.1.3.2, and for Covered Services furnished by PCPs, the standards described in Section 8.1.4.2.

The MCO must enforce access and other Network standards required by the Contract and take appropriate action with noncompliant Providers.

8.1.4 Provider Network
The MCO must enter into written contracts with properly credentialed Providers as described in this Section. The Provider contracts must comply with the Uniform Managed Care Manual's requirements, and include reasonable administrative and professional terms.

The MCO must maintain a Provider Network sufficient to provide all Members with access to the full range of covered Services required under the Contract. The MCO must ensure its Providers and Subcontractors meet all current and future state and federal eligibility criteria, reporting requirements, and any other applicable rules and/or regulations related to the Contract.

The Provider Network must be responsive to the linguistic, cultural, and other unique needs of any minority, elderly, or disabled individuals, or other special populations served by the MCO. This includes the capacity to communicate with Members in languages other than English, when necessary, as well as with those who are deaf or hearing impaired.

The MCO must seek to obtain the participation in its Provider Network of qualified providers currently serving the Medicaid and CHIP Members in the MCO's proposed Service Area(s). Medicaid MCOs utilizing Out-of-Network providers to render services to their Members must not exceed the utilization standards established in 1 T.A.C. §353.4. HHSC may modify this requirement for Medicaid MCOs that demonstrate good cause for noncompliance, as set forth in §353.4(e)(3).

The MCO must seek participation in the Provider Network from the following types of entities that may serve American Indian and Alaskan Native children:

1. health clinics operated by a federally-recognized tribe in the Service Area;
2. Federally Qualified Health Centers (FQHC) operated by a federally-recognized tribe in the Service Area; and
3. Urban Indian organizations in the Service Area.

All Providers: Except as provided in Section 8.1.4.10, all Providers must be licensed in the State of Texas to provide the Covered Services for which the MCO is contracting with the Provider, and not be under sanction or exclusion from the Medicaid program. All Acute Care Providers serving Medicaid Members must be enrolled as Medicaid providers and have a Texas Provider Identification Number (TPIN). All Pharmacy Providers must be enrolled with HHSC's Vendor Drug Program. Long-term Services and Supports Providers are not required to have a TPIN but must have a LTSS Provider number. Providers must also have a National Provider Identifier (NPI) in accordance with the timelines established in 45 C.F.R. Part 162, Subpart D.

Inpatient Hospital and medical services: The MCO must ensure access to Acute Care Hospitals and Specialty Hospitals in the MCO's Network. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. The MCO must enter into a Network Provider Agreement with any willing State Hospital that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

Children's Hospitals/Hospitals with specialized pediatric services: The MCO must ensure Members access to Hospitals designated as Children's Hospitals by Medicare and Hospitals with specialized pediatric services, such as teaching Hospitals and Hospitals with designated children's wings. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. If the MCO does not have a designated Children's Hospital and/or Hospital with specialized pediatric services in proximity to the Member's residence in its Network, the MCO must enter into written arrangements for services with Out-of-Network Hospitals. Provider Directories, Member Materials, and Marketing Materials must clearly distinguish between Hospitals designated as Children's Hospitals and Hospitals that have designated children's units.

Trauma: The MCO must ensure Members access to Texas Department of State Health Services (TDSHS)-designated Level I and Level II trauma centers within the State, or Hospitals meeting the equivalent level of trauma care in the MCO's Service Area or in close proximity to such Service Area. The MCO must make written Out-of-Network reimbursement arrangements with the DSHS-designated Level I and Level II trauma centers or Hospitals meeting equivalent levels of trauma care if the MCO does not include such a trauma center in its Network.

Transplant centers: The MCO must ensure Member access to HHSC-designated transplant centers or centers meeting equivalent levels of care. A list of HHSC-designated transplant centers can be found in the Procurement Library. If the MCO's Network does not include a designated transplant center or center meeting equivalent levels of care in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.
Hemophilia centers: The MCO must ensure Member access to hemophilia centers supported by the Centers for Disease Control (CDC). A list of these hemophilia centers can be found at [http://www.cdc.gov/ncbddd/hemophilia/HTC.html](http://www.cdc.gov/ncbddd/hemophilia/HTC.html). If the MCO's Network does not include CDC-supported hemophilia centers in proximity to the Member's residence, the MCO must make written arrangements with Out-of-Network providers for such care.

Physician services: The MCO must ensure that Primary Care Providers are available and accessible 24 hours per day, seven (7) days per week, within the Provider Network. The MCO must contract with a sufficient number of participating physicians and specialists within each Service Area to comply with Section 8.1.3's access requirements and meet Members' needs for all Covered Services.

The MCO must ensure that an adequate number of participating physicians have admitting privileges at one (1) or more participating Acute Care Hospitals in the Provider Network to ensure that necessary admissions are made. In no case may there be less than one Network PCP with admitting privileges available and accessible 24 hours per day, seven (7) days per week for each Acute Care Hospital in the Provider Network.

The MCO must ensure that an adequate number of participating specialty physicians have admitting privileges at one or more participating Hospitals in the MCO's Provider Network to ensure necessary admissions are made. The MCO must require that all physicians who admit to Hospitals maintain Hospital access for their patients through appropriate call coverage.

Urgent Care Clinics: The MCO must ensure that Urgent Care Clinics, including multi-specialty clinics serving in this capacity, are included within the Provider Network.

Laboratory services: The MCO must ensure that Network reference laboratory services are of sufficient size and scope to meet Members' non-emergency and emergency needs and the access requirements in Section 8.1.3. Reference laboratory specimen procurement services must facilitate the provision of clinical diagnostic services for physicians, Providers, and Members through the use of convenient reference satellite labs in each Service Area, strategically located specimen collection areas in each Service Area, and the use of a courier system under the management of the reference lab. For Medicaid Members, Texas Health Steps requires Providers to use the DSHS Laboratory Services for specimens obtained as part of a Texas Health Steps medical checkup, including Texas Health Steps newborn screens; blood lead testing; hemoglobin electrophoresis; and total hemoglobin tests that are processed at the Austin Laboratory; and Pap Smear, gonorrhea and chlamydia screening processed at the Women's Health Laboratories in San Antonio. Providers may submit specimens for glucose, cholesterol, HDL, lipid profile, HIV and RPR to the DSHS Laboratory or to a laboratory of the provider's choice. Hematocrit may be performed at the provider's clinic if the provider needs an immediate result for anemia screening. Providers should refer to the Texas Health Steps Online Provider Training Modules referencing specimen collection on the DSHS website and the Texas Medicaid Provider Procedures Manual, Children's Services Handbook for the most current information and any updates.

Pharmacy Providers: The MCO must ensure that all Pharmacy Network Providers meet all requirements under 1 Tex. Admin. Code § 353.909. Providers must not be under sanction or exclusion from the Medicaid or CHIP Programs. The MCO must enter into a Network Provider Agreement with any willing pharmacy provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms. However, the MCO may enter into selective contracts for specialty pharmacy services with one or more pharmacy provider, subject to the following conditions. These arrangements must comply with Texas Government Code § 533.005(a)(23)(G) and 1 Tex. Admin. Code § 353.905, § 354.1853, and § 370.701.

Diagnostic imaging: The MCO must ensure that diagnostic imaging services are available and accessible to all Members in each Service Area in accordance with the access standards in Section 8.1.3. The MCO must ensure that diagnostic imaging procedures that require the injection or ingestion of radiopaque chemicals are performed only under the direction of physicians qualified to perform those procedures.

Home health services: All Members living within the MCO's Service Area must have access to at least one (1) Network Provider of home health Covered Services. (These services are provided as part of the Acute Care Covered Services, not the Community Long Term Services and Supports.)

Community Long Term Services and Supports: All Members living within a STAR+PLUS MCO's Service Area must have access to Medically Necessary and Functionally Necessary Covered Services.

Ambulance providers: The MCO must enter into a Network Provider Agreement with any willing ambulance provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

8.1.4.1 Provider Contract Requirements
The MCO is prohibited from requiring a provider or provider group to enter into an exclusive contracting arrangement with the MCO as a condition for Network participation.

The MCO’s contract with health care Providers must be in writing, must be in compliance with applicable federal and state laws and regulations, and must include minimum requirements specified in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Uniform Managed Care Manual Chapter 8.1 “Provider Contract Checklist.”

As described in Section 7, the MCO must submit model Provider contracts to HHSC for review during Readiness Review. The MCO must resubmit the model Provider contracts any time it makes substantive modifications to such agreements. HHSC retains the right to reject or require changes to any Provider contract that does not comply with MCO Program requirements or the HHSC-MCO Contract.

**8.1.4.2 Primary Care Providers**

The MCO's PCP Network may include Providers from any of the following practice areas: General Practice; Family Practice; Internal Medicine; Pediatrics; Obstetrics/Gynecology (OB/GYN); Advanced Practice Registered Nurses (APRNs) and Physician Assistants (PAs) (when APRNs and PAs are practicing under the supervision of a physician specializing in Family Practice, Internal Medicine, Pediatrics or Obstetrics/Gynecology who also qualifies as a PCP under this contract); Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and similar community clinics; and specialist physicians who are willing to provide a Medical Home to selected Members with special needs and conditions. Texas Government Code Section 533.005(a)(13) and Texas Health and Safety Code Section 62.1551 require the MCO to use advance practice registered nurses (APRNs) and physician assistants (PAs) practicing under the supervision of a Network physician. The MCO must treat APRNs and PAs in the same manner as other Network PCPs with regard to: (1) selection and assignment as PCPs, (2) inclusion as PCPs in the MCO's Provider Network, and (3) inclusion as a PCP in any Provider Directory maintained by the MCO.

An internist or other Provider who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20. An internist or other Provider who provides primary care to adults and children may be a PCP for children if:

1. the Provider assumes all MCO PCP responsibilities for such child Members in a specific age range from birth through age 20,
2. the Provider has a history of practicing as a PCP for the specified age range, as evidenced by the Provider's primary care practice including an established patient population within the specified age range, and
3. the Provider has admitting privileges to a local Hospital that includes admissions to pediatric units.

A pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

The PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions may be a specialist physician who agrees to provide PCP services to the Member. The specialty physician must agree to perform all PCP duties required in the Contract, and PCP duties must be within the scope of the specialist's license. Any interested person may initiate the request through the MCO for a specialist to serve as a PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions. The MCO must handle such requests in accordance with 28 T.A.C. Part 1, Chapter 11, Subchapter J.

PCPs who provide Covered Services for STAR and CHIP newborns must either have admitting privileges at a Hospital that is part of the MCO's Provider Network, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital. STAR+PLUS PCPs must either have admitting privileges at a Network Hospital, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital.

The MCO must require, through contract provisions, that PCPs are accessible to Members 24 hours a day, seven (7) days a week. The MCO is encouraged to enter into Network Provider agreements with sites that offer primary care services during evening and weekend hours. The following are acceptable and unacceptable telephone arrangements for contacting PCPs after their normal business hours.

**Acceptable after-hours coverage:**
1. the office telephone is answered after-hours by an answering service that meets language requirements of the Major Population Groups and that can contact the PCP or another designated medical practitioner. All calls answered by an answering service must be returned within 30 minutes;
2. the office telephone is answered after normal business hours by a recording in the language of each of the Major Population Groups served, directing the patient to call another number to reach the PCP or another provider designated by the PCP. Someone must be available to answer the designated provider's telephone. Another recording is not acceptable; and
3. the office telephone is transferred after office hours to another location where someone will answer the telephone and be able to contact the PCP, or another designated medical provider, who can return the call within 30 minutes.

Unacceptable after-hours coverage:

1. the office telephone is only answered during office hours;
2. the office telephone is answered after-hours by a recording that tells patients to leave a message;
3. the office telephone is answered after-hours by a recording that directs patients to go to an Emergency Room for any services needed; and
4. returning after-hours calls outside of 30 minutes.

The CHIP MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the AAP recommendations. Medicaid MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the Texas Health Steps periodicity schedule. The MCO must require PCPs, through contract provisions, to provide adults with preventive services in accordance with the U.S. Preventive Services Task Force requirements. The MCO must make best efforts to ensure that PCPs follow these periodicity requirements for children and adult Members. Best efforts must include, but not be limited to, Provider education, Provider profiling, monitoring, and feedback activities.

The MCO must require PCPs, through contract provisions, to assess the medical needs of Members for referral to specialty care providers and provide referrals as needed. PCPs must coordinate Members' care with specialty care providers after referral. The MCO must make best efforts to ensure that PCPs assess Member needs for referrals and make such referrals. Best efforts must include, but not be limited to, Provider education activities and review of Provider referral patterns.

8.1.4.3 PCP Notification

The MCO must furnish each PCP with a current list of Members enrolled or assigned to that Provider no later than five (5) Business Days after the MCO receives the Enrollment File from the HHSC Administrative Services Contractor each month. The MCO may offer and provide such enrollment information in alternative formats, such as through access to a secure Internet site, when such format is acceptable to the PCP.

8.1.4.4 Provider Credentialing and Re-credentialing

The MCO must review, approve, and periodically recertify the credentials of all participating physician Providers and all other licensed Providers who participate in the MCO's Network. The MCO may subcontract with another entity to which it delegates credentialing activities if the delegated credentialing is maintained in accordance with the National Committee for Quality Assurance (NCQA) delegated credentialing requirements and any comparable requirements defined by HHSC.

At a minimum, the scope and structure of an MCO's credentialing and re-credentialing processes must be consistent with recognized MCO industry standards, such as those provided by NCQA, or URAC and relevant state and federal regulations including 28 Tex. Admin. Code §§ 11.1902 and 11.1402(c), relating to provider credentialing and notice. Medicaid MCOs must also comply with 42 C.F.R. § 438.12 and 42 C.F.R. § 438.214(b). The MCO must complete the initial credentialing process, and its claim systems must be able to recognize the provider as a Network Provider, no later than 30 calendar days after receiving a complete application requiring expedited credentialing, and no later than 90 calendar days after receiving all other complete applications. If an application does not include required information, the MCO must provide the applicant written notice of all missing information no later than five Business Days after receipt. For new providers, the MCO must complete the credentialing process prior to the effective date of the Network Provider agreement. The re-credentialing process must occur at least every three years.

The MCO may not discriminate for the participation, reimbursement, or indemnification of any provider who is acting within the scope of his or her license or certification under applicable State law, solely on the basis of that license or certification.
Additionally, if the MCO declines to include individual or groups of providers in its Network, it must give the affected providers written notice of the reasons for its decision.

The re-credentialing process must take into consideration Provider performance data including Member Complaints and Appeals, quality of care, and utilization management.

MCOs must comply with the requirements of Texas Insurance Code Chapter 1452, Subchapters C, D, and E, regarding expedited credentialing and payment of physicians, podiatrists, and therapeutic optometrists who have joined established medical groups or professional practices that are already contracted with the MCO. Additionally, the MCO must comply with the Subchapters' hold harmless requirements for Members.

8.1.4.5 Board Certification Status

The MCO must maintain a policy with respect to board certification for PCPs and specialty physicians that encourages participation of board certified PCPs and specialty physicians in the Provider Network. The MCO must make information on the percentage of board-certified PCPs in the Provider Network and the percentage of board-certified specialty physicians, by specialty, available to HHSC upon request.

8.1.4.6 Provider Relations Including Manual, Materials and Training

The MCO must maintain a provider relations presence in each Service Area or, for the Medicaid Rural Service Area, in regions as approved by HHSC.

The MCO must prepare and issue Provider Manual(s) to all Network Providers, including any necessary specialty manuals (e.g., behavioral health). For newly contracted Providers, the MCO must issue copies of the Provider Manual(s) no later than five (5) Business Days after inclusion in the Network. The Provider Manual must contain sections relating to special requirements of the MCO Program(s) and the enrolled populations in compliance with the requirements of this Contract, including Uniform Managed Care Manual Chapter 3.3.

HHSC or its designee must approve the Provider Manual, and any substantive revisions to the Provider Manual, prior to publication and distribution to Providers. The Provider Manual must contain the critical elements defined in Uniform Managed Care Manual Chapter 3, Critical Elements. HHSC's initial review of the Provider Manual is part of the Operational Readiness Review described in Section 7, Transition Phase Requirements.

The MCO must provide training to all Providers and their staff regarding the requirements of the Contract and special needs of Members. The MCO's STAR, STAR+PLUS, CHIP and/or CHIP Perinatal Program training must be completed within 30 days of placing a newly contracted Provider on active status. The MCO must provide ongoing training to new and existing Providers as required by the MCO, or as required by HHSC to comply with the Contract. The MCO must maintain and make available upon request enrollment or attendance rosters dated and signed by each attendee, or other written evidence of training of each Provider and his or her staff.

The MCO must establish ongoing Provider training that includes, but is not limited to, the following issues:

1. Covered Services and the Provider's responsibilities for providing and/or coordinating such services. Special emphasis must be placed on areas that vary from commercial coverage rules (e.g., Early Childhood Intervention services, therapies and DME/Medical Supplies); pharmacy services and processes, including information regarding outpatient drug benefits, HHSC's drug formulary, preferred drugs, prior authorization processes, and 72 hour emergency supplies of prescription drugs; and for Medicaid, making referrals and coordination with Non-capitated Services;

2. relevant requirements of the Contract;

3. The MCO's quality assurance and performance improvement program and the Provider's role in such a program;

4. the MCO's policies and procedures, especially regarding Network and Out-of-Network referrals;

5. Member cost-sharing obligations, benefit limitations, Value-added Services, and prohibitions on balance-billing Members for Covered Services;

6. Cultural Competency Training;

7. Texas Health Steps benefits, periodicity, and required elements of a checkup;

8. Medical Transportation Program services available to Medicaid members such as rides to services by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, and meals and lodging when away from home;

9. the importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
10. information about the MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
11. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit;
12. For STAR in the Medicaid Rural Service Area, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process;
13. administrative issues such as claims filing and services available to Members; and

Provider Materials must comply with state and federal laws; Attachment A, Uniform Managed Care Contract Terms and Conditions; and Uniform Managed Care Manual Chapter 3, Critical Elements.

As described above, HHSC must approve the MCO's Provider Manual and all revisions. Additionally, the MCO must submit, for HHSC's review, all other Provider Materials relating to Medicaid or CHIP prior to use or mailing. If HHSC has not responded to MCO's request for review within 15 Business Days, the MCO may use the submitted materials. HHSC reserves the right to require discontinuation or correction of any Provider Materials that are not in compliance with State and Federal laws or the Contract's requirements.

8.1.4.7 Provider Hotline

The MCO must operate a toll-free telephone line for Provider inquiries from 8 a.m. to 5 p.m. local time for the Service Area, Monday through Friday, except for State-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html. The Provider Hotline must be staffed with personnel who are knowledgeable about Covered Services, each applicable MCO Program, and for Medicaid, about Non-capitated Services.

The MCO must ensure that after regular business hours the line is answered by an automated system with the capability to provide callers with operating hours information and instructions on how to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition. The MCO must have a process in place to handle after-hours inquiries from Providers seeking to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition, provided, however, that the MCO and its Providers must not require such verification prior to providing Emergency Services.

The MCO must ensure that the Provider Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system is used;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. the average hold time is two (2) minutes or less; and
4. the call abandonment rate is seven percent (7%) or less.

The MCO must conduct ongoing call quality assurance to ensure these standards are met. The Provider Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO’s Programs. The Provider Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor Provider Hotline performance and submit reports summarizing call center performance as required by Section 8.1.20. If the MCO subcontracts with a Behavioral Health Organization (BHO) that is responsible for Provider Hotline functions related to Behavioral Health Services, the BHO’s Provider Hotline must meet the requirements in Section 8.1.4.7.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Provider Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.4.8 Provider Reimbursement
The MCO must pay for all Medically Necessary Covered Services provided to Members. A STAR+PLUS MCO must also pay for all Functionally Necessary Covered Services provided to Members. The MCO’s Network Provider Agreement must include a complete description of the payment methodology or amount, as described in Uniform Managed Care Manual Chapter 8.1.

The MCO must ensure claims payment is timely and accurate as described in Section 8.1.18.5, "Claims Processing Requirements," and UMCM Chapters 2.0 through 2.2. The MCO must require tax identification numbers from all participating Providers. The MCO is required to do back-up withholding from all payments to Providers who fail to give tax identification numbers or who give incorrect numbers.

Provider payments must comply with all applicable state and federal laws, rules, and regulations, including the following sections of the Patient Protection and Affordable Care Act (PPACA) and, upon implementation, corresponding federal regulations:

- Section 2702 of PPACA, entitled "Payment Adjustment for Health Care-Acquired Conditions;"
- Section 6505 of PPACA, entitled "Prohibition on Payments to Institutions or Entities Located Outside of the United States;" and
- Section 1202 of the Health Care and Education Reconciliation Act as amended by PPACA, entitled "Payments to Primary Care Physicians."

As required by Texas Government Code § 533.005(a)(25), the MCO cannot implement across-the-board Provider reimbursement rate reductions unless: (1) it receives HHSC’s prior approval, or (2) the reductions are based on changes to the Medicaid fee schedule or cost containment initiatives implemented by HHSC. For purposes of this requirement an across-the-board rate reduction is a reduction that applies to all similarly-situated providers or types of providers. The MCO must submit a request for an across-the-board rate reduction to HHSC’s Director of Program Operations, if the reduction is not based on a change in the Medicaid fee schedule or cost containment initiative implemented by HHSC. The MCO must submit the request at least 90 days prior to the planned effective date of the reduction, and provide a copy to the Health Plan Manager. If HHSC does not issue a written statement of disapproval within 45 days of receipt, then the MCO may move forward with the reduction on the planned effective date.

8.1.4.8.1 Potentially Preventable Complications

STAR and STAR+PLUS MCOs must identify Present on Admission (POA) indicators as required in the Uniform Managed Care Manual, and STAR and STAR+PLUS MCOs must reduce or deny payments for Potentially Preventable Complications that were not POA using a methodology approved by HHSC in the Uniform Managed Care Manual.

8.1.4.8.2 Provider Incentives

The MCO must develop and submit to HHSC a written plan using a form provided by HHSC, for expansion of alternative payment structures with its Providers that encourages innovation and collaboration, as well as increase quality and efficiency. Payment structures should be focused on incentivizing quality outcomes, shared savings, or both resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions rather than based on volume. The plan will include mechanisms by which the MCO will provide incentive payments to hospitals, physicians and other health care providers for quality care. The plan will include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for incentive payments, shared savings, or both. The MCO must submit its initial plan to HHSC no later than December 1, 2013, and no later than December 1 of each year thereafter. HHSC will evaluate the plan and provide feedback to the MCO. Upon HHSC’s approval of the plan, HHSC will retrospectively evaluate the MCO on its execution of the written plan. Modifications can be made to the plan, but are subject to HHSC review and approval. Plan approval is based on the following criteria: the number of providers, diversity of selected providers, geographic representation, and the methodology of the shared savings, data sharing strategy with providers, and other factors. Each year, the annual plan must show a measurable increase from the previous year.

HHSC’s retrospective review of the execution of the plan may include a review of encounter data, MCO financial statistical reports, and surveys or interviews with MCO representatives or providers. HHSC may ask the MCO to submit additional information upon request. HHSC may delay or reduce payments to the MCO if it does not submit a plan by the required deadline or does not execute a plan as approved.
8.1.4.9 Termination of Provider Contracts

Unless prohibited or limited by applicable law, the MCO must make a good faith effort to give written notice of termination of a Network Provider, within 15 calendar days after receipt or issuance of the termination notice, to each Member who receives his or her primary care from, or who is seen on a regular basis by, the Network Provider. The MCO must send notice to: (1) all Members in a PCP’s panel, and (2) all Members who have had two or more visits with the Network Provider for home-based or office-based care in the past 12 months. The MCO must notify HHSC of provider terminations in accordance with UMCM Chapter 5.4.1.1, “Provider Termination Report.”

The MCO’s process for terminating CHIP Provider contracts must comply with the Texas Insurance Code and TDI regulations.

8.1.4.10 Out-of-State Providers

To participate in Medicaid, the provider must be enrolled with HHSC as a Medicaid provider. The MCO may enroll out-of-state providers in its Medicaid and CHIP Networks in accordance with 1 Tex. Admin. Code § 352.17.

The MCO may enroll out-of-state diagnostic laboratories in its Medicaid and CHIP Networks under the circumstances described in Texas Government Code § 531.066.

8.1.4.11 Provider Advisory Groups

The MCO must establish and conduct quarterly meetings with Network Providers. Membership in the Provider Advisory Group(s) must include, at a minimum, acute, community-based LTSS (STAR+PLUS only), and pharmacy providers. The MCO must maintain a record of Provider Advisory Group meetings, including agendas and minutes, for at least three years.

8.1.4.12 Provider Protection Plan

The MCO must comply with HHSC’s provider protection plan requirements for reducing the administrative burdens placed on Network Providers, and ensuring efficiency in Network enrollment and reimbursement. At a minimum, the plan must comply with the requirements of Texas Government Code § 533.0055, and:

- Provide for timely and accurate claims adjudication and proper claims payment in accordance with UMCM Chapters 2.0 through 2.2.
- Include Network Provider training and education on the requirements for claims submission and appeals, including the MCO's policies and procedures (see also Section 8.1.4.6, "Provider Relations Including Manual, Materials and Training.")
- Ensure Member access to care, in accordance with Section 8.1.3, "Access to Care," and the UMCM's Geo-Mapping requirements (see UMCM Chapters 5.14.1 through 5.14.4.)
- Ensure prompt credentialing, as required by Section 8.1.4.4, "Provider Credentialing and Re-credentialing.
- Ensure compliance with state and federal standards regarding prior authorizations, as described in Sections 8.1.8, "Utilization Management," and 8.1.21.2, "Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies."
- Include other measures developed by HHSC or a provider protection plan workgroup, or measures developed by the MCO and approved by HHSC.

Additionally, the MCO must participate in HHSC's work group, which will develop recommendations and proposed timelines for other components of the provider protection plan.

8.1.5 Member Services

The MCO must maintain a Member Services Department to assist Members and their family members or guardians in obtaining Covered Services for Members. The MCO must maintain employment standards and requirements (e.g., education, training, and experience) for Member Services Department staff and provide a sufficient number of staff for the Member Services Department to meet the requirements of this Section.
8.1.5.1 Member Materials

The MCO must design, print and distribute Member identification (ID) cards and a Member Handbook to Members. Within five (5) Business Days following the receipt of an Enrollment File from the HHSC Administrative Services Contractor, the MCO must mail a Member's ID card and Member Handbook to the Case Head or Account Name for each new Member. When the Case Head or Account Name represents two (2) or more new Members, the MCO is only required to send one (1) Member Handbook. The MCO is responsible for mailing materials only to those households for whom valid address data are contained in the Enrollment File.

The MCO must design, print and deliver Provider Directories to the HHSC Administrative Services Contractor as described in Section 8.1.5.4.

Member Materials must be at or below a 6th grade reading level as measured by the appropriate score on the Flesch reading ease test. Member Materials must be available in English, Spanish, and the languages of other Major Population Groups. HHSC will provide the MCO with reasonable notice when the enrolled population reaches the 10% threshold for a Major Population Group in the MCO's Service Area. All Member Materials must be available in a format accessible to the visually impaired, which may include large print, Braille, and audiotapes.

The MCO must submit member materials to HHSC for approval prior to use or mailing. HHSC will identify any required changes to the Member materials within 15 Business Days. If HHSC has not responded to a request for review by the fifteenth Business Day, the Contractor may proceed to use the submitted materials. HHSC reserves the right to require discontinuation of any Member materials that violate the terms of this Contract, including but not limited to Marketing Policies and Procedures as described in Uniform Managed Care Manual Chapter 4.3, "Uniform Managed Care Marketing Policies and Procedures."

If the MCO distributes HHSC-approved Member Materials groups of Members or all Members (i.e., "mass communications,") it also must post a copy of the materials on its website. The MCO's Member Materials and other communications cannot contain discretionary clauses, as described in Section 1271.057(b) of the Texas Insurance Code. For CHIP MCOs, this restriction also applies to the MCO's Evidence of Coverage or Certificate of Coverage documents.

8.1.5.2 Member Identification (ID) Card

All Member ID cards must, at a minimum, include the following information:

1. the Member's name;
2. the Member's Medicaid or CHIP Program number;
3. the effective date of the PCP assignment (excluding CHIP Perinates);
4. the PCP's name (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates), address (optional for all products), and telephone number (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates);
5. the name of the MCO;
6. the 24-hour, seven (7) day a week toll-free Member services telephone number and BH Hotline number operated by the MCO; and
7. any other critical elements identified in Uniform Managed Care Manual Chapter 3, Critical Elements.

The MCO must reissue the Member ID card if a Member reports a lost card or name change, if the Member requests a new PCP, or for any other reason that results in a change to the information disclosed on the ID card.

8.1.5.3 Member Handbook

HHSC must approve the Member Handbook, and any substantive revisions, prior to publication and distribution. As described in Section 7, “Transition Phase Requirements,” the MCO must develop and submit to HHSC the draft Member Handbook for approval during the Readiness Review and must submit a final Member Handbook incorporating changes required by HHSC prior to the Operational Start Date.

The Member Handbook for each applicable MCO Program must, at a minimum, meet the Member materials requirements specified by Section 8.1.5.1 and must include critical elements in Uniform Managed Care Manual Chapter 3, “Critical
Elements.” CHIP MCOs must issue Member Handbooks to both CHIP Perinates and CHIP Perinate Newborns. The Member Handbook for CHIP Perinate Newborns may be the same as that used for CHIP.

The MCO must produce a revised Member Handbook, or an insert informing Members of changes to Covered Services, upon HHSC notification and at least 30 days prior to the effective date of such change in Covered Services. In addition to modifying the Member Materials for new Members, the MCO must notify all existing Members of the Covered Services change during the timeframe specified in this subsection.

8.1.5.4 Provider Directory

The Provider Directory for each MCO Program, and any substantive revisions, must be approved by HHSC prior to publication and distribution, with the exception of PCP information changes or clerical corrections. The MCO is responsible for submitting draft Provider Directory updates to HHSC for prior review and approval.

As described in Section 7, “Transition Phase Requirements,” during Readiness Review the MCO must develop and submit to HHSC the draft Provider Directory template for approval and must submit a final Provider Directory incorporating changes required by HHSC prior to the Operational Start Date. Such draft and final Provider Directories must be submitted according to the deadlines established in Section 7, “Transition Phase Requirements.”

The Provider Directory for each applicable MCO Program must, at a minimum, meet the Member Materials requirements specified by Section 8.1.5.1 and must include critical elements in Uniform Managed Care Manual Chapter 3. The Provider Directory must include only Network Providers credentialed by the MCO in accordance with Section 8.1.4.4. If the MCO contracts with limited Provider Networks, the Provider Directory must comply with the requirements of 28 T.A.C. §11.1600(b)(11), relating to the disclosure and notice of limited Provider Networks.

At a minimum, the MCO must update the Provider Directory on a quarterly basis. The MCO must make such updates available to existing Members on request, and must provide such updates to the HHSC Administrative Services Contractor at the beginning of each State Fiscal Quarter. Weight limits for the Provider Directories are included in Uniform Managed Care Manual Chapter 3.1, “MMC Provider Directory” and Chapter 3.2, “CHIP Provider Directory”. HHSC will require MCOs that exceed the weight limits to compensate HHSC for postage fees in excess of the weight limits.

The MCO must send the most recent Provider Directory, including any updates, to Members upon request. The MCO must, at least annually, include written and verbal offers of such Provider Directory in its Member outreach efforts and education materials.

8.1.5.5 Internet Website

The MCO must develop and maintain, consistent with HHSC standards and Texas Insurance Code Section 843.2015 and other applicable state laws, a website to provide general information about the MCO’s Program(s), its Provider Network, its customer services, and its Complaints and Appeals process. The website must contain a link to financial literacy information on the Office of Consumer Credit Commissioner's webpage. The MCO may develop a page within its existing website to meet the requirements of this section.

For each Program operated by the MCO, the MCO's website must include either a Provider Directory in text-searchable format, or Network Provider search functionality. This information must be accurate and the MCO must update it at least twice a month. The online Provider Directory or online Provider search functionality must designate PCPs with open versus closed panels. The online Provider Directory or online Provider search functionality must also identify Providers that provide Long-Term Services and Supports (LTSS). The MCO must list Home Health Ancillary providers on its website, with an indicator for pediatric services if provided.

8.1.5.6 Member Hotline

The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week. The Member Hotline must be staffed with personnel who are knowledgeable about its MCO Program(s) and Covered Services between the hours of 8:00 a.m. to 5:00 p.m. local time for the Service Area, Monday through Friday, excluding state-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html.

The MCO must ensure that after hours, on weekends, and on holidays the Member Services Hotline is answered by an automated system with the capability to provide callers with operating hours and instructions on what to do in cases of
All recordings must be in English, Spanish, and the languages of other Major Population Groups in the Service Area. A voice mailbox must be available after hours for callers to leave messages. The MCO's Member Services representatives must return calls received by the automated system from Members or their representatives on the next Business Day.

If the Member Hotline does not have a voice-activated menu system, the MCO must have a menu system that will accommodate Members who cannot access the system through other physical means, such as pushing a button.

The MCO must ensure that its Member Service representatives treat all callers with dignity and respect the callers' need for privacy. At a minimum, the MCO's Member Service representatives must be:

1. knowledgeable about Covered Services;
2. able to answer non-technical questions about the role of the PCP, as applicable;
3. able to answer non-clinical questions about referrals or the process for receiving authorization for procedures or services;
4. able to give information about Providers in a particular area;
5. knowledgeable about Fraud, Abuse, and Waste including the Lock-in Program and the requirements to report any conduct that, if substantiated, may constitute Fraud, Abuse, or Waste;
6. trained regarding Cultural Competency;
7. trained regarding the process used to confirm the status of persons with Special Health Care Needs;
8. for Medicaid Members, able to answer non-clinical questions about accessing Non-capitated Services.
9. for Medicaid Members, trained regarding: a) the emergency prescription process and what steps to take to immediately address problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) how Members in the Lock-in Program can fill prescriptions at a non-designated pharmacy in an emergency situation; and c) DME processes for obtaining services and how to address common problems;
10. for CHIP Members, able to give correct cost-sharing information relating to premiums, co-pays or deductibles, as applicable. (Cost-sharing does not apply to CHIP Perinates (unborn child), CHIP Perinate Newborns, and some Members in the traditional CHIP Program. See Uniform Managed Care Manual Chapter 6.3, for additional information regarding CHIP cost-sharing; and
11. hotlines must meet Cultural Competency requirements and must appropriately handle calls from non-English speaking (and particularly, Spanish-speaking) callers, as well as calls from individuals who are deaf or hard-of-hearing. To meet these requirements, the MCO must employ bilingual Spanish-speaking Member Services representatives and must secure the services of other contractors as necessary to meet these requirements. The MCO must provide such oral interpretation services to all Hotline callers free of charge.

The MCO must process all incoming Member correspondence and telephone inquiries in a timely and responsive manner. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. The MCO must ensure that the toll-free Member Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. at least 80% of calls must be answered by Hotline staff within 30 seconds; measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The Member Services Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO's Medicaid and/or CHIP Programs. The Member Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor its performance regarding HHSC Member Hotline standards and submit performance reports summarizing call center performance for the Member Hotline as indicated in Section 8.1.20 and Uniform Managed Care Manual Chapter 5.4.3, "Hotline Reports."

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO's Member Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For
purposes of this section, "reasonable travel costs" include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.5.6.1 Nurseline

If the MCO provides a 24-hour nurse hotline, it must train hotline staff about: a) the emergency prescription process and what steps to take to immediately address Medicaid Members' problems when pharmacies do not provide a 72-hour supply of emergency medicines; b) the HHSC-OIG Lock-in Program pharmacy override process to ensure Member access to Medically Necessary outpatient drugs; and c) DME processes for obtaining services and how to address common problems. The 24-hour Nurse Hotline will attempt to respond immediately to problems concerning emergency medicines by means at its disposal, including explaining the rules to Medicaid Members so that they understand their rights and, if need be, by offering to contact the pharmacy that is refusing to fill the prescription to explain the 72-hour supply policy, Lock-in Program override procedure, and DME processes.

8.1.5.7 Member Education

The MCO must, at a minimum, develop and implement health education initiatives that educate Members about:

1. how the MCO system operates, including the role of the PCP;
2. Covered Services, limitations and any Value-added Services offered by the MCO;
3. the value of screening and preventive care; and
4. how to obtain Covered Services, including:
   a. Emergency Services;
   b. accessing OB/GYN and specialty care;
   c. Behavioral Health Services;
   d. Disease Management programs;
   e. Service Coordination, treatment for pregnant women, Members with Special Health Care Needs, including Children with Special Health Care Needs; and other special populations;
   f. Early Childhood Intervention (ECI) Services;
   g. screening and preventive services, including well-child care (Texas Health Steps medical checkups for Medicaid Members);
   h. for CHIP Members, Member copayments responsibilities (note that copayments to do not apply to CHIP Perinates (unborn child) and CHIP Perinate Newborn Members);
   i. for Medicaid Members, Member copayment responsibilities (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract);
   j. suicide prevention;
   k. identification and health education related to Obesity;
   l. obtaining 72-hour supplies of emergency prescriptions from Network pharmacies;
   m. how Members in the Lock-in Program can receive outpatient drugs in an emergency situation; and
   n. Case Management for Children and Pregnant Women; and
5. Medical Transportation Program for Medicaid Members.

The MCO must provide a range of health promotion and wellness information and activities for Members in formats that meet the needs of all Members. The MCO must propose, implement, and assess innovative Member education strategies for wellness care and immunization, as well as general health promotion and prevention. The MCO must conduct wellness promotion programs to improve the health status of its Members. The MCO may cooperatively conduct health education classes with one or more of the contracted MCOs in the Service Area. The MCO must work with its Providers to integrate health education, wellness, and prevention training into each Member's care.

The MCO also must provide condition and disease-specific information and educational materials to Members, including information on its Service Management and Disease Management programs as described in Sections 8.1.13 and 8.1.14. Condition- and disease-specific information must be oriented to various groups of Members, such as children, the elderly, persons with disabilities and non-English speaking Members, as appropriate to the MCO's Medicaid or CHIP Programs.

Per Texas Health and Safety Code § 48.052(c), MCOs may use certified Community Health Workers to conduct outreach and Member education activities.
8.1.5.8 Cultural Competency Plan

The MCO must have a comprehensive written Cultural Competency Plan describing how it will ensure culturally competent services, and provide Linguistic Access and Disability-related Access. The Cultural Competency Plan must describe how the individuals and systems within the MCO will effectively provide services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each. As described in Section 7, “Transition Phase Requirements,” the MCO must submit the Cultural Competency Plan to HHSC during Readiness Review. During the Operations Phase, the MCO must submit modifications and amendments to the Plan to HHSC no later than 30 days prior to implementation of a change. The MCO must also make the Plan available to its Network Providers.

8.1.5.9 Member Complaint and Appeal Process

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Complaints regarding its services, processes, procedures, and staff. The MCO must ensure that Member Complaints are resolved within 30 calendar days after receipt. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of the MCO’s receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Appeals regarding the denial or limited authorization of a requested service, including the type or level of service and the denial, in whole or in part, of payment for service. Within this process, the MCO must respond fully and completely to each Appeal and establish a tracking mechanism to document the status and final disposition of each Appeal.

The MCO must ensure that Member Appeals are resolved within 30 calendar days, unless the MCO can document that the Member requested an extension or the MCO shows there is a need for additional information and the delay is in the Member's interest. The MCO is subject to liquidated damages if at least 98 percent of Member Appeals are not resolved within 30 days of the MCO's receipt. Please see Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix."

Medicaid MCOs must follow the Member Complaint and Appeal Process described in Section 8.2.6. CHIP MCOs must comply with the CHIP Complaint and Appeal Process described in Sections 8.4.2.

8.1.5.10 Member Advisory Groups

The MCO must establish and conduct quarterly meetings with Members in each service area in which it operates. Membership in the Member Advisory Group(s) must include at least three Members attending each meeting and allow for member advocates to participate. The MCO must maintain a record of Member Advisory Group meetings, including agendas and minutes, for at least three years.

8.1.6 Marketing and Prohibited Practices

The MCO and its Subcontractors must adhere to the Marketing Policies and Procedures as set forth in Uniform Managed Care Manual Chapter 4.3, “Uniform Managed Care Marketing Policies and Procedures.”

8.1.7 Quality Assessment and Performance Improvement

The MCO must provide for the delivery of quality care with the primary goal of improving the health status of Members and, where the Member’s condition is not amenable to improvement, maintain the Member’s current health status by implementing measures to prevent any further decline in condition or deterioration of health status. The MCO must work in collaboration with Providers to actively improve the quality of care provided to Members, consistent with the Quality Improvement Goals and all other requirements of the Contract. The MCO must provide mechanisms for Members and Providers to offer input into the MCO’s quality improvement activities.

8.1.7.1 QAPI Program Overview
The MCO must develop, maintain, and operate a Quality Assessment and Performance Improvement (QAPI) Program consistent with the Contract and TDI requirements, including 28 T.A.C. §11.1901(a)(5) and §11.1902. Medicaid MCOs must also meet the requirements of 42 C.F.R. §438.240.

The MCO must have on file with HHSC an approved plan describing its QAPI Program, including how the MCO will accomplish the activities required by this section. The MCO must submit a QAPI Program Annual Summary in a format and timeframe specified by HHSC or its designee. The MCO must keep participating physicians and other Network Providers informed about the QAPI Program and related activities. The MCO must include in Provider contracts a requirement securing cooperation with the QAPI.

The MCO must approach all clinical and non-clinical aspects of quality assessment and performance improvement based on principles of Continuous Quality Improvement (CQI)/Total Quality Management (TQM) and must:

1. evaluate performance using objective quality indicators;
2. foster data-driven decision-making;
3. recognize that opportunities for improvement are unlimited;
4. solicit Member and Provider input on performance and QAPI activities;
5. support continuous ongoing measurement of clinical and non-clinical effectiveness and Member satisfaction;
6. support programmatic improvements of clinical and non-clinical processes based on findings from ongoing measurements; and
7. support re-measurement of effectiveness and Member satisfaction, and continued development and implementation of improvement interventions as appropriate.

8.1.7.2 QAPI Program Structure

The MCO must maintain a well-defined QAPI structure that includes a planned systematic approach to improving clinical and non-clinical processes and outcomes. The MCO must designate a senior executive responsible for the QAPI Program and the Medical Director must have substantial involvement in QAPI Program activities. At a minimum, the MCO must ensure that the QAPI Program structure:

1. is organization-wide, with clear lines of accountability within the organization;
2. includes a set of functions, roles, and responsibilities for the oversight of QAPI activities that are clearly defined and assigned to appropriate individuals, including physicians, other clinicians, and non-clinicians;
3. includes annual objectives and/or goals for planned projects or activities including clinical and non-clinical programs or initiatives and measurement activities; and
4. evaluates the effectiveness of clinical and non-clinical initiatives.

8.1.7.3 Clinical Indicators

The MCO must engage in the collection of clinical indicator data. The MCO must use such clinical indicator data in the development, assessment, and modification of its QAPI Program.

8.1.7.4 QAPI Program Subcontracting

If the MCO subcontracts any of the essential functions or reporting requirements contained within the QAPI Program to another entity, the MCO must maintain detailed files documenting work performed by the Subcontractor. The file must be available for review by HHSC or its designee upon request.

8.1.7.5 Behavioral Health Integration into QAPI Program
The MCO must integrate behavioral health into its QAPI Program and include a systematic and ongoing process for monitoring, evaluating, and improving the quality and appropriateness of Behavioral Health Services provided to Members. Except for the Members identified below, the MCO must collect data, and monitor and evaluate for improvements to physical health outcomes resulting from behavioral health integration into the Member’s overall care.

STAR Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program, and Behavioral Health Services are not a covered benefit for CHIP Perinates (unborn children).

8.1.7.6 Clinical Practice Guidelines

The MCO must adopt not less than two (2) evidence-based clinical practice guidelines for each applicable MCO Program. Such practice guidelines must be based on valid and reliable clinical evidence, consider the needs of the MCO’s Members, be adopted in consultation with Network Providers, and be reviewed and updated periodically, as appropriate. The MCO must develop practice guidelines based on the health needs and opportunities for improvement identified as part of the QAPI Program.

The MCO may coordinate the development of clinical practice guidelines with other HHSC MCOs in a Service Area to avoid providers receiving conflicting practice guidelines from different MCOs.

The MCO must disseminate the practice guidelines to all affected Providers and, upon request, to Members and potential Members.

The MCO must take steps to encourage adoption of the guidelines, and to measure compliance with the guidelines, until such point that 90% or more of the Providers are consistently in compliance, based on MCO measurement findings. The MCO must employ substantive Provider motivational incentive strategies, such as financial and non-financial incentives, to improve Provider compliance with clinical practice guidelines. The MCO’s decisions regarding utilization management, Member education, coverage of services, and other areas included in the practice guidelines must be consistent with the MCO’s clinical practice guidelines.

8.1.7.7 Provider Profiling

The MCO must conduct PCP and other Provider profiling activities at least annually. As part of its QAPI Program, the MCO must describe the methodology it uses to identify which and how many Providers to profile and to identify measures to use for profiling such Providers.

Provider profiling activities must include, without limitation:

1. developing PCP and Provider-specific reports that include a multi-dimensional assessment of a PCP or Provider’s performance using clinical, administrative, and Member satisfaction indicators of care that are accurate, measurable, and relevant to the enrolled population;

2. establishing PCP, Provider, group, Service Area or regional Benchmarks for areas profiled, where applicable, including STAR, STAR+PLUS, and CHIP Program-specific Benchmarks, where appropriate; and

3. providing feedback to individual PCPs and Providers regarding the results of their performance and the overall performance of the Provider Network.

8.1.7.8 Network Management

The MCO must:

1. use the results of its Provider profiling activities to identify areas of improvement for individual PCPs and Providers, and/or groups of Providers;

2. establish Provider-specific quality improvement goals for priority areas in which a Provider or Providers do not meet established MCO standards or improvement goals;
3. Develop and implement incentives, which may include financial and non-financial incentives, to motivate Providers to improve performance on profiled measures; and

4. At least annually, measure and report to HHSC on the Provider Network and individual Providers’ progress, or lack of progress, towards such improvement goals.

If the MCO implements a physician incentive plan, the plan must comply with the requirements of 42 C.F.R. §438.6(h), §422.208 and §422.210. The MCO cannot make payments under a physician incentive plan if the payments are designed to induce providers to reduce or limit Medically Necessary Covered Services to Members.

If the physician incentive plan places a physician or physician group at a substantial financial risk for services not provided by the physician or physician group, the MCO must ensure adequate stop-loss protection and conduct and submit annual Member surveys no later than five (5) Business Days after the MCO finalizes the survey results (refer to 42 C.F.R. §422.208 for information concerning “substantial financial risk” and “stop-loss protection”).

The MCO must make information regarding physician incentive plans available to Members upon request, in accordance with the Uniform Managed Care Manual’s requirements. The MCO must provide the following information to the Member:

1. Whether the Member’s PCP or other Providers are participating in the MCO’s physician incentive plan;
2. Whether the MCO uses a physician incentive plan that affects the use of referral services;
3. The type of incentive arrangement; and
4. Whether stop-loss protection is provided.

No later than five (5) Business Days prior to implementing or modifying a physician incentive plan, the MCO must provide the following information to HHSC:

1. Whether the physician incentive plan covers services that are not furnished by a physician or physician group. The MCO is only required to report on items 2-4 below if the physician incentive plan covers services that are not furnished by a physician or physician group.
2. The type of incentive arrangement (e.g., withhold, bonus, capitation);
3. The percent of withhold or bonus (if applicable);
4. The panel size, and if patients are pooled, the method used (HHSC approval is required for the method used); and

If the physician or physician group is at substantial financial risk, the MCO must report proof that the physician or group has adequate stop-loss coverage, including the amount and type of stop-loss coverage.

8.1.7.9 Collaboration with the EQRO

The MCO will collaborate with HHSC’s external quality review organization (EQRO) to develop studies, surveys, or other analytical approaches that will be carried out by the EQRO. The purpose of the studies, surveys, or other analytical approaches is to assess the quality of care and service provided to Members and to identify opportunities for MCO improvement. To facilitate this process, the MCO will supply claims data to the EQRO in a format identified by HHSC in consultation with MCOs, and will supply medical records for focused clinical reviews conducted by the EQRO. The MCO must also work collaboratively with HHSC and the EQRO to annually measure selected HEDIS measures that require chart reviews. During the first year of operations, HHSC anticipates that the selected measures will include, at a minimum, well-child visits and immunizations, appropriate use of asthma medications, measures related to Members with diabetes, and control of high blood pressure.

8.1.8 Utilization Management
The MCO must have a written utilization management (UM) program description, which includes, at a minimum:

1. procedures to evaluate the need for Medically Necessary Covered Services;
2. the clinical review criteria used, the information sources, the process used to review and approve the provision of Covered Services;
3. the method for periodically reviewing and amending the UM clinical review criteria; and
4. the staff position functionally responsible for the day-to-day management of the UM function.

The MCO must make best efforts to obtain all necessary information, including pertinent clinical information, and consult with the treating physician as appropriate in making UM determinations. When making UM determinations, the MCO must comply with the requirements of 42 C.F.R. §456.111 (Hospitals) and 42 CFR §456.211 (Mental Hospitals), as applicable.

The MCO must issue coverage determinations, including adverse determinations, according to the following timelines:

1. within three (3) Business Days after receipt of the request for authorization of services;
2. within one (1) Business Day for concurrent Hospitalization decisions; and
3. within one (1) hour for post-stabilization or life-threatening conditions, except that for Emergency Medical Conditions and Emergency Behavioral Health Conditions, the MCO must not require prior authorization.

The MCO's UM Program must include written policies and procedures to ensure:

1. consistent application of review criteria that are compatible with Members' needs and situations;
2. determinations to deny or limit services are made by physicians under the direction of the Medical Director;
3. at the HMO's discretion, pharmacy prior authorization determinations may be made by pharmacists, subject to the limitations described in Attachment A, Section 4.04, "Medical Director;"
4. appropriate personnel are available to respond to utilization review inquiries 8:00 a.m. to 5:00 p.m., Monday through Friday, with a telephone system capable of accepting utilization review inquiries after normal business hours. The MCO must respond to calls within one (1) Business Day;
5. confidentiality of clinical information; and
6. quality is not adversely impacted by financial and reimbursement-related processes and decisions.

For MCOs with preauthorization or concurrent review programs, qualified medical professionals must supervise preauthorization and concurrent review decisions.

The MCO UM Program must include policies and procedures to:

1. routinely assess the effectiveness and the efficiency of the UM Program;
2. evaluate the appropriate use of medical technologies, including medical procedures, drugs and devices;
3. target areas of suspected inappropriate service utilization;
4. detect over- and under-utilization;
5. routinely generate Provider profiles regarding utilization patterns and compliance with utilization review criteria and policies;
6. compare Member and Provider utilization with norms for comparable individuals;
7. routinely monitor inpatient admissions, emergency room use, ancillary, and out-of-area services;
8. ensure that when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by MHMR which are published at: http://www.dshs.state.tx.us/MHSA/UMGUIDELINES/; and
9. refer suspected cases of Network Provider, Out-of-Network provider, or Member Fraud, Abuse, or Waste to the Office of Inspector General (OIG) as required by Section 8.1.19.

8.1.8.1 Compliance with State and Federal Prior Authorization Requirements

The MCO must adopt prior authorization (PA) requirements that comply with state and federal laws governing authorization of health care services and prescription drug benefits, including 42 U.S.C. § 1396r-8 and Texas Government Code §§ 531.073 and 533.005(a)(23). In addition, the MCO must comply with Texas Human Resources Code § 32.073 and Texas Insurance Code §§ 1217.004 and 1369.256, which require MCOs to use national standards for electronic prior authorization of prescription drug
and health care benefits no later than two years after adoption, and accept PA requests submitted using the Texas Department of Insurance's (TDI's) standard form, once adopted.

8.1.9 Early Childhood Intervention (ECI)

The MCO must ensure Network Providers are educated regarding the federal laws on child find and referral procedures (e.g., 20 U.S.C. § 1435 (a)(5); 34 C.F.R. § 303.303). The MCO must require Network Providers to identify and refer any Member under the age of three suspected of having a developmental delay or disability or otherwise meeting eligibility criteria for ECI services in accordance with 40 Tex. Admin. Code Chapter 108 to the designated ECI program for screening and assessment within seven calendar days from the day the Provider identifies the Member. The MCO must use written educational materials developed or approved by the Department of Assistive and Rehabilitative Services- Division for Early Childhood Intervention Services for these child find activities. The local ECI program will determine eligibility for ECI services using the criteria contained in 40 Tex. Admin. Code Chapter 108.

ECI Providers must submit claims for all physical, occupational, speech, and language therapy to the MCO.

ECI Targeted Case Management services and Early Childhood Intervention Specialized Skills Training are Non-capitated Services, as described in Section 8.2.2.8.

The MCO must contract with qualified ECI Providers to provide ECI Covered Services to Members under the age of three who are eligible for ECI services. The MCO must permit Members to self-refer to local ECI Service Providers without requiring a referral from the Member's PCP. The MCO's policies and procedures, including its Provider Manual, must include written policies and procedures for allowing a self-referral to ECI providers.

The MCO will implement the Individual Family Service Plan (IFSP) and other services, including ongoing case management and other Covered Services required by the Member's IFSP. Ongoing case management does not include ECI Targeted Case Management services. The IFSP is an agreement developed by the interdisciplinary team that consists of the MCO, ECI Case Manager/Service Coordinator, the Member/family, and other professionals who participated in the Member's evaluation or are providing direct services to the Member. The interdisciplinary team may include the Member's Primary Care Physician (PCP) with parental consent. The IFSP identifies the Member's present level of development based on assessment, describes the services to be provided to the child to meet the needs of the child and the family, and identifies the person or persons responsible for each service required by the plan. The IFSP must be maintained by the MCO and, with parental consent, provided to the PCP to enhance coordination of the plan of care. The IFSP may be included in the Member's medical record.

The ECI program includes covering medical diagnostic procedures and providing medical records required to perform developmental assessments and developing the IFSP within the 45-day timeline established in federal rule (34 C.F.R. §303.342(a)). The MCO must require compliance with these requirements through Provider contract provisions. The MCO must not withhold authorization for the provision of such medical diagnostic procedures. The MCO must promptly provide relevant medical records available as needed.

The MCO must require, through contract provisions, that all Medically Necessary health and Behavioral Health Services contained in the Member's IFSP are provided to the Member in the amount, duration, scope and service setting established by the IFSP. The MCO must allow services to be provided by an Out-of-Network provider if a Network Provider is not available to provide the services in the amount, duration, scope and service setting as required by the IFSP. The IFSP will serve as authorization for services and the MCO cannot create unnecessary barriers for the Member to obtain IFSP services, including requiring prior authorization for the ECI assessment or additional authorization for services. For STAR Members in the Dallas Service Area, Behavioral Health Services will be provided through NorthSTAR and will not be included on the IFSP.

8.1.10 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) - Specific Requirements

The MCO must, by contract, require its Providers to coordinate with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to provide medical information necessary for WIC eligibility determinations, such as height, weight, hematocrit or hemoglobin. The MCO must make referrals to WIC for Members who are potentially eligible for WIC. The MCO may use the nutrition education provided by WIC to satisfy certain health education requirements of the Contract.
8.1.11 Coordination with Texas Department of Family and Protective Services

The MCO must cooperate and coordinate with the Texas Department of Family and Protective Services (TDFPS) for the care of a child who is receiving services from or has been placed in the conservatorship of TDFPS.

The MCO must comply with all provisions related to Covered Services, including Behavioral Health Services, in the following documents:

1. a court order (Order) entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS;
2. a TDFPS Service Plan entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS; and
3. a TDFPS Service Plan voluntarily entered into by the parents or person having legal custody of a Member and TDFPS.

The MCO cannot deny, reduce, or controvert the Medical Necessity of any health or Behavioral Health Services included in the above-referenced Orders of TDFPS Service Plans. The MCO may participate in the preparation of the medical and behavioral care plan prior to TDFPS submitting the health care plan to the Court. Any modification or termination of court-ordered services must be presented and approved by the court having jurisdiction over the matter.

A Member or the parent or guardian whose rights are subject to an Order or TDFPS Service Plan cannot use the MCO’s Complaint or Appeal processes, or the HHSC Fair Hearing process to Appeal the necessity of the Covered Services.

The MCO must include information in its Provider Manuals and training materials regarding:

1. providing medical records to TDFPS;
2. scheduling medical and Behavioral Health Services appointments within 14 days unless requested earlier by TDFPS; and
3. recognition of abuse and neglect, and appropriate referral to TDFPS.

The MCO must continue to provide all Covered Services to a Member receiving services from, or in the protective custody of, TDFPS until the Member has been (1) disenrolled from the MCO due to loss of Medicaid managed care eligibility; or (2) enrolled in STAR Health, HHSC’s managed care program for children in foster care.

8.1.12 Services for People with Special Health Care Needs

8.1.12.1 Identification

The MCO must develop and maintain a system and procedures for identifying Members with Special Health Care Needs (MSHCN), including people with disabilities or chronic or complex medical and behavioral health conditions and Children with Special Health Care Needs (CSHCN). The MCO must contact Members pre-screened by the HHSC Administrative Services Contractor as MSHCN to determine whether they meet the MCO’s MSHCN assessment criteria, and to determine whether the Member requires special services described in this section. The MCO must implement mechanisms to assess each Member that has been prescreened by the Administrative Services Contractor, or identified by the MCO as having special health care needs, in order to identify ongoing special conditions requiring a course of treatment or regular care monitoring. The MCO’s assessment mechanisms must use appropriate health care professionals.

The MCO must provide information to the HHSC Administrative Services Contractor that identifies Members who the MCO has assessed to be MSHCN, including any Members pre-screened by the HHSC Administrative Services Contractor and confirmed by the MCO as a MSHCN. The information must be provided in a format and on a timeline as determined by HHSC. The information must be updated with newly identified MSHCN by the 10th day of each month. In the event that a MSHCN
changes MCOs, the MCO must provide the receiving MCO information concerning the results of the MCO’s identification and assessment of that Member’s needs to prevent duplication of those activities.

8.1.12.2 Access to Care and Service Management

Once identified, the MCO must have effective systems to ensure the provision of Covered Services to meet the special preventive, primary Acute Care, and specialty health care needs appropriate for treatment of a Member’s condition(s). All STAR+PLUS Members are considered to be MSHCN. The MCO must provide access to identified PCPs and specialty care Providers with experience serving MSHCN. Such Providers must be board-qualified or board-eligible in their specialty. The MCO may request exceptions from HHSC for approval of traditional providers who are not board-qualified or board-eligible but who otherwise meet the MCO’s credentialing requirements.

For services to CSHCN, the MCO must have Network PCPs and specialty care Providers that have demonstrated experience with CSHCN in pediatric specialty centers such as children's Hospitals, teaching Hospitals, and tertiary care centers.

The MCO is responsible for working with MSHCN, their health care providers, their families and, if applicable, legal guardians to develop a seamless package of care in which primary, Acute Care, and specialty service needs are met through a Service Plan that is understandable to the Member, and his or her representatives.

The Service Plan includes, but is not limited to, the following:

1. the Member's history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide the services.

The Service Plan should incorporate as a component of the plan the Individual Family Service Plan (IFSP) for members in the Early Childhood Intervention (ECI) Program. The Service Plan may include information regarding non-covered services, such as Non-Capitated Services (see below), community and other resources, and information on how to access affordable, integrated housing.

The MCO is responsible for providing Service Management, developing a Service Plan, and ensuring MSHCN, including CSHCN, have access to treatment by a multidisciplinary team when the Member’s PCP determines the treatment is Medically Necessary, or to avoid separate and fragmented evaluations and service plans. The team must include both physician and non-physician providers that the PCP determines are necessary for the comprehensive treatment of the Member. The team must:

1. participate in Hospital discharge planning;
2. participate in pre-admission Hospital planning for non-emergency Hospitalizations;
3. develop specialty care and support service recommendations to be incorporated into the Service Plan; and
4. provide information to the Member, or when applicable, the Member’s representatives concerning the specialty care recommendations.

MSHCN, their families, legal guardians, or their health providers may request Service Management from the MCO. The MCO must make an assessment of whether Service Management is needed and furnish Service Management when appropriate. The MCO may also recommend to an MSHCN, CSHCN, or their families or legal guardians that Service Management be furnished if the MCO determines that Service Management would benefit the Member.

The MCO must provide information and education in its Member Handbook and Provider Manual about the care and treatment available in the MCO's plan for Members with Special Health Care Needs, including the availability of Service Management.

The MCO must have a mechanism in place to allow Members with Special Health Care Needs to have direct access to a specialist as appropriate for the Member's condition and identified needs, such as a standing referral to a specialty physician. The MCO must also provide MSHCN with access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. §11.900, and Section 8.1.4.2, Primary Care Providers.

The MCO must implement a systematic process to coordinate Non-capitated Services, and enlist the involvement of community organizations that may not be providing Covered Services but are otherwise important to the health and wellbeing of Members. The MCO also must make a best effort to establish relationships with State and local programs and community
organizations, such as those listed below, in order to make referrals for MSHCN and other Members who need community services:

1. Community Resource Coordination Groups (CRCGs);
2. Early Childhood Intervention (ECI) Program;
3. local school districts (Special Education);
4. Health and Human Services Commission's Medical Transportation Program (MTP);
5. Texas Department of Assistive and Rehabilitative Services (DARS) Blind Children's Vocational Discovery and Development Program;
6. Texas Department of State Health (DSHS) services, including community mental health programs, Title V Maternal and Child Health, Children with Special Health Care Needs (C SHCN) Programs;
7. other state and local agencies and programs such as food stamps, and the Women, Infants, and Children's (WIC) Program, and Case Management for Children and Pregnant Women; and
8. civic and religious organizations and consumer and advocacy groups, such as United Cerebral Palsy, which also work on behalf of the MSHCN population.

8.1.13 Service Management for Certain Populations

The MCO must have service management programs and procedures for the following populations, as applicable to the MCO:

1. high-cost catastrophic cases;
2. women with high-risk pregnancies (STAR and STAR+PLUS Programs only);
3. individuals with mental illness and co-occurring substance abuse; and
4. Farmworker Children (FWC) (STAR and STAR+PLUS Programs only).

8.1.14 Disease Management (DM)

The MCO must provide or arrange the provision of comprehensive disease management (DM) programs consistent with state and federal statutes and regulations. The program design of these DM programs must focus on the whole person, typically high-risk enrollees with complex chronic or co-morbid conditions rather than traditionally-designed programs with restricted diagnoses or disease silos. These programs must identify enrollees at highest risk of utilization of medical services, tailor interventions to better meet enrollees' needs, encourage provider input in care plan development, and apply clinical evidence-based practice protocols for individualized care.

MCOs must focus their DM programs on 3 main components:

- client self-management;
- provider practice/delivery system design; and
- technological support.

Under client self-management, a client becomes an informed and active participant in the management of physical and mental health conditions and co-morbidities. Under the provider practice/delivery system design approach, medical home providers take an active role in helping their patients make informed healthcare decisions. Technology, such as the use of predictive modeling, helps identify potential program patients and providers.

8.1.14.1 Special Populations

The MCO is also required to have a specialized program for targeting, outreach, education and intervention for Members who have excessive utilization patterns that indicate typical DM approaches are not effective. For the purposes of this contract, this
group of Members is called "super-utilizers." The MCO must have the following infrastructure in place to address super-utilizers' needs, using, at a minimum, the following criteria.

1. Methodology for identification of super-utilizers on an ongoing basis, which can be based on cost, utilization of the ER, and utilization of inpatient or pharmacy, services, etc.
2. Resources dedicated to ongoing targeting and identification of super-utilizers such as staff, specialized analytical tools, etc.
3. Staff resources for effective outreach and education of Providers and super-utilizers.
4. Specialized intervention strategies for super-utilizers. The interventions must include an option for in-person interactions with the Member that occur outside of a standard clinical setting. This in-person intervention may be performed by medical care providers or other non-medical providers that are employed by the MCO or are subcontracted with the MCO.
5. Evaluation process to determine effectiveness of super-utilizer program.

On or before December 1, 2013, the MCO must provide its plan for management of super-utilizers including the criteria listed above. HHSC will evaluate the plan and provide feedback to the MCO. Upon HHSC's approval of the plan, each MCO will be retrospectively evaluated on their execution of the written plan, as described in 8.1.14.3. An MCO may use the same plan from year to year; however, if there are changes to the plan, the MCO must submit them to HHSC.

The disease management requirements do not apply to Dual Eligible Members or CHIP Perinate Members.

8.1.14.2 DM and Participating Providers

At a minimum, the MCO must:

1. implement a system for Providers to request specific DM interventions;
2. give Providers information, including differences between recommended prevention and treatment and actual care received by Members enrolled in a DM program, and information concerning such Members' adherence to a service plan; and
3. for Members enrolled in a DM program, provide reports on changes in a Member's health status to his or her PCP.

8.1.14.3 MCO DM Evaluation

HHSC or its EQRO will evaluate the MCO's DM program.

HHSC or its EQRO will also evaluate DM as it relates to specialized populations identified in 8.1.14.1. These evaluations will be on a retrospective basis, and will include an analysis of MCO Encounter Data and other relevant data (e.g., reports). Evaluations could also include interviews with MCO staff that oversee the program as well as identified Providers. Based on HHSC's retrospective evaluation, MCOs may be required to submit a Corrective Action Plan if directed by HHSC.

It is HHSC's intent to hold quarterly collaborative calls or webinars with MCO medical directors to discuss plan implementation, barriers, successful strategies, etc.

8.1.15 Behavioral Health (BH) Network and Services

The requirements in this subsection pertain to all MCOs except: (1) the STAR MCOs in the Dallas Service Area, whose Members receive Behavioral Health Services through the NorthSTAR Program, and (2) the CHIP Perinatal Program MCOs with respect to their Perinate Members (unborn children).

The MCO must provide, or arrange to have provided, to Members all Medically Necessary Behavioral Health (BH) Services as described in Attachments B-2, "STAR Covered Services," B-2.1, "CHIP Covered Services," and B-2.2, "STAR+PLUS Covered Services," All BH Services must comply with the access standards included in Section 8.1.3. For Medicaid MCOs, BH Services are described in more detail in the Texas Medicaid Provider Procedures Manual. When assessing Members for BH Services, the MCO and its Network Behavioral Health Service Providers must use the DSM multi-axial classification in effect at the time of service. HHSC may require use of other assessment instrument/outcome measures in addition to the DSM. Providers must document DSM and assessment/outcome information in the Member's medical record.
8.1.15.1 BH Provider Network

The MCO must maintain a Behavioral Health Services Provider Network that includes psychiatrists, psychologists, and other Behavioral Health Service Providers. To ensure accessibility and availability of qualified Providers to all Members in the Service Area, the Provider Network must include Behavioral Health Service Providers with experience serving special populations among the MCO Program(s)’ enrolled population, including, as applicable, children and adolescents, persons with disabilities, the elderly, and cultural or linguistic minorities.

8.1.15.2 Member Education and Self-referral for Behavioral Health Services

The MCO must maintain a Member education process to help Members know where and how to obtain Behavioral Health Services.

The MCO must permit Members to self refer to any Network Behavioral Health Services Provider without a referral from the Member’s PCP. The MCOs’ policies and procedures, including its Provider Manual, must include written policies and procedures for allowing such self-referral to Behavioral Health Services.

The MCO must permit Members to participate in the selection of the appropriate behavioral health providers, and must provide the Member with information on accessible Network Providers with relevant experience.

8.1.15.3 Behavioral Health Services Hotline

This Section includes Member Hotline requirements. Requirements for Provider Hotlines are found in Section 8.1.4.7.

The MCO must have an emergency and crisis Behavioral Health Services Hotline staffed by trained personnel 24 hours a day, seven (7) days a week, toll-free throughout the Service Area. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess Behavioral Health emergencies. Emergency and crisis Behavioral Health Services may be arranged through mobile crisis teams. It is not acceptable for an emergency intake line to be answered by an answering machine.

The MCO must operate a toll-free hotline as described in Section 8.1.5.6 to handle Behavioral Health-related calls. The MCO may operate one hotline to handle emergency and crisis calls and routine Member calls. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. Hotline services must meet Cultural Competency requirements and provide linguistic access to all Members, including the interpretive services required for effective communication.

The Behavioral Health Services Hotline may serve multiple MCO Programs if the Hotline staff is knowledgeable about all of the MCO Programs. The Behavioral Health Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all such Service Areas, including the Behavioral Health Provider Network in each Service Area. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no incoming calls receive a busy signal;
3. at least 80% of calls must be answered by toll-free line staff within 30 seconds measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The MCO must monitor the MCO’s performance against the Behavioral Health Services Hotline standards and submit performance reports summarizing call center performance as indicated in Section 8.1.20 and the Uniform Managed Care Manual.
As a component of quality monitoring, HHSC may require the MCO to implement a system where callers are given the option of participating in an automated survey at the end of a call.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Behavioral Health Services Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.15.4 Coordination between the BH Provider and the PCP

The MCO must require, through Provider contract provisions, that PCPs have screening and evaluation procedures for the detection and treatment of, or referral for, any known or suspected Behavioral Health problems and disorders. PCPs may provide any clinically appropriate Behavioral Health Services within the scope of their practice.

The MCO must provide training to Network PCPs on how to screen for and identify behavioral health disorders, the MCO’s referral process for Behavioral Health Services, and clinical coordination requirements for such services. The MCO must include training on coordination and quality of care such as behavioral health screening techniques for PCPs and new models of behavioral health interventions.

The MCO must develop and disseminate policies regarding clinical coordination between Behavioral Health Service Providers and PCPs. The MCO must require that Behavioral Health Service Providers refer Members with known or suspected and untreated physical health problems or disorders to their PCP for examination and treatment, with the Member’s or the Member’s legal guardian’s consent. Behavioral Health Providers may only provide physical Health Care Services if they are licensed to do so. This requirement must be specified in all Provider Manuals.

The MCO must require that behavioral health Providers send initial and quarterly (or more frequently if clinically indicated) summary reports of a Members’ behavioral health status to the PCP, with the Member’s or the Member’s legal guardian’s consent. This requirement must be specified in all Provider Manuals.

8.1.15.5 Follow-up after Hospitalization for Behavioral Health Services

The MCO must require, through Provider contract provisions, that all Members receiving inpatient psychiatric services are scheduled for outpatient follow-up and/or continuing treatment prior to discharge. The outpatient treatment must occur within seven (7) days from the date of discharge. The MCO must ensure that Behavioral Health Service Providers contact Members who have missed appointments within 24 hours to reschedule appointments.

8.1.15.6 Chemical Dependency

The MCO must comply with 28 T.A.C. §3.8001 et seq., regarding utilization review for Chemical Dependency Treatment. Chemical Dependency Treatment must comply with the standards set forth in 28 T.A.C. Part 1, Chapter 3, Subchapter HH.

8.1.15.7 Court-Ordered Services

The MCO must provide inpatient psychiatric services to Members birth through age 20, up to the annual limit, who have been ordered to receive the services by a court of competent jurisdiction under Texas Health and Safety Code Chapters 573 and 574, relating to Court-Ordered Commitments to inpatient mental health facilities. The MCO is not obligated to cover placements as a condition of probation, authorized by the Texas Family Code. These placements are Non-capitated services.

The MCO cannot deny, reduce, or controvert the Medical Necessity of inpatient mental health services provided pursuant to a Court-ordered Commitment for Members birth through age 20. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination.

A Member who has been ordered to receive treatment under Texas Health and Safety Code Chapter 573 or 574 can only Appeal the commitment through the court system.

8.1.15.8 Local Mental Health Authority (LMHA)
The MCO must coordinate with the Local Mental Health Authority (LMHA) and state psychiatric facility regarding admission and discharge planning, treatment objectives and projected length of stay for Members committed by a court of law to the state psychiatric facility.

Medicaid MCOs are required to comply with additional Behavioral Health Services requirements relating to coordination with the LMHA and care for special populations. These Medicaid MCO requirements are described in Section 8.2.8.

8.1.16 Financial Requirements for Covered Services

The MCO must pay for or reimburse Providers for all Medically Necessary Covered Services provided to all Members. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to Members. The MCO is not liable for cost incurred in connection with health care rendered prior to the date of the Member’s Effective Date of Coverage in that MCO.

Coverage under Medicaid and CHIP is secondary to all other insurance coverage. A Member may receive collateral health benefits under a different type of insurance such as workers compensation or personal injury protection under an automobile policy. If a Member is entitled to coverage for specific services payable under another insurance plan and the MCO paid for such Covered Services, the MCO may obtain reimbursement from the responsible insurance entity not to exceed 100% of the value of Covered Services paid. See Sections 8.2.9 and 8.4.5 for additional information regarding coordination of benefits and recoveries from third parties.

8.1.17 Accounting and Financial Reporting Requirements

The MCO’s accounting records and supporting information related to all aspects of the Contract must be accumulated in accordance with Federal Acquisition Regulations (“FAR”), Generally Accepted Accounting Principles (GAAP), Attachment A, "Uniform Managed Care Contract Terms and Conditions," and the cost principles contained in the Cost Principles Document in Uniform Managed Care Manual Chapter 6.1. HHSC will not recognize or pay services that cannot be properly substantiated by the MCO and verified by HHSC.

The MCO must:

1. maintain accounting records for each applicable MCO Program separate and apart from other corporate accounting records;
2. maintain records for all claims payments, refunds and adjustment payments to providers, Capitation Payments, interest income and payments for administrative services or functions and must maintain separate records for medical and administrative fees, charges, and payments;
3. ensure and provide access to HHSC and/or its auditors or agents to the detailed records and supporting documentation for all costs incurred by the MCO. The MCO must ensure such access to its Subcontractors, including Affiliates, for any costs billed to or passed to the MCO with respect to an MCO Program;
4. maintain an accounting system that provides an audit trail containing sufficient financial documentation to allow for the reconciliation of billings, reports, and financial statements with all general ledger accounts; and

The MCO agrees to pay for all reasonable costs incurred by HHSC to perform an examination, review or audit of the MCO’s books relating to this Contract.

8.1.17.1 Financial Reporting Requirements

HHSC will require the MCO to provide financial reports by MCO Program and by Service Area to support Contract monitoring as well as State and Federal reporting requirements. All financial information and reports submitted by the MCO become the property of HHSC. HHSC may, at its discretion, release such information and reports to the public at any time and without notice to the MCO. In accordance with state and federal laws regarding Member confidentiality, HHSC will not release any Member-identifying information contained in such reports.
CHIP Perinatal Program data will be integrated into the CHIP Program financial reports. Except for the Financial Statistical Report, no separate CHIP Perinatal Program reports are required. For all other CHIP financial reports, where appropriate, HHSC will designate specific attributes within the CHIP Program financial reports that CHIP MCOs must complete to allow HHSC to extract financial data particular to the CHIP Perinatal Program.

Any data submitted with respect to the required financial reports or filings that is in PDF (or similar file format such as TIF) must be generated in a text-searchable format.

Due dates, content, and formats for the following deliverables and reports may be referenced herein or in Uniform Managed Care Manual Chapter 5.0 “Consolidated Deliverables Matrix.”

(a) Financial-Statistical Report (FSR) – The MCO must file four (4) quarterly and two (2) annual Financial-Statistical Reports (FSR) for each complete State Fiscal Year, in the format and timeframe specified by HHSC. HHSC will include FSR format and directions in Uniform Managed Care Manual Chapter 5.3.1. The MCO must incorporate financial and statistical data of delegated networks (e.g., IPAs, ANHCs, Limited Provider Networks), if any, in its FSR Reports. The FSR is one (1) of the primary financial reports used by HHSC to monitor Contract financial results. It is a modified (HHSC-defined) form of an income statement, with some other elements added. Not all expenses incurred may be included on the FSR.

All amounts reported in the FSRs must be reported in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.” Each FSR must provide amounts by month, with a year-to-date total (based on the SFY, or other Contract period as designated by HHSC). Each successive FSR will show the most current amounts for each month in the SFY; thus, a given month’s amount may change in future FSRs as more claims run-out is experienced for the month. Quarterly FSRs are generally due 30 days after the end of each State Fiscal Quarter. The MCO must transmit these reports electronically, in a locked MS Excel file.

After the 4th Quarter FSR, the first annual FSR for a given SFY (the “90-day FSR”) must reflect claims run-out and accruals through the 90th calendar day after the end of the Contract Year. This report must be filed on or before the 120th calendar day after the end of the Contract Period. If the MCO has made a pre-tax profit in excess of the thresholds as established in the Contract with respect to the Experience Rebate, then a payment for any amounts to be refunded to HHSC is due in conjunction with filing the 90-day FSR. The second annual report for a given SFY (the “334-day FSR”) must reflect data completed through the 334th calendar day after the end of the Contract Period, and must be filed on or before the 365th calendar day following the end of the Contract Period. The 334-day FSR is routinely audited by HHSC and/or its independent auditors.

HHSC will post all or part of an FSR on the HHSC website.

As set forth above, CHIP MCOs are required to submit separate FSRs for the CHIP Perinatal Program, in accordance with Uniform Managed Care Manual Chapters 5.3.1.7 and 5.3.1.8.

(b) Delivery Supplemental Payment (DSP) Report - The MCO must submit a monthly DSP Report in accordance with Uniform Managed Care Manual Chapter 5.3.5. The Report must include only unduplicated deliveries and only deliveries for which the MCO has made a payment to either a Hospital or other provider.

(c) Claims Lag Report - The MCO must submit a Claims Lag Report on a quarterly basis, by the last day of the month following the reporting period. The report must disclose the amount of incurred claims each month and the amount paid each month, on a contract-to-date basis. The report must be submitted in accordance with Uniform Managed Care Manual Chapter 5.6.2.

(d) Third Party Liability and Recovery (TPL/TPR) Report – The MCO must file TPL/TPR Reports in accordance with Uniform Managed Care Manual Chapter 5.3.4. MCOs must submit TPL/TPR reports quarterly, by MCO Program and Service Area. TPL/TPR reports must include total dollars costs avoided, and total dollars recovered from third party payers through the MCO’s coordination of benefits and subrogation efforts during the Quarter.

(e) Report of Legal and Other Proceedings and Related Events - The MCO must comply with the Uniform Managed Care Manual Chapter 5.8, regarding the disclosure of certain matters involving either the MCO, its Affiliates, and/or its Material Subcontractors. Reports are due both on an as-occurs basis and annually each August 31st. The as-occurs report is due no later than 30 days after the event that triggered the notification requirement.

(f) Audit Reports - The MCO must comply with the Uniform Managed Care Manual Chapter 5.3.11 regarding notification and/or submission of certain internal and external audit reports.
Affiliate Report – The MCO must submit an Affiliate Report on an as-occurs basis and annually by August 31st of each year in accordance with the Uniform Managed Care Manual. The “as-occurs” update is due within 30 days of the event that triggered the change. Note that “Affiliate” is a defined term (see Attachment A, “Uniform Managed Care Contract Terms and Conditions”).

MCO Disclosure Statement - The MCO must file:
1. an updated MCO Disclosure Statement by September 1st of each Contract Year;
and
2. a “change notification” abbreviated version of the report, no later than 30 days after any of the following events:
   a. entering into, renewing, modifying, or terminating a relationship with an affiliated party;
   b. after any change in control, ownership, or affiliations; or,
   c. after any material change in, or need for addition to, the information previously disclosed.

The MCO Disclosure Statement will include, at a minimum, a listing of the MCO’s control, ownership, and any affiliations, and information regarding Affiliate transactions. This report will replace, and be in lieu of, the former “Section 1318 Financial Disclosure Report” and the “Form CMS 1513,” and will disclose the same information, plus other information as may be required by HHSC and/or CMS Program Integrity requirements. Minor quarterly adjustments in stock holdings for publicly-traded corporations are excluded from the reporting requirements. The reporting format is included in the Uniform Managed Care Manual.

TDI Filings – The MCO must provide HHSC with a copy of the following information no later than 30 calendar days after the MCO’s submission to TDI:

1. the “Health Annual Statement” and the “Annual Audited Financial Report” including all schedules, attachments, exhibits, supplements, management discussion, supplemental filings, etc., and any other annual financial filings (including any filings that may take the place of the above-named annual financial filings, and any financial filings that occur less frequently than on a quarterly basis);
2. the annual figures for controlled risk-based capital; and
3. the quarterly financial statements.

Additionally, if the MCO is a foreign carrier (i.e., domiciled in another state), copies of any filings with the National Association of Insurance Commissioners (NAIC), as well as the financial statements filed with the state insurance department in its state of domicile, must be submitted to HHSC no later than 30 calendar days after submission to NAIC or the state of domicile.

Notwithstanding the 30 calendar day deadlines described above, the MCO must notify HHSC if it cannot provide the most recent Annual Statements by March 31st each year, and the Annual Audited Financial Report by June 30th each year. The notice should include an expected submission date.

Registration Statement (also known as the “Form B”) – With the following exceptions, MCOs must submit a complete state insurance department registration statement, also known as Form B, and all annual and other amendments to this form, and any other related or similar information filed by the MCO with the insurance regulatory authority of its domiciliary jurisdiction. The exceptions to this requirement are those MCOs that are either (i) part of a County Hospital District or other governmental entity, or (ii) a stand-alone entity with no parent or other Affiliates. If the MCO is excepted from the TDI Form B filing requirement, the MCO must demonstrate this and explain the nature of the exemption.

The Form B is filed in three (3) forms: (i) the initial registration; (ii) the annual amendment; and (iii) the every-five-years complete restatement of registration. For purposes herein, the MCO must submit:

1. the complete registration restatement that was due to TDI by approximately May 2010;
2. each annual registration amendment form (which is due to TDI within 120 days of the end of the MCO’s parent’s fiscal year), commencing with the most recent one that the MCO has filed after May 2010;

3. future complete five-year registration re-statements (the first of which will be due to TDI by approximately May 2015); and

4. any other registration statement amendments or re-statements that may be submitted to TDI, per TDI regulations.

If the MCO was not yet subject to TDI requirements with respect to the May 2010 registration re-statement, it must submit its initial registration if the MCO anticipates that the registration statement annual amendment form will be filed at some other date than approximately 120 days after the end of the parent’s fiscal year, then the MCO must notify HHSC of the anticipated filing date.

All registration statement submission items herein are due to HHSC by the later of: (i) 30 calendar days after the MCO’s submission of the item to TDI, or (ii) the date identified in this section.

(k) TDI Examination Report - The MCO must furnish HHSC with a full and complete copy of any examination report issued by TDI, including the financial, market conduct, target exam, quality of care components, and corrective action plans and responses. The MCO must submit this information to HHSC no later than 30 calendar days after the MCO receives the final version of the examination report from TDI.

The MCO must furnish HHSC with a copy of any similar examination report issued by a state insurance department in any other states where the MCO operates a Medicaid, CHIP, or other managed care product. These reports are also due no later than 30 calendar days after the MCO receives the final version of the examination report.

Each September 1st, the MCO must notify HHSC of the anticipated date of the next issuance of a state department of insurance financial examination report, unless the last submitted financial examination report is less than two (2) years old. This annual notification should include a list of any other states in which the MCO is potentially subject to such examination reports, or a statement that there are no other states.

(l) Employee Bonus and/or Incentive Payment Plan – If a MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(m) Filings with other entities, and other existing financial reports – The MCO must submit an electronic copy of the following reports or filings pertaining to the MCO, or its parent, or its parent’s parent:

1. SEC Form 10-K. For publicly-traded (stock-exchange-listed) for-profit corporations, submit the most-recent annual SEC Form 10K filing.

2. IRS Form 990. For nonprofit entities, submit the most recent annual IRS Form 990 filing, complete with any and all attachments or schedules. If a nonprofit entity is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.

3. If the MCO is a nonprofit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for the MCO and/or its parent, including all attachments, schedules, and supplements.
4. **Annual Report**. The MCO must submit this report if it is different than or supplementary to the audited financial statements or Form 10-K required herein, and if it is distributed to either shareholders, customers, employees, owner(s), parent, bank or creditor(s), donors, the community, or to any regulatory body or constituents, or is otherwise externally distributed or posted.

5. **Bond or debt rating analysis**. If the MCO or its ultimate parent has been the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most recent complete detailed report from each rating entity that has produced such a report.

All of the above such reports or filings are due to HHSC no later than 30 calendar days after such report is filed or otherwise initially distributed. Each report should include all exhibits, attachments, notes, supplemental data, management letters, auditor letters, etc., and any updates, revisions, clarifications, or supplemental filings. If the reporting entity has a regular required due date for any of the above reports, and receives an extension on the filing deadline, then the MCO should notify HHSC of any such extension and the estimated revised filing date.

### 8.1.18 Management Information System Requirements

The MCO must maintain a Management Information System (MIS) that supports all functions of the MCO’s processes and procedures for the flow and use of MCO data. If the MCO subcontracts a MIS function, the Subcontractor’s MIS must comply with the requirements of this section.

The MCO must have hardware, software, and a network and communications system with the capability and capacity to handle and operate all MIS subsystems for the following operational and administrative areas:

1. Enrollment/Eligibility Subsystem;
2. Provider Subsystem;
3. Encounter/Claims Processing Subsystem;
4. Financial Subsystem;
5. Utilization/Quality Improvement Subsystem;
6. Reporting Subsystem;
7. Interface Subsystem; and
8. TPL/TPR Subsystem, as applicable to each MCO Program.

The MIS must enable the MCO to meet the Contract requirements, including all applicable state and federal laws, rules, and regulations. The MIS must have the capacity and capability to capture and utilize various data elements required for MCO administration.

The MCO must have a system that can be adapted to changes in Business Practices/Policies within the timeframes negotiated by the Parties. The MCO is expected to cover the cost of such systems modifications over the life of the Contract.

The MCO is required to participate in the HHSC Systems Work Group.

The MCO must provide HHSC written notice of major systems changes and implementations no later than 180 days prior to the planned change or implementation, including any changes relating to Material Subcontractors, in accordance with the requirements of this Contract and Attachment A, "Uniform Managed Care Contract Terms and Conditions." HHSC retains the right to modify or waive the notification requirement contingent upon the nature of the request from the MCO.

The MCO must provide HHSC any updates to the MCO’s organizational chart relating to MIS and the description of MIS responsibilities at least 30 days prior to the effective date of the change. The MCO must provide HHSC official points of contact for MIS issues on an ongoing basis.
HHSC, or its agent, may conduct a Systems Readiness Review to validate the MCO’s ability to meet the MIS requirements as described in Section 7, “Transition Phase Requirements.” The System Readiness Review may include a desk review and/or an onsite review and must be conducted for the following events:

1. a new plan is brought into the MCO Program;
2. an existing plan begins business in a new Service Area or a Service Area expansion;
3. an existing plan changes location;
4. an existing plan changes its processing system, including changes in Material Subcontractors performing MIS or claims processing functions; and
5. an existing plan in one (1) or two (2) HHSC MCO Programs is initiating a Contract to participate in any additional MCO Programs.

If HHSC determines that it is necessary to conduct an onsite review, the MCO is responsible for all reasonable travel costs associated with such onsite reviews. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking, and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

If for any reason an MCO does not fully meet the MIS requirements, then the MCO must, upon request by HHSC, either correct such deficiency or submit to HHSC a Corrective Action Plan and Risk Mitigation Plan to address such deficiency. Immediately upon identifying a deficiency, HHSC may impose contractual remedies according to the severity of the deficiency. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 12 and Attachment B-3, “Deliverables/Liquidated Damages Matrix,” for additional information regarding remedies and damages. Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.1.2, “Additional Readiness Reviews and Monitoring Efforts,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.18.1 Encounter Data

The MCO must provide complete Encounter Data for all Covered Services, including Value-added Services. Encounter Data must follow the format and data elements as described in the HIPAA-compliant 837 Companion Guides and Encounter Submission Guidelines. HHSC will specify the method of transmission, the submission schedule, and any other requirements in Uniform Managed Care Manual Chapter 5.0, “Consolidated Deliverables Matrix.” The MCO must submit Encounter Data transmissions at least monthly, and include all Encounter Data and Encounter Data adjustments processed by the MCO. In addition, Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments processed by the MCO. Encounter Data quality validation must incorporate assessment standards developed jointly by the MCO and HHSC. The MCO must submit complete and accurate Encounter Data not later than the 30th calendar day in which the claim was adjudicated. The MCO must make original records available for inspection by HHSC for validation purposes. Encounter Data that does not meet quality standards must be corrected and returned within a time period specified by HHSC.

For reporting claims processed by the MCO and submitted on Encounter 837 and NCPDP format, the MCO must use the procedure codes, diagnosis codes, provider identifiers, and other codes as directed by HHSC. Any exceptions will be considered on a code-by-code basis after HHSC receives written notice from the MCO requesting an exception.

The MCO’s Provider Agreements must require Network Providers to comply with the requirements of Texas Government Code § 531.024161, regarding reimbursement of claims based on orders or referrals by supervising providers.

8.1.18.2 MCO Deliverables related to MIS Requirements

At the beginning of each State Fiscal Year, the MCO must submit the following documents and corresponding checklists for HHSC’s review and approval:

1. Disaster Recovery Plan;*
2. Business Continuity Plan;* and

* The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

Additionally, at the beginning of each State Fiscal Year, if the MCO modifies the following documents, it must submit the revised documents and corresponding checklists for HHSC’s review and approval:

1. Joint Interface Plan;
2. Risk Management Plan; and

The MCO must submit plans and checklists in accordance with the Uniform Managed Care Manual Chapter 5.2, “Information Concerning MIS Deliverables;” Chapter 7, “Management Information Systems;” and Chapter 5.0, “Consolidated Deliverables Matrix.” Additionally, if a Systems Readiness Review is triggered by one of the events described in Section 8.1.18, the MCO must submit all of the deliverables identified in this Section 8.1.18.2 in accordance with an HHSC-approved timeline.

The MCO must follow all applicable Joint Interface Plans (JIPs) and all required file submissions for HHSC’s Administrative Services Contractor, External Quality Review Organization (EQRO), and HHSC Medicaid Claims Administrator. The JIPs can be accessed through Uniform Managed Care Manual Chapter 7.1, “Joint Interface Plans (JIP).”

8.1.18.3 System-wide Functions

The MCO’s MIS system must include key business processing functions and/or features, which must apply across all subsystems as follows:

1. process electronic data transmission or media to add, delete or modify membership records with accurate begin and end dates;
2. track Covered Services received by Members through the system, and accurately and fully maintain those Covered Services as HIPAA-compliant Encounter transactions;
3. transmit or transfer Encounter Data transactions on electronic media in the HIPAA format to the contractor designated by HHSC to receive the Encounter Data;
4. maintain a history of changes and adjustments and audit trails for current and retrospective data;
5. maintain procedures and processes for accumulating, archiving, and restoring data in the event of a system or subsystem failure;
6. employ industry standard medical billing taxonomies (procedure codes, diagnosis codes, NDC codes) to describe services delivered and Encounter transactions produced;
7. accommodate the coordination of benefits;
8. produce standard Explanation of Benefits (EOBs) for providers;
9. Pay financial transactions to Network Providers and Out-of-Network providers in compliance with federal and state laws, rules and regulations;
10. ensure that all financial transactions are auditable according to GAAP guidelines;
11. ensure that Financial Statistical Reports (FSRs) comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” with respect to segregating costs that are allowable for inclusion in HHSC-designed financial reports;

12. relate and extract data elements to produce report formats (provided within the Uniform Managed Care Manual) or otherwise required by HHSC;

13. ensure that written process and procedures manuals document and describe all manual and automated system procedures and processes for the MIS; and

14. maintain and cross-reference all Member-related information with the most current Medicaid, or CHIP Program Provider number.

8.1.18.4 Health Insurance Portability and Accountability Act (HIPAA) Compliance

The MCO’s MIS system must comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to the Health Insurance Portability and Accountability Act (HIPAA) of 1996, P.L. 104-191 (August 21, 1996), as amended or modified. The MCO must comply with HIPAA Electronic Data Interchange (EDI) requirements, including the HIPAA-compliant format version. MCO’s enrollment files must be in the 834 HIPAA-compliant format. Eligibility inquiries must be in the 270/271 HIPAA-compliant format, with the exception of pharmacy services. Pharmacies may submit eligibility inquiries in the NCPDP E1 HIPAA-compliant format. Claim transactions for pharmacy services must be in the NCPDP B1/B2 HIPAA-compliant formats; all others must be in the 837/835 HIPAA-compliant format.

The MCO must also be 5010 compliant by January 2012. The following website includes the final rules for 5010 Compliancy and ICD-10 Compliancy: www.cms.hhs.gov/TransactionCodeSetsStands/02_TransactionsandCodeSetsRegulations.asp.

The MCO must provide its Members with a privacy notice as required by HIPAA. The MCO must provide HHSC with a copy of its privacy notice during Readiness Review and any changes to the notice prior to distribution.

8.1.18.5 Claims Processing Requirements

The MCO must process and adjudicate all provider claims for Medically Necessary health care Covered Services that are filed within the timeframes specified in Uniform Managed Care Manual Chapter 2.0, "Claims Manual," and pharmacy claims in that are filed in accordance with the timeframes specified in Uniform Managed Care Manual Chapter 2.2, "Pharmacy Claims Manual." The MCO is subject to contractual remedies, including liquidated damages and interest, if the MCO does not process and adjudicate claims in accordance with the procedures and the timeframes listed in Uniform Managed Care Manual Chapters 2.0 and 2.2.

The MCO must administer an effective, accurate, and efficient claims payment process in compliance with federal laws and regulations, applicable state laws and rules, and the Contract, including Uniform Managed Care Manual Chapters 2.0 and 2.2. In addition, a Medicaid MCO must be able to accept and process provider claims in compliance with the Texas Medicaid Provider Procedures Manual. The MCO and its Subcontractors cannot directly or indirectly charge or hold a Member or Provider responsible for claims adjudication or transaction fees.

The MCO must maintain an automated claims processing system that registers the date a claim is received by the MCO the detail of each claim transaction (or action) at the time the transaction occurs, and has the capability to report each claim transaction by date and type to include interest payments. The claims system must maintain information at the claim and line detail level. The claims system must maintain adequate audit trails and report accurate claims performance measures to HHSC.

The MCO's claims system must maintain online and archived files. The MCO must keep online automated claims payment history for the most current 18 months. The MCO must retain other financial information and records, including all original claims forms, for the time period established in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 9.01, “Record Retention and Audit.” All claims data must be easily sorted and produced in formats as requested by HHSC.

The MCO must offer its Providers/Subcontractors the option of submitting and receiving claims information through electronic data interchange (EDI) that allows for automated processing and adjudication of claims. EDI processing must be offered as an alternative to the filing of paper claims. Electronic claims must use HIPAA-compliant electronic formats.
HHSC reserves the right to require the MCO to receive initial electronic claims through an HHSC-contracted vendor at a future date. This function will allow Providers to send claims to one location, which will then identify where the claim should be submitted. The MCO will be expected to have an interface that allows receipt of these electronic submissions. If HHSC implements this requirement, then the MCO must maintain a mechanism to receive claims in addition to the HHSC claims portal. Providers must be able to send claims directly to the MCO or its Subcontractor.

The MCO must provide a web portal that supports Batch Processing for Network Providers. Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. Specifically in managed care, batch billing is a technique that allows providers to send billing information all at once in a "batch" rather than in separate individual transactions.

The MCO must make an electronic funds transfer (EFT) payment process (for direct deposit) available to Network Providers.

The MCO may deny a claim submitted by a provider for failure to file in a timely manner as provided for in Uniform Managed Care Manual Chapters 2.0 and 2.2. The MCO must not pay any claim submitted by a provider:

1. excluded or suspended from the Medicare, Medicaid, or CHIP programs for Fraud, Abuse, or Waste;
2. on payment hold under the authority of HHSC or its authorized agent(s);
3. with pending accounts receivable with HHSC;
4. for neonatal services provided on or after September 1, 2017, if submitted by a Hospital that does not have a neonatal level of care designation from HHSC; or
5. for maternal services provided on or after September 1, 2019, if submitted by a Hospital that does not have a maternal level of care designation from HHSC.

In accordance with Texas Health and Safety Code § 241.186, the restrictions on payment identified in items 4-5 above do not apply to emergency services that must be provided or reimbursed under state or federal law.

With the following exceptions, the MCO must complete all audits of a provider claim no later than two years after receipt of a clean claim, regardless of whether the provider participates in the MCO's Network. This limitation does not apply in cases of provider Fraud, Waste, or Abuse that the MCO did not discover within the two-year period following receipt of a claim. In addition, the two-year limitation does not apply when the officials or entities identified in Attachment A, Section 9.02(c), conclude an examination, audit, or inspection of a provider more than two years after the MCO received the claim. Finally, the two-year limitation does not apply when HHSC has recovered a capitation from the MCO based on a Member's ineligibility. If an exception to the two-year limitation applies, then the MCO may recoup related payments from providers.

If an additional payment is due to a provider as a result of an audit, the MCO must make the payment no later than 30 days after it completes the audit. If the audit indicates that the MCO is due a refund from the provider, the MCO must send the provider written notice of the basis and specific reasons for the recovery no later than 30 days after it completes the audit. If the provider disagrees with the MCO's request, the MCO must give the provider an opportunity to appeal, and may not attempt to recover the payment until the provider has exhausted all appeal rights.

The MCO's provider agreement must specify that program violations arising out of performance of the contract are subject to administrative enforcement by the Health and Human Services Commission Office of Inspector General (OIG) as specified in 1 Tex. Admin. Code, Chapter 371, Subchapter G.

The MCO is subject to the requirements related to coordination of benefits for secondary payors in the Texas Insurance Code Section 843.349(e-f).

The MCO must notify HHSC of major claim system changes in writing no later than 180 days prior to implementation. The MCO must provide an implementation plan and schedule of proposed changes. HHSC reserves the right to require a desk or onsite Readiness Review of the changes.

The MCO must make available to Providers claims coding and processing guidelines for the applicable provider type. Providers must receive 90 days notice prior to the MCO's implementation of changes to claims guidelines.

8.1.18.6 National Correct Coding Initiative
MCOs must comply with the requirements of Section 6507 of the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), regarding “Mandatory State Use of National Correct Coding Initiatives,” including all applicable rules, regulations, and methodologies implemented as a result of this initiative.

8.1.19 Fraud and Abuse

A MCO is subject to all state and federal laws and regulations relating to Fraud, Abuse, and Waste in health care and the Medicaid and CHIP programs. The MCO must cooperate and assist HHSC and any state or federal agency charged with the duty of identifying, investigating, sanctioning or prosecuting suspected Fraud, Abuse or Waste. In order to facilitate cooperation with the Office of Inspector General (OIG) at HHSC, the MCO must have staff available for Special Investigative Unit (SIU) representation located in the state. The MCO must allow access to premises and provide originals and/or copies of all records and information requested free of charge to the Inspector General for the Texas Health and Human Services System, HHSC or its authorized agent(s), the Centers for Medicare and Medicaid Services (CMS), the U.S. Department of Health and Human Services (DHHS), Federal Bureau of Investigation, the Office of the Attorney General, TDI, or other units of state government.

Each MCO must designate one primary and one secondary contact person for all HHSC OIG records requests. HHSC OIG records requests will be sent to the designated MCO contact person(s) in writing via email, fax or regular mail, and will provide the specifics of the information being requested (see below). The MCO will respond to the appropriate HHSC OIG staff member within the timeframe designated in the request. If the MCO is unable to provide all of the requested information with in the designated timeframe, an extension may be granted and must be request in writing (email) by the MCO no less than two (2) Business Days prior to the due date. When a request for data is provided to the MCO, the MCO's response must include data for all data fields, as available. If any data field is left blank, an explanation must accompany the response. The data must be provided in the order and format requested. The MCO must not include any additional data fields in its response. All requested information must be accompanied by a notarized Business Records Affidavit unless indicated otherwise in HHSC OIG's record request.

The most common requests will include:

- 1099 data and other financial information - three (3) Business Days.
- Claims data for sampling - 5 Business Days.
- Urgent claims data requests - three (3) Business Days (with OIG manager's approval).
- Provider education information - 10 Business Days.
- Files associated with an HMO conducted investigation - 15 Business Days.
- Other time-sensitive requests - as needed.

The MCO must submit a written Fraud and Abuse compliance plan to the HHSC OIG for approval each year. The plan must be submitted 90 days prior to the start of the State Fiscal Year. (See Section 7, Transition Phase Requirements. for requirements regarding timeframes for submitting the original plan.) If an MCO has not made any changes to its plan from the previous year, it may notify the HHSC OIG that: (1) no changes have been made to the previously-approved plan, (2) the plan will remain in place for the upcoming State Fiscal Year. The notification must be signed and certified by an officer or director of the MCO that is responsible for carrying out the Fraud and Abuse compliance plan. Upon receipt of a written request from the HHSC OIG, the MCO must submit the complete Fraud and Abuse compliance plan.

The MCO is subject to and must meet all requirements in Section 531.113 of the Texas Government Code, Section 533.012 of the Texas Government Code, Title 1 Texas Administrative Code (TAC), Part 15, Chapter 353, Subchapter F, Rule 353.501-353.505, and Title 1 Texas Administrative Code (TAC), Part 15, Chapter 370, Subchapter F, Rule 370.501-370.505, as well as all laws specified in Attachment A, Section 7.02. Failure to comply with any requirement of 8.1.19 and 8.1.20.2(c) and (d) subjects the MCO to enforcement pursuant to 1 TEX. ADMIN. CODE Chapter 371 Subchapter G in addition to any other legal remedy.

42 C.F.R. § 455.23 requires the State Medicaid agency to suspend all Medicaid payments to a provider after the agency determines there is a credible allegation of fraud for which an investigation is pending under the Medicaid program against an individual or entity unless the agency has good cause to not suspend payments or suspend payment only in part. In Texas, HHSC OIG is responsible for evaluating allegations of fraud and imposing payment suspensions when appropriate. The rules governing payment suspensions based upon pending investigations of credible allegations of fraud apply to Medicaid managed care entities. Managed care capitation payments may be included in a suspension when an individual network provider is under investigation based upon credible allegations of fraud, depending on the allegations at issue.
The MCO is required to cooperate with HHSC OIG when payment suspensions are imposed. When HHSC OIG sends notice that payments to a provider have been suspended, the MCO must also suspend payments to the provider within 1 business day. When such notice is received, the MCO must respond to the notice within 3 business days and inform HHSC OIG of whether the MCO has implemented the suspension.

The MCO must also report all of the following information to HHSC OIG after it suspends payments to the provider: date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, amount of payments held, and, if applicable, the good cause rationale for not suspending payment (for example, the provider is not enrolled in the MCO's network) or imposing a partial payment suspension. If the MCO does not suspend payments to the provider, HHSC may impose contractual or other remedies.

For payment suspensions initiated by the MCO, the MCO must report the following information to HHSC OIG: the nature of the suspected fraud, basis for the suspension, date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, the amount of payments held, and, if applicable, the good cause rationale for imposing a partial payment suspension.

**Additional Requirements for STAR and STAR+PLUS MCOs:**

In accordance with Section 1902(a)(68) of the Social Security Act, STAR and STAR+PLUS MCOs and their Subcontractors that receive or make annual Medicaid payments of at least $5 million must:

1. Establish written policies for all employees, managers, officers, contractors, Subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information about the False Claims Act, administrative remedies for false claims and statements, any state laws about civil or criminal penalties for false claims, and whistleblower protections under such laws, as described in Section 1902(a)(68)(A).
2. Include as part of such written policies detailed provisions regarding the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.
3. Include in any employee handbook a specific discussion of the laws described in Section 1902(a)(68)(A), the rights of employees to be protected as whistleblowers, and the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.

HHSC OIG's Lock-in Program (OIG-LP) restricts, or locks in, a Medicaid Member to a designated provider or pharmacy if it finds that the Member used Medicaid services, including drugs, at a frequency or amount that is duplicative, excessive, contraindicated, or conflicting; or that the Member's actions indicate abuse, misuse, or fraud. The MCO is required to maintain, and provide to OIG upon request, written policies for all employees, managers, officers, contractors, subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information related to the "HHSC OIG Lock-in Program MCO Policies and Procedures" about overutilization of prescription medications.

**8.1.20 General Reporting Requirements**

The MCO must provide and must require its Subcontractors to provide at no cost to the Texas Health and Human Services Commission (HHSC):

1. all information required under the Contract, including but not limited to, the reporting requirements or other information related to the performance of its responsibilities hereunder as reasonably requested by the HHSC; and
2. any information in its possession sufficient to permit HHSC to comply with the Federal Balanced Budget Act of 1997 or other federal or state laws, rules, and regulations. All information must be provided in accordance with the timelines, definitions, formats and instructions as specified by HHSC. Where practicable, HHSC may consult with MCOs to establish timeframes and formats reasonably acceptable to both parties.

Any deliverable or report in Section 8.1.20 without a specified due date is due quarterly on the last day of the month following the end of the reporting period. Where the due date states 30 days, the MCO is to provide the deliverable by the last day of the month following the end of the reporting period. Where the due date states 45 days, the MCO is to provide the deliverable by the 15th day of the second month following the end of the reporting period. (See Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix.")
8.1.20.1 Healthcare Effectiveness Data and Information Set (HEDIS) and Other Statistical Performance Measures

The MCO must provide to HHSC or its designee all information necessary to analyze the MCO's provision of quality care to Members using measures to be determined by HHSC in consultation with the MCO. These measures must be consistent with HEDIS or other externally based measures or measurement sets, and involve collection of information beyond that present in Encounter Data. The Performance Indicator Dashboards, found in Uniform Managed Care Manual Chapter 10.1 provides additional information on the role of the MCO and the EQRO in the collection and calculation of HEDIS, Consumer Assessment of Healthcare Providers and Systems (CAHPS), and other performance measures.

8.1.20.2 Reports

The MCO must provide the following reports, in addition to the Financial Reports described in Section 8.1.17 and the reporting requirements listed elsewhere in the Contract. Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix," includes a list of all required reports, and a description of the format, content, file layout and submission deadlines for each report.

For the following reports, MCO must integrate CHIP Perinatal Program data into CHIP Program reports. With the exception of FSR reporting, separate CHIP Perinatal Program reports generally are not required. Where appropriate, HHSC will designate specific attributes within the CHIP Program reports that the CHIP MCOs must complete to allow HHSC to extract data particular to the CHIP Perinatal population.

(a) Claims Summary Report - The MCO must submit quarterly Claims Summary Reports by MCO Program, Service Area and claim type by the 30th day following the end of the reporting period unless otherwise specified. Claim Types include facility and/or professional services for Acute Care, Behavioral Health, Vision, Pharmacy, and Long Term Services and Supports. Within each claim type, claims data must be reported separately by applicable claim form. The format for the Claims Summary Report is contained in Uniform Managed Care Manual Chapter 5.6.1.

(b) QAPI Program Annual Summary Report - The MCO must submit a QAPI Program Annual Summary in a format and timeframe as specified in Uniform Managed Care Manual Chapter 5.7, "Quality Reports."

(c) Fraudulent Practices Report - Utilizing the HHSC-Office of Inspector General (OIG) fraud referral form, the MCO's assigned officer or director must report and refer all possible acts of Waste, Abuse, or Fraud to the HHSC-OIG within 30 Business Days of receiving the reports of possible acts of Waste, Abuse, or Fraud from the MCO's Special Investigative Unit (SIU). The report and referral must include: an investigative report identifying the allegation, statutes/regulations violated or considered, and the results of the investigation; copies of program rules and regulations violated for the time period in question; copies of any HMO contractual provisions, policies, published HMO program bulletins, policy notification letters, or provider policy or procedure manuals that apply to the alleged conduct for the time period in question; the estimated overpayment identified; a summary of the interviews conducted; the Encounter Data submitted by the provider for the time in question; and all supporting documentation obtained as the result of the investigation. This requirement applies to all reports of possible acts of Waste, Abuse, and Fraud.

Additional reports required by the Office of the Inspector General relating to Waste, Abuse, or Fraud are listed in Uniform Managed Care Manual Chapter 5.5, "Fraud Deliverable/Report Formats."

(d) Provider Termination Report: (CHIP, STAR, and STAR+PLUS) - MCO must submit a quarterly report that identifies any Providers who cease to participate in MCO's Provider Network, either voluntarily or involuntarily. The report must be submitted in the format specified by HHSC, no later than 30 days after the end of the reporting period.

(e) PCP Network & Capacity Report: (CHIP only) - For the CHIP Program, MCO must submit a quarterly report listing all unduplicated PCPs in the MCO's Provider Network. For the CHIP Perinatal Program, the Perinate Newborn Members are assigned PCPs that are part of the CHIP PCP Network. Perinate Members are not assigned PCPs. The report must be submitted in the format specified by HHSC no later than 30 days after the end of the reporting quarter.

(f) Summary Report of Member Complaints and Appeals - The MCO must submit quarterly Member Complaints and Appeals reports. The MCO must include in its reports Complaints and Appeals submitted to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides Member services. The MCO must submit the Complaint and Appeals reports electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified in Uniform Managed Care Manual Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Member Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.
Summary Report of Provider Complaints - The MCO must submit Provider complaints reports on a quarterly basis. The MCO must include in its reports complaints submitted by providers to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides provider services. The complaint reports must be submitted electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified by HHSC in the Uniform Managed Care Manual Chapter 5.4.2, "Complaints and Appeals Report."

HHSC may direct the CHIP MCOs to provide segregated Provider Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

Hotline Reports - The MCO must submit quarterly status reports of the Member Hotline, the Behavioral Health Services Hotline, and the Provider Hotline performance compared to the performance standards set out in Sections 8.1.4.7, 8.1.5.6, and 8.1.15.3, using the format specified by HHSC in Uniform Managed Care Manual Chapter 5.4.3, "Hotline Reports."

If the MCO is not meeting a hotline performance standard, HHSC may require the MCO to submit monthly hotline performance reports and implement corrective actions until the hotline performance standards are met. If a MCO has a single hotline serving multiple Service Areas, multiple MCO Programs, or multiple hotline functions, (i.e. Member, Provider, Behavioral Health Services hotlines), HHSC may request on an annual basis that the MCO submit certain hotline response information by MCO Program, Service Area, and hotline function, as applicable to the MCO. HHSC may also request additional hotline information if a MCO is not meeting a hotline performance standard.

Historically Underutilized Business (HUB) Reports - Upon contract award, the MCO must attend a post award meeting, which will be scheduled by the HHSC HUB Program Office, to discuss the development and submission of a HUB Subcontracting Plan (HSP) Progress Assessment Report (PAR) for the inclusion of HUBs. The MCO must maintain its original HSP and submit monthly PAR reports documenting the MCO's good faith effort to comply with the originally submitted HSP. The report must be in the format included in Uniform Managed Care Manual Chapter 5.4.4.4 for the HUB monthly reports. The MCO must comply with the HUB Program's HSP and PAR requirements for all Subcontractors.

Medicaid Managed Care Texas Health Steps Medical Checkups Reports - Medicaid MCOs must submit reports identifying the number of New Members and Existing Members receiving Texas Health Steps medical checkups, or refusing to obtain the medical checkups. Medicaid MCOs must also document and report those Members refusing to obtain the medical checkups. The documentation must include the reason the Member refused the checkup or the reason the checkup was not received.

The definitions, timeframe, format, and details of the reports are contained and described in Uniform Managed Care Manual Chapters 12.4, 12.5, and 12.6.

Children of Migrant Farm Workers Annual Plan - Medicaid MCOs must submit an annual plan in the timeframe and format described in Uniform Managed Care Manual Chapters 12.1 and 12.2 that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers (FWC).

Children of Migrant Farm Workers Annual Report (FWC Annual Report) - Medicaid MCOs must submit an annual report, in the timeframe and format described in Uniform Managed Care Manual Chapters 12.1, 12.3, 12.25, and 12.26 about the identification of and delivery of services to Children of Migrant Farm Workers (FWC).


Frew Annual Provider Training Report - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must compile a summary of the training health care and pharmacy providers receive throughout the year for the October Quarterly Monitoring Report for the court. Medicaid MCOs must report to HHSC health care and pharmacy provider training conducted throughout the year to be included in this report. The training report must include, at a minimum, the number of Medicaid enrolled healthcare and pharmacy providers that received the training and a description of provider feedback received on the subject matter and methodology of the training. The timeframe, format, and details of the report are contained and described in Uniform Managed Care Manual Chapter 12.
(o) **Frew Provider Recognition Report** - Per the Frew v. Janek "Corrective Action Order: Health Care Provider Training," HHSC must recognize Medicaid enrolled healthcare and pharmacy providers who complete Frew, Texas Health Steps, and/or pharmacy benefit education training. Medicaid MCOs must collect and track provider training recognition information for all Frew, Texas Health Steps, and/or pharmacy benefit education trainings conducted and report the names of those Medicaid enrolled healthcare and pharmacy providers who consent to being recognized to HHSC quarterly. The timeframe, format, and details of the report are contained and described in *Uniform Managed Care Manual* Chapter 12.

(p) **Medicaid Disproportionate Share Hospital (DSH) Reports** - Medicaid MCOs must file preliminary and final Medicaid DSH Reports so that HHSC can identify and reimburse Hospitals that qualify for Medicaid DSH funds. The preliminary and final DSH Reports must include the data elements and be submitted in the form and format specified by HHSC in *Uniform Managed Care Manual* Chapter 5.3.9, "Disproportionate Share Hospital Report." The preliminary DSH Reports are due on or before March 1 of the year following the federal fiscal reporting year. The final DSH Reports are due no later than April 1 of the year following the federal fiscal reporting year.

(q) **Out-of-Network Utilization Reports** - The MCO must file quarterly Out-of-Network Utilization Reports in accordance with *Uniform Managed Care Manual* Chapter 5.3.8, "Out Of Network (OON) Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(r) **Drug Utilization Review (DUR) Reports** - MCOs must submit the DUR reports in accordance with the requirements of HHSC's Uniform Managed Care Manual.

(s) **Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports** - For each State Fiscal Quarter, Medicaid MCOs must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups. The time frame, format, and details of the report are contained and described in *Uniform Managed Care Manual* Chapter 12.

(t) **STAR+PLUS Long Term Services and Supports (LTSS) Utilization Quarterly Reports** - The STAR+PLUS MCO must file quarterly LTSS Utilization Reports in accordance with *Uniform Managed Care Manual* Chapter 5.4.5.1, "STAR+PLUS LTSS Utilization Report." Quarterly reports are due 30 days after the end of each quarter.

(u) **Service Coordination Report** - STAR+PLUS MCOs must submit annual reports regarding the number and types of visits conducted by Service Coordinators, as described in the Uniform Managed Care Manual. The reports are due 30 days after the end of each State Fiscal Year.

**8.1.21 Pharmacy Services**

The MCO must provide pharmacy-dispensed prescriptions as a Covered Service.

The MCO must submit pharmacy clinical guidelines and prior authorization policies and for review and approval during Readiness Review, then after the Operational Start Date prior to any changes. In determining whether to approve these materials, HHSC will review factors such as the clinical efficacy and Members' needs.

The MCO must allow pharmacies to fill prescriptions for covered drugs ordered by any licensed provider regardless of Network participation and must encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO is responsible for negotiating reasonable pharmacy provider reimbursement rates, including individual MCO maximum allowable cost (MAC) rates, as described in Section 8.1.21.11, "Maximum Allowable Cost Requirements." The MCO must ensure that, as an aggregate, rates comply with 42 C.F.R. Part 50, Subpart E, regarding upper payment limits.

**8.1.21.1 Formulary and Preferred Drug List**

The MCO must provide access to covered outpatient drugs and biological products through formularies and a preferred drug list (PDL) developed by HHSC. HHSC will maintain separate Medicaid and CHIP formularies, and a Medicaid PDL. The MCO must administer the PDL in a way that allows access to all non-preferred drugs that are on the formulary through a structured PA process.

The MCO must educate Network Providers about how to access HHSC's formularies and the Medicaid PDL on HHSC's website. In addition, no later than November 1, 2013, the MCO must allow Network Providers access to the formularies and
Medicaid PDL through a free, point-of-care web-based application accessible on smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs, Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly.

8.1.21.2 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies

The MCO must adopt PA policies and procedures that are consistent with Section 8.1.8.1, “Compliance with State and Federal Prior Authorization Requirements.”

The MCO must adhere to HHSC’s PDL for Medicaid. Preferred drugs must adjudicate as payable without PA, unless they are subject to Clinical Edits. HHSC will identify Clinical Edits that the MCO must implement on the Vendor Drug Program website, and HHSC approval is required for all other Clinical Edit policies and any revisions. HHSC will respond to Clinical Edit approval requests within 30 calendar days. If a requested drug is subject to more than one edit (e.g., the drug is both non-preferred and subject to a Clinical Edit), the MCO must process all edits concurrently.

HHSC’s Medicaid PA, PDL, Clinical Edit, and other policies for the fee-for-service Vendor Drug Program are available on HHSC’s Vendor Drug Program website at http://www.txvendordrug.com/index.shtml. HHSC’s website also includes exception criteria for each drug class included on HHSC’s Medicaid PDL. These exception criteria describe the circumstances under which a non-preferred drug may be dispensed without a PA. If HHSC modifies the policies described above on the Vendor Drug Program website, HHSC will notify MCOs.

The MCO may require a prescriber's office to request a PA as a condition of coverage or pharmacy payment if the PA request is approved or denied within 24 hours of receipt. If a prescription cannot be filled when presented to the pharmacist due to a PA requirement and the prescriber's office cannot be reached, then the MCO must instruct the pharmacy to dispense a 72-hour emergency supply of the prescription. The pharmacy is not required to dispense a 72-hour supply if the dispensing pharmacist determines that taking the prescribed medication would jeopardize the Member's health or safety, and he or she has made good faith efforts to contact the prescriber. The pharmacy may fill consecutive 72-hour supplies if the prescriber's office remains unavailable. The MCO must reimburse the pharmacy for dispensing the temporary supply of medication.

The MCO must provide access to a toll-free call center for prescribers to call to request a PA for non-preferred drugs or drug that are subject to Clinical Edits. If the prescriber's office calls the MCO's PA call center, the MCO must provide a PA approval or denial immediately. For all other PA requests, the MCO must notify the prescriber's office of a PA denial or approval no later than 24 hours after receipt. If the MCO cannot make a timely PA determination, the MCO must allow the Member to receive a sufficient supply (e.g., a 72-hour supply) of the medication pending resolution of the PA request.

The MCO's PA system must accept PA requests from prescribers that are sent electronically, by phone, fax, or mail. The MCO may not charge pharmacies for PA transaction, software, or related costs for processing PA requests.

For drug products purchased by a pharmacy through the Health Resources Services Administration (HRSA) 340B discount drug program, the MCO may only impose Clinical Edit PA requirements. These drugs must be exempted from all PDL PA requirements.

A provider may appeal PA denials on a Member's behalf, in accordance with Sections 8.2.6 (Medicaid) and 8.4.2 (CHIP).

If a Member changes Medicaid or CHIP health plans, the MCO must provide the new health plan information about the Member's PA and medication history at no cost and upon request. The MCO, in consultation with HHSC, will develop a standard process and timeline for implementing a standard format for sharing member medication and PA history. HHSC expects the former MCO to respond with the requested information within 72-hours of the new MCO's request.

8.1.21.3 Coverage Exclusions

In accordance with 42 U.S.C. § 1396r-8, the MCO must exclude coverage for any drug marketed by a drug company (or labeler) that does not participate in the federal drug rebate program. The MCO is not permitted to provide coverage for any
drug product, brand name or generic, legend or non-legend, sold or distributed by a company that did not sign an agreement with the federal government to provide Medicaid rebates for that product.

8.1.21.4 DESI Drugs

The MCO must not provide coverage under any circumstances for drug products that have been classified as less-than-effective by the Food and Drug Administration (FDA) Drug Efficacy Study Implementation (DESI).

8.1.21.5 Pharmacy Rebate Program

Under the provisions of, 42 U.S.C. §1396r-8, drug companies that wish to have their products covered through the Texas Medicaid Program must sign an agreement with the federal government to provide the pharmacy claims information that is necessary to return federal rebates to the state.

The MCO is not authorized to negotiate rebates with drug companies for preferred pharmaceutical products. HHSC or its designee will negotiate rebate agreements. If the MCO or its PBM has an existing rebate agreement with a manufacturer, all Medicaid and CHIP outpatient drug claims, including provider-administered drugs, must be exempt from such rebate agreements. The MCO must include National Drug Codes (NDCs) on all encounters for outpatient drugs and biological products, including physician-administered drugs.

The MCO must implement a process to timely support HHSC’s Medicaid and CHIP rebate dispute resolution processes.

a. The MCO must allow HHSC or its designee to contact Network pharmacy Providers to verify information submitted on claims, and upon HHSC’s request, assist with this process.

b. The MCO must establish a single point of contact where HHSC’s designee can send information or request clarification.

c. HHSC will notify the MCO of claims submitted with incorrect information. The MCO must correct this information on the next scheduled pharmacy encounter data transmission.

8.1.21.6 Drug Utilization Review Program

The MCO must have a process in place to conduct prospective and retrospective utilization review of prescriptions that is consistent with Medicare Part D drug utilization review standards (see 42 C.F.R. § 423.153). Prospective review should take place at the dispensing pharmacy's point-of-sale (POS). The prospective review at the POS should compare the prescribed medication against previous drug history for drug-to-drug, interactions, ingredient duplication, therapeutic duplication, age or gender contraindications, drug-allergy contraindications, overutilization or underutilization, incorrect dosage, and high dose situations. The MCO's retrospective review should monitor prescriber and contracted pharmacies for outlier activities. Retrospective reviews should also determine whether services were delivered as prescribed and consistent with the MCO's payment policies and procedures. The MCO must provide a summary of the quarterly retrospective reviews, including outcomes, as described in UMCM Chapter 5.13.1, "MCO Drug Utilization Review (DUR) Quarterly Report Template."

Prior to the Operational Start Date, HHSC will transmit a file with up to one year of medication history for Members with recent Medicaid eligibility, moving from the fee-for-service program. Outgoing MCOs will transfer this data for members moving to a new MCO.

8.1.21.7 Pharmacy Benefit Manager (PBM)

The MCO must use a PBM to process prescription claims.

The MCO must identify the proposed PBM and the ownership of the proposed PBM. If the PBM is owned wholly or in part by a retail pharmacy provider, chain drug store or pharmaceutical manufacturer, the MCO will submit a written description of the assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information. The MCO must provide a plan documenting how it will monitor these Subcontractors. These assurances and procedures must be submitted for HHSC's review during Readiness Review (see Section 7, "Transition Phase Requirements") then prior to initiating any PBM Subcontract after the Operational Start Date.
The MCO must ensure its subcontracted PBM follows all pharmacy-related Contract, UMCM, state, and federal law requirements related to the provision of pharmacy services.

8.1.21.8 Financial Disclosures for Pharmacy Services

The MCO must disclose all financial terms and arrangements for remuneration of any kind that apply between the MCO and any prescription drug manufacturer or labeler, including formulary management, drug-switch programs, educational support, claims processing, pharmacy network fees, data sales fees, and any other fees. Article 9 of Attachment A, "Uniform Managed Care Contract Terms and Conditions," provides HHSC with the right to audit this information at any time. HHSC agrees to maintain the confidentiality of information disclosed by the MCO pursuant to this section, to the extent that the information is confidential under state or federal law.

8.1.21.9 Limitations Regarding Registered Sex Offenders

HHSC's Medicaid and CHIP formularies do not include sexual performance enhancing medications. If these medications are added to the Medicaid or CHIP formulary, then the MCO must comply with the requirements of Texas Government Code §531.089 prohibiting the provision of sexual performance enhancing medication to persons required to register as sex offenders under Chapter 62, Texas Code of Criminal Procedure.

8.1.21.10 Specialty Drugs

The MCO must develop policies and procedures for reclassifying prescription drugs from retail to specialty drugs for purposes of entering into selective contracting arrangements for specialty drugs. The MCO's policies and procedures must comply with 1 Tex. Admin. Code § 353.905 and § 354.1853 and include processes for notifying Network Pharmacy Providers.

8.1.21.11 Maximum Allowable Cost Requirements

The MCO must develop maximum allowable cost (MAC) prices and lists that comply with state and federal laws, including Texas Government Code § 533.005(a)(23)(K). To place an outpatient drug on a MAC list, the MCO must ensure that:

- the drug is listed as "A" or "B" rated in the most recent version of the United States Food and Drug Administration's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book, has an "NR" or "NA" rating or similar rating by a nationally recognized reference; and
- the drug is generally available for purchase by pharmacies in Texas from national or regional wholesalers and is not obsolete.

The MCO cannot set a MAC on a drug that is both preferred on HHSC's PDL and a brand name drug.

The MCO must provide a Network pharmacy the sources used to determine the MAC pricing at contract execution, renewal, and upon request. When determining MAC prices, the MCO may only compare drugs listed as therapeutically equivalent in the most recent version of the Orange Book to formulate the MAC price.

The MCO must review and update MAC prices at least once every seven days to reflect any modifications of MAC pricing, and establish a process for eliminating products from the MAC list or modifying MAC prices in a timely manner to remain consistent with pricing changes and product availability in the Service Area.

The MCO must implement a process for allowing Network pharmacies to challenge a MAC price no later than September 1, 2013. The MCO must submit the process for HHSC's review and approval prior to implementation and modification. The MCO must respond to a challenge by the 15th day after it is made. If the challenge is successful, the MCO must adjust the drug price, effective on the date the challenge is resolved, and apply the new price to all similarly situated Network pharmacies, as appropriate and determined by the MCO. If the challenge is denied, the MCO must provide the pharmacy the reasons for the denial. The MCO must provide a quarterly report regarding MAC price challenges in the manner and format specified in the UMCM.

No later than March 1, 2014, the MCO must implement a process that allows a Network pharmacy to readily access the pharmacy's MAC price through a website. The MCO must submit the process for HHSC's review and approval prior to
implementation and modification. As described in Texas Government Code § 533.005(a-2), a MAC price list that is specific to a Network pharmacy is confidential for all other purposes.

The MCO must inform HHSC no later than 21 days after implementing a MAC price list for drugs dispensed at retail pharmacies but not by mail.

8.1.21.12 Mail-Order and Delivery

The MCO may include mail-order pharmacies in its pharmacy Network, but cannot require Members to use a mail-order pharmacy. The MCO cannot charge a Member who opts to use a mail order pharmacy any fees for using this service, including postage or handling for standard or expedited deliveries.

In Medicaid fee-for-service, the Vendor Drug Program pays qualified community retail pharmacies for pharmaceutical delivery services. The MCO must implement a process to ensure that Medicaid and CHIP Members receive free outpatient pharmaceutical deliveries from community retail pharmacies in their Service Areas, or through other methods approved by HHSC. Mail order delivery is not an appropriate substitute for delivery from a qualified community retail pharmacy unless requested by the Member. The MCO's process must be approved by HHSC, submitted using HHSC’s template, and include all qualified community retail pharmacies identified by HHSC.

8.1.21.13 Health Resources and Services Administration 340B Discount Drug Program

The MCO must use a shared-savings approach for reimbursing Network Providers that participate in the federal Health Resources and Services Administration's (HRSA's) 340B discount drug program. The MCO cannot require a Network Provider to submit its actual acquisition cost (AAC) on outpatient drugs and biological products purchased through the 340B program, consistent with UMCM Chapter 2.2, "Pharmacy Claims Manual." In addition, the MCO cannot impose PA requirements based on non-preferred status ("PDL PAs") for these drugs and products.

8.1.21.14 Pharmacy Claims and File Processing

The MCO must process claims in accordance with UMCM Chapter 2.2, "Pharmacy Claims Manual," and Texas Insurance Code § 843.339. This law requires the MCO to pay clean claims that are submitted electronically no later than 18 days after adjudication, and no later than 21 days after adjudication if the claim is not submitted electronically. In addition, the MCO must comply with Sections 8.2.1 (Medicaid) and 8.4.3 (CHIP) regarding payment of out-of-network pharmacy claims.

HHSC will provide the MCO or its designee with pharmacy interface files, including formulary, PDL, third party liability, master provider, and drug exception files. The MCO must ensure all applicable MIS systems (including pharmacy claims adjudication systems) are updated to include the data provided in the pharmacy interface files within one calendar day. Additionally, the MCO must be able to perform off-cycle formulary and PDL updates at HHSC's request.

Due to the point-of-sale nature of outpatient pharmacy benefits, the MCO must ensure that all enrollment and eligibility files in the Joint Interface Plan are loaded into the pharmacy claims adjudication system within two calendar days of receipt.

8.1.21.15 Pharmacy Audits

The MCO must comply with the requirements of Texas Insurance Code § 843.3401, regarding audits of pharmacists and pharmacies, including the prohibition on the use of extrapolation.

8.1.21.16 E-Prescribing

The MCO must provide the appropriate data to the national e-prescribing network, which at a minimum will support: eligibility confirmation, PDL benefit confirmation, identification of preferred drugs that can be used in place of non-preferred drugs ("alternative drugs"), medication history, and prescription routing.

8.1.22 Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)

The MCO must make reasonable efforts to include FQHCs and RHCs (freestanding and Hospital-based) in its Provider Network. If a Member visits an FQHC or RHC (or a Municipal Health Department's public clinic for Health Care Services) at a
time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must pay full encounter rates to FQHCs and RHCs for Medically Necessary Covered Services provided to Medicaid and CHIP Members using the prospective payment methodology described in Sections 1902(bb) and 2107(e)(1) of the Social Security Act. Because the MCO is responsible for the full payment amount in effect on the date of service, HHSC cost settlements (or "wrap payments") will not apply.

### 8.1.23 Payment by Members.

Except as provided in [Section 8.1.23.1](#), MCOs, Network Providers, and Out-of-Network Providers are prohibited from billing or collecting any amount from a Member for Covered Services.

MCOs must inform Members of their responsibility to pay the costs for non-covered services, and must require its Network Providers to:

1. inform Members of costs for non-covered services prior to rendering such services; and
2. obtain a signed private pay form from such Members.

#### 8.1.23.1 Cost Sharing

CHIP Network Providers and Out-of-Network Providers may collect copayments authorized in the CHIP State Plan from CHIP Members.

CHIP families that meet the enrollment period cost share limit requirement must report it to the HHSC Administrative Services Contractor. The HHSC Administrative Service Contractor notifies the MCO that a family’s cost share limit has been reached. Upon notification from the HHSC Administrative Services Contractor that a family has reached its cost-sharing limit for the term of coverage, the MCO will generate and mail to the CHIP Member a new Member ID card within five calendar days, showing that the CHIP Member’s cost-sharing obligation for that term of coverage has been met. No cost-sharing may be collected from these CHIP Members for the balance of their term of coverage.

Providers are responsible for collecting all Member copayments at the time of service. Copayments that families must pay vary according to their income level.

Copayments do not apply, at any income level, to Covered Services that qualify as well-baby and well-child care services, preventive services, or pregnancy-related services as defined by 42 C.F.R. §457.520 and SSA § 2103(e)(2).

Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the copayments outlined in the CHIP Cost Sharing Table in *Uniform Managed Care Manual* Chapter 6.3, “CHIP Cost Sharing,” are the only amounts that an MCO may impose and a provider may collect from a CHIP-eligible family. As required by 42 C.F.R. §457.515, this includes, without limitation, Emergency Services that are provided at an Out-of-Network facility. Cost sharing for such Emergency Services is limited to the copayment amounts set forth in the CHIP Cost Sharing Table. If the MCO would have paid a lesser amount than the CHIP copayment in the absence of a CHIP copayment, then the copayment amount will be capped at the lesser amount.

Federal law prohibits charging premiums, deductibles, coinsurance, copayments, or any other cost-sharing to Members of Native Americans or Alaskan Natives. The HHSC Administrative Services Contractor will notify the MCO of Members who are not subject to cost sharing requirements. The MCO is responsible for educating Providers regarding the cost sharing waiver for this population.

An MCO’s monthly Capitation Payment will not be adjusted for a family’s failure to make its CHIP premium payment. There is no relationship between HHSC’s Capitation Payment to the MCO for coverage provided during a month and the family’s payment of its CHIP premium obligation for that month.
Cost sharing does not apply to CHIP Perinatal Program Members. The exemption from cost sharing applies through the end of the enrollment period.

As of the Effective Date of the Contract, cost sharing does not apply to Medicaid Members. If HHSC implements cost-sharing for Medicaid Members after the Effective Date of this Contract, the requirements of this section will apply, and HHSC will amend the Uniform Managed Care Manual to include Medicaid Cost Sharing Tables. Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the Medicaid copayments outlined in the Uniform Managed Care Manual will be the only amounts that an MCO may impose and a provider may collect from a Medicaid-eligible family.

8.1.24 Immunizations

The MCO must educate Providers on the Immunization Standard Requirements set forth in Chapter 161, Health and Safety Code; the standards in the Advisory Committee on Immunization Practices (ACIP) Immunization Schedule; the AAP Periodicity Schedule for CHIP Members; and the ACIP Immunization Schedule for Medicaid Members. The MCO must educate Providers that Medicaid Members birth through age 20 must be immunized during the Texas Health Steps checkup according to the ACIP routine immunization schedule. The MCO shall also educate Providers that the screening provider is responsible for administration of the immunization and should not refer children to Local Health Departments to receive immunizations.

The MCO must educate Providers about, and require Providers to comply with, the requirements of Chapter 161, Health and Safety Code, relating to the Texas Immunization Registry (ImmTrac), to include parental consent on the Vaccine Information Statement.

The MCO must notify Medicaid and CHIP Providers that they may enroll, as applicable, as Texas Vaccines for Children Providers. In addition, the MCO must work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry.

8.1.25 Dental Coverage

The MCO is not responsible for reimbursing dental providers for preventive and therapeutic dental services obtained by Medicaid or CHIP Members, with the exception of the dental services available to STAR+PLUS Members in the enrolled in the HCBS STAR+PLUS Waiver. However, medical and/or Hospital charges, such as anesthesia, that are necessary in order for Medicaid or CHIP Members to access standard therapeutic dental services, are Covered Services for Medicaid or CHIP Members. The MCO must provide access to facilities and physician services that are necessary to support the dentist who is providing dental services to a Medicaid or CHIP Member under general anesthesia or intravenous (IV) sedation.

The MCO must inform Network facilities, anesthesiologists, and PCPs what authorization procedures are required, and how Providers are to be reimbursed for the preoperative evaluations by the PCP and/or anesthesiologist and for the facility services. For dental-related medical Emergency Services, the MCO must reimburse Network and Out-of-Network providers in accordance with federal and state laws, rules, and regulations.

8.1.26 Health Home Services

The MCO must provide Health Home Services. The MCOs must include a designated Provider to serve as the health home. The designated provider must meet the qualifications as established by the U.S. Secretary of Health and Human Services. The designated provider may be a provider operating with a team of health professionals, or a health team selected by the enrollee. The Health Home Services must be part of a person-based approach and holistically address the needs of persons with multiple chronic conditions or a single serious and persistent mental or health condition.

Health Home Services must include:

1. patient self-management education;
2. provider education;
3. evidence-based models and minimum standards of care;
4. standardized protocols and participation criteria;
5. provider-directed or provider-supervised care;
6. a mechanism to incentivize providers for provision of timely and quality care;
7. implementation of interventions that address the continuum of care;
8. mechanisms to modify or change interventions that are not proven effective;
9. mechanisms to monitor the impact of the Health Home Services over time, including both the clinical and the financial impact.
10. comprehensive care management;
11. care coordination and health promotion;
12. comprehensive traditional care, including appropriate follow-up, from inpatient to other settings;
13. patient and family support (including authorized representatives);
14. referral to community and social support services, if relevant, and;
15. use of health information technology to link services, as feasible and appropriate.

The Health Home Services requirements do not apply to Dual Eligible Members unless HHSC enters into a Dual Eligible Demonstration Project with the CMS. Under a demonstration project, STAR+PLUS MCOs will be required to coordinate health home initiatives with their affiliated Medicare Advantage/Special Needs Plans.

8.1.26.1 Health Home Services and Participating Providers

HHSC encourages MCOs to develop provider incentive programs for designated Providers who meet the requirements for patient-centered medical homes found in Texas Government Code §533.0029.

At a minimum, the MCO must:
1. maintain a system to track and monitor all Health Home Services participants for clinical, utilization, and cost measures;
2. implement a system for Providers to request specific Health Home interventions;
3. inform Providers about differences between recommended prevention and treatment and actual care received by Members enrolled in a Health Home Services program and Members' adherence to a service plan; and
4. provide reports on changes in a Member's health status to his or her PCP for Members enrolled in a Health Home Services program.

8.1.26.2 MCO Health Home Services Evaluation

HHSC or its EQRO will evaluate the MCO's Health Home Services program.

8.1.27 Cancellation of Product Orders

If a Network Provider offers delivery services for covered products, such as durable medical equipment (DME), home health supplies, or outpatient drugs or biological products, then the MCO's Network Provider Agreement must require the Provider to reduce, cancel, or stop delivery at the Member's or the Member's authorized representative's written or oral request. The Provider must maintain records documenting the request.

8.2 Additional Medicaid MCO Scope of Work

The following provisions apply to any MCO participating in the STAR or STAR+PLUS MCO Program.

8.2.1 Continuity of Care and Out-of-Network Providers

The MCO must ensure that the care of newly enrolled Members is not disrupted or interrupted. The MCO must take special care to provide continuity in the care of newly enrolled Members whose health or behavioral health condition has been treated by specialty care providers or whose health could be placed in jeopardy if Medically Necessary Covered Services are disrupted or interrupted. See Section 8.1.14, “Disease Management/Health Home Services.” for specific requirements for new Members transferring to the MCO’s Disease Management/Health Home Service Program.

The MCO is required to ensure that Expansion Service Area clients receiving acute care services through a prior authorization as of the STAR and STAR+PLUS Operational Start Date receive continued authorization of those services for the shorter of: (1) 90 calendar days after Operational Start Date, or (2) until the expiration date of the prior authorization. The MCO is also required to ensure that Expansion Service Area clients receiving Community-based Long Term Care Services as of the STAR+PLUS Operational Start Date receive continued authorization of those services for up to six (6) months after the Operational
Start Date, unless a new assessment has been completed and new authorizations issued as described in Section 8.3.2.4. During transition, an HHSC’s Administrative Services Contractor or an HHS Agency will provide the MCO with files identifying clients with prior authorizations for acute care services and clients receiving Community-based Long Term Care Services. The MCO is required to work with HHSC, its Administrative Services Contractor, and DADS to ensure that all necessary authorizations are in place within the MCO’s system(s) for the continuation of Community-based Long Term Care Services and prior authorized acute care services. The MCO must describe the process it will use to ensure continuation of these services in its Transition/Implementation Plan for the Expansion Service Areas as noted in Section 7.3.1.1 Contract Start-Up and Planning. The MCO is also required to ensure that Community-based Long Term Care Services Providers in the Expansion Service Areas are educated about and trained regarding the process for continuing such services prior to the Operational Start Date (see Section 8.3.6.1).

As described in Section 8.1.3.2, the MCO must allow pregnant Members past the 24th week of pregnancy to remain under the care of the Member’s current OB/GYN through the Member’s postpartum checkup, even if the provider is Out-of-Network. If a Member wants to change her OB/GYN to one who is in the Network, she must be allowed to do so if the Provider to whom she wishes to transfer agrees to accept her in the last trimester of pregnancy.

The MCO must pay a Member’s existing Out-of-Network providers for Medically Necessary Covered Services until the Member’s records, clinical information and care can be transferred to a Network Provider, or until such time as the Member is no longer enrolled in that MCO, whichever is shorter. Payment to Out-of-Network providers must be made within the time period required for Network Providers. The MCO must comply with Out-of-Network provider reimbursement rules as adopted by HHSC.

With the exception of pregnant Members who are past the 24th week of pregnancy, this Article does not extend the obligation of the MCO to reimburse the Member’s existing Out-of-Network providers for ongoing care for:

1. more than 90 days after a Member enrolls in the MCO’s Program, or
2. for more than nine (9) months in the case of a Member who, at the time of enrollment in the MCO, has been diagnosed with and receiving treatment for a terminal illness and remains enrolled in the MCO.

The MCO’s obligation to reimburse the Member’s existing Out-of-Network provider for services provided to a pregnant Member past the 24th week of pregnancy extends through delivery of the child, immediate postpartum care, and the follow-up checkup within the first six (6) weeks of delivery.

If a Member moves out of a Service Area, the MCO must provide or pay Out-of-Network providers in the new Service Area who provide Medically Necessary Covered Services to Members through the end of the period for which the MCO received a Capitation Payment for the Member.

If Covered Services are not available within the MCO’s Network, the MCO must provide Members with timely and adequate access to Out-of-Network services for as long as those services are necessary and not available in the Network, in accordance with 42 C.F.R. §438.206(b)(4). The MCO will not be obligated to provide a Member with access to Out-of-Network services if such services become available from a Network Provider.

The MCO must ensure that each Member has access to a second opinion regarding the use of any Medically Necessary Covered Service. A Member must be allowed access to a second opinion from a Network Provider or Out-of-Network provider if a Network Provider is not available, at no cost to the Member, in accordance with 42 C.F.R. §438.206(b)(3).

8.2.2 Provisions Related to Covered Services for Medicaid Members

8.2.2.1 Emergency Services

MCO policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws, rules, and regulations including 42 C.F.R. §438.114, whether the provider is Network or Out-of-Network. MCO policies and procedures must be consistent with the prudent layperson definition of an Emergency Medical Condition and the claims adjudication processes required under the Contract and 42 C.F.R. §438.114.
The MCO must pay for professional, facility, and ancillary services provided in a Hospital emergency department that are Medically Necessary to perform the medical screening examination and stabilization of a Member presenting with an Emergency Medical Condition or an Emergency Behavioral Health Condition, whether rendered by Network Providers or Out-of-Network providers.

The MCO cannot require prior authorization as a condition for payment for an Emergency Medical Condition, an Emergency Behavioral Health Condition, or labor and delivery. The MCO cannot limit what constitutes an Emergency Medical Condition on the basis of lists of diagnoses or symptoms. The MCO cannot refuse to cover Emergency Services based on the emergency room provider, Hospital, or fiscal agent not notifying the Member’s PCP or the MCO of the Member’s screening and treatment within ten (10) calendar days of presentation for Emergency Services. The MCO may not hold the Member who has an Emergency Medical Condition liable for payment of subsequent screening and treatment needed to diagnose the specific condition or stabilize the patient. The MCO must accept the emergency physician or provider’s determination of when the Member is sufficiently stabilized for transfer or discharge.

A medical screening examination needed to diagnose an Emergency Medical Condition must be provided in a Hospital based emergency department that meets the requirements of the Emergency Medical Treatment and Active Labor Act (EMTALA) (42 C.F.R. §§489.20, 489.24 and 438.114(b)&(c)). The MCO must pay for the emergency medical screening examination, as required by 42 U.S.C. §1395dd. The MCO must reimburse for both the physician's services and the Hospital's Emergency Services, including the emergency room and its ancillary services.

When the medical screening examination determines that an Emergency Medical Condition exists, the MCO must pay for Emergency Services performed to stabilize the Member. The emergency physician must document these services in the Member's medical record. The MCO must reimburse for both the physician's and Hospital's emergency stabilization services including the emergency room and its ancillary services.

The MCO must cover and pay for Post-Stabilization Care Services in the amount, duration, and scope necessary to comply with 42 C.F.R. §438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii). The MCO is financially responsible for post-stabilization care services obtained within or outside the Network that are not pre-approved by a Provider or other MCO representative, but administered to maintain, improve, or resolve the Member’s stabilized condition if:

1. the MCO does not respond to a request for pre-approval within one (1) hour;

2. the MCO cannot be contacted; or

3. the MCO representative and the treating physician cannot reach an agreement concerning the Member’s care and a Network physician is not available for consultation. In this situation, the MCO must give the treating physician the opportunity to consult with a Network physician and the treating physician may continue with care of the patient until an Network physician is reached. The MCO’s financial responsibility ends as follows: the Network physician with privileges at the treating Hospital assumes responsibility for the Member’s care; the Network physician assumes responsibility for the Member’s care through transfer; the MCO representative and the treating physician reach an agreement concerning the Member’s care; or the Member is discharged.

8.2.2.2 Family Planning - Specific Requirements

The MCO must provide access to confidential family planning services.

The MCO must require, through Provider contract provisions, that Members requesting contraceptive services or family planning services are also provided counseling and education about the family planning and family planning services available to Members. The MCO must develop outreach programs to increase community support for family planning and encourage Members to use available family planning services.

The MCO must ensure that Members have the right to choose any Medicaid-enrolled family planning provider, whether the provider chosen by the Member is in or outside the Provider Network. The MCO must provide Members access to information about available providers of family planning services and the Member’s right to choose any Medicaid-enrolled family planning provider.

The MCO must provide, at a minimum, the full scope of services available under the Texas Medicaid program for family planning services. The MCO will reimburse family planning agencies no less than the Medicaid fee-for service amounts for family planning services, including Medically Necessary medications, contraceptives, and supplies and will reimburse Out-of-
Network family planning providers in accordance with HHSC’s administrative rules. The MCO cannot require prior authorization for family planning services whether rendered by a Network or Out-of-Network provider.

The MCO must provide medically approved methods of contraception to Members, provided that the methods of contraception are Covered Services. Contraceptive methods must be accompanied by verbal and written instructions on their correct use. The MCO must establish mechanisms to ensure all medically approved methods of contraception are made available to the Member, either directly or by referral to a Subcontractor.

The MCO must develop, implement, monitor, and maintain standards, policies and procedures for providing information regarding family planning to Providers and Members, specifically regarding State and federal laws governing Member confidentiality (including minors). Providers and family planning agencies cannot require parental consent for minors to receive family planning services. The MCO must require, through contractual provisions, that Subcontractors have mechanisms in place to ensure Member’s (including minor’s) confidentiality for family planning services.

8.2.2.3 Texas Health Steps (EPSDT)

8.2.2.3.1 Medical Checkups

The MCO must develop effective methods to ensure that children birth through age 20 receive Texas Health Steps services when due and according to the recommendations established by the Texas Health Steps periodicity schedule for children. The MCO must arrange for Texas Health Steps services for all eligible Members, except when Members or their representatives knowingly and voluntarily decline or refuse services after receiving sufficient information to make an informed decision.

For New Members birth through age 20, overdue or upcoming Texas Health Steps medical checkups should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. A Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due beginning on the child’s birthday and is considered timely if it occurs no later than 364 calendar days after the child’s birthday. For purposes of this requirement, the terms “New Member” and “Existing Member” are defined in Chapter 12.4 of the Uniform Managed Care Manual.

The MCO must have mechanisms in place to ensure that all newborn Members have an initial newborn checkup before discharge from the Hospital and in accordance with the Texas Health Steps periodicity schedule.

8.2.2.3.2 Oral Evaluation and Fluoride Varnish

The MCO must educate Providers on the availability of the Oral Evaluation and Fluoride Varnish (OEFV) Medicaid benefit that can be rendered and billed by certified Texas Health Steps providers when performed on the same day as the Texas Health Steps medical checkup. The Provider education must include information about how to assist a Member with referral to a dentist to establish a dental home.

8.2.2.3.3 Lab

The MCO must require Providers to send all Texas Health Steps newborn screens to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code. Providers must include detailed identifying information for all screened newborn Members and the Member’s mother to allow DSHS to link the screens performed at the Hospital with screens performed at the newborn follow up Texas Health Steps medical checkup.

All laboratory specimens collected as a required component of a Texas Health Steps checkup (see Texas Medicaid Provider Procedures Manual for age-specific requirements) must be submitted to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code for analysis unless the Texas Medicaid Provider Procedures Manual, Children’s Services Handbook provides otherwise. The MCO must educate Providers about Texas Health Steps Program requirements for submitting laboratory tests to the DSHS Laboratory Services Section.

8.2.2.3.4 Education/Outreach

The MCO must ensure that Members are provided information and educational materials about the services available through the Texas Health Steps Program, and how and when they may obtain the services. The information should tell the Member how they can obtain dental benefits, services through the Medical Transportation Program, and advocacy assistance from the MCO. Standard language describing Texas Health Steps services, including medical, dental and case management services is provided.
in the UMCM. The MCO should use this language for Member Materials. Any additions to or deviations from the standard language must be reviewed and approved by HHSC prior to publication and distribution to Members.

The MCO will encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO must provide outreach to Members to ensure they receive prompt services and are effectively informed about available Texas Health Steps services. Each month, the MCO must retrieve from the HHSC Administrative Services Contractor Bulletin Board System a list of Members who are due and overdue Texas Health Steps services. Using these lists and its own internally generated list, the MCO will contact such Members to schedule the service as soon as possible. The MCO outreach staff must coordinate with Texas Health Steps outreach unit to ensure that Members have access to the Medical Transportation Program, and that any coordination with other agencies is maintained.

The MCO must cooperate and coordinate with the State, outreach programs and Texas Health Steps regional program staff and agents to ensure prompt delivery of services to Children of Migrant Farm Workers and other migrant populations who may transition into and out of the MCO’s Program more rapidly and/or unpredictably than the general population.

The MCO must make an effort to coordinate and cooperate with existing community and school-based health and education programs that offer services to school-aged children in a location that is both familiar and convenient to the Members. The MCO must make a good faith effort to comply with Head Start’s requirement that Members participating in Head Start receive their Texas Health Steps checkup no later than 45 days after enrolling into either program.

8.2.2.3.5 Training

The MCO must provide appropriate training to all Network Providers and Provider staff in the Providers' area of practice regarding the scope of benefits available and the Texas Health Steps Program. Training must include:

1. Texas Health Steps benefits;
2. the periodicity schedule for Texas Health Steps medical checkups and immunizations;
3. the required elements of Texas Health Steps medical checkups;
4. providing or arranging for all required lab screening tests (including leadscreening), and Comprehensive Care Program (CCP) services available under the Texas Health Steps program to Members birth through age 20 years,
5. Medical Transportation services available to Members such as rides to healthcare service by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, meals and lodging when away from home;
6. importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
7. information about MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
8. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit; and
9. administrative issues such as claims filing and services available to Members.
10. 72-hour emergency supply prescription policy and procedures;
11. outpatient prescription drug prior authorization process;
12. how to access the Medicaid formulary and preferred drug list (PDL) on HHSC's website;
13. how to use HHSC's free subscription service for accessing the Medicaid formulary and PDL through the Internet or hand-held devices; and
14. scope of Durable Medical Equipment (DME) and other items commonly found in a pharmacy that are available for Members birth through age 20 years.

MCO must also educate and train Providers regarding the requirements imposed on HHSC and contracting MCOs under the Consent Decree and Corrective Action Orders entered in Frew v. Janek, et. al. Providers should be educated and trained to treat each Texas Health Steps visit as an opportunity for a comprehensive assessment of the Member.

8.2.2.3.6 Data Validation

The MCO must require all Texas Health Steps Providers to submit claims for services paid (either on a capitated or fee-for service basis) on the CMS 1500 claim form and use the HIPAA compliant code set required by HHSC. Encounter Data will be validated by chart review of a random sample of Texas Health Steps eligible enrollees against monthly Encounter Data reported by the MCO. HHSC or its designee will conduct chart reviews to validate that all screens are performed when due and as reported, and that reported data is accurate and timely. Substantial deviation between reported and
charted Encounter Data could result in the MCO and/or Network Providers being investigated for potential Fraud, Abuse, or Waste without notice to the MCO or the Provider.

8.2.2.4 Perinatal Services

The MCO's perinatal Health Care Services must ensure appropriate care is provided to women and infant Members from the preconception period through the infant's first year of life. The MCO's perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act) and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems;
6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems; and
7. education and care coordination for Members who are at high-risk for preterm labor, including education on the availability of medication regimens to prevent preterm birth, such as hydroxyprogesterone caproate. The MCO should also educate Providers on the prior authorization processes for these benefits and services.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member that meets the eligibility criteria to be designated in the Pregnant Woman Risk Group no later than two (2) weeks after receiving the daily Enrollment File verifying the Member's enrollment into the MCO or has a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

The MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated Caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must Adjudicate provider claims for services provided to a newborn Member in accordance with HHSC's claims processing requirements using the proxy ID number or State-issued Medicaid ID number. The MCO cannot deny claims based on a provider's non-use of State-issued Medicaid ID number for a newborn Member. The MCO must accept provider claims for newborn services based on mother's name and/or Medicaid ID number with accommodations for multiple births, as specified by the MCO.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO's prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

8.2.2.5 Sexually Transmitted Diseases (STDs) and Human Immunodeficiency Virus (HIV)

The MCO must provide STD services that include STD/HIV prevention, screening, counseling, diagnosis, and treatment. The MCO is responsible for implementing procedures to ensure that Members have prompt access to appropriate services for STDs, including HIV. The MCO must allow Members access to STD services and HIV diagnosis services without prior authorization or referral by a PCP.

The MCO must comply with Texas Family Code Section 32.003, relating to consent to treatment by a child. The MCO must provide all Covered Services required to form the basis for a diagnosis by the Provider as well as the STD/HIV treatment plan.

The MCO must make education available to Providers and Members on the prevention, detection and effective treatment of STDs, including HIV.
The MCO must require Providers to report all confirmed cases of STDs, including HIV, to the local or regional health authority according to 25 T.A.C. §§97.131 - 97.134, using the required forms and procedures for reporting STDs. The MCO must require the Providers to coordinate with the HHSC regional health authority to ensure that Members with confirmed cases of syphilis, chancroid, gonorrhea, chlamydia and HIV receive risk reduction and partner elicitation/notification counseling.

The MCO must have established procedures to make Member records available to public health agencies with authority to conduct disease investigation, receive confidential Member information, and provide follow up activities.

The MCO must require that Providers have procedures in place to protect the confidentiality of Members provided STD/HIV services. These procedures must include, but are not limited to, the manner in which medical records are to be safeguarded, how employees are to protect medical information, and under what conditions information can be shared. The MCO must inform and require its Providers who provide STD/HIV services to comply with all state laws relating to communicable disease reporting requirements. The MCO must implement policies and procedures to monitor Provider compliance with confidentiality requirements.

The MCO must have policies and procedures in place regarding obtaining informed consent and counseling Members provided STD/HIV services.

8.2.2.6 Tuberculosis (TB)

The MCO must provide Members and Providers with education on the prevention, detection and effective treatment of tuberculosis (TB). The MCO must establish mechanisms to ensure all procedures required to screen at-risk Members and to form the basis for a diagnosis and proper prophylaxis and management of TB are available to all Members, except services referenced in Section 8.2.2.8 as Non-Capitated Services. The MCO must develop policies and procedures to ensure that Members who may be or are at risk for exposure to TB are screened for TB. An at-risk Member means a person who is susceptible to TB because of the association with certain risk factors, behaviors, drug resistance, or environmental conditions. The MCO must consult with the local TB control program to ensure that all services and treatments are in compliance with the guidelines recommended by the American Thoracic Society (ATS), the Centers for Disease Control and Prevention (CDC), and DSHS policies and standards.

The MCO must implement policies and procedures requiring Providers to report all confirmed or suspected cases of TB to the local TB control program within one (1) Business Day of identification, using the most recent DSHS forms and procedures for reporting TB. The MCO must provide access to Member medical records to DSHS and the local TB control program for all confirmed and suspected TB cases upon request.

The MCO must coordinate with the local TB control program to ensure that all Members with confirmed or suspected TB have a contact investigation and receive Directly Observed Therapy (DOT). The MCO must require, through contract provisions, that Providers report to DSHS or the local TB control program any Member who is non-compliant, drug resistant, or who is or may be posing a public health threat. The MCO must cooperate with the local TB control program in enforcing the control measures and quarantine procedures contained in Chapter 81 of the Texas Health and Safety Code.

The MCO must have a mechanism for coordinating a post-discharge plan for follow-up DOT with the local TB program. The MCO must coordinate with the DSHS South Texas Hospital and Texas Center for Infectious Disease for voluntary and court-ordered admission, discharge plans, treatment objectives and projected length of stay for Members with multi-drug resistant TB.

8.2.2.7 Objection to Provide Certain Services

In accordance with 42 C.F.R. §438.102, the MCO may file an objection based on moral or religious grounds to providing, reimbursing for, or providing coverage of a Covered Service or a counseling or referral service related to the Covered Service. The MCO must work with HHSC to develop a work plan to complete the necessary tasks and determine an appropriate date for implementation of the requested changes to the requirements related to Covered Services. The work plan will include timeframes for completing the necessary Contract and waiver amendments, adjustments to Capitation Rates, identification of the MCO and enrollment materials needing revision, and notifications to Members.

In order to meet the requirements of this section, no less than 120 days prior to the proposed effective date of a policy change, the MCO must notify HHSC of grounds for and provide detail concerning its moral or religious objections and the specific services covered under the objection.
8.2.2.8 Medicaid Non-capitated Services

The following Texas Medicaid programs, services, or benefits have been excluded from MCO Covered Services. Medicaid Members are eligible to receive these Non-capitated Services on a Fee-for-Service basis, or through a Dental MCO (for most dental services). MCOs should refer to relevant chapters in the Texas Provider Procedures Manual for more information.

1. Texas Health Steps dental (including orthodontia);
2. Texas Health Steps environmental lead investigation (ELI);
3. Early Childhood Intervention (ECI) case management/service coordination;
4. Early Childhood Intervention Specialized Skills Training;
5. DSHS Targeted Case Management - coordinated by LMHAs;
6. DSHS mental health rehabilitation;
7. Case Management for Children and Pregnant Women;
8. Texas School Health and Related Services (SHARS);
9. Department of Assistive and Rehabilitative Services Blind Children's Vocational Discovery and Development Program;
10. tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation);
11. Health and Human Services Commission's Medical Transportation;
12. DADS hospice services;
13. Court-Ordered Commitments to inpatient mental health facilities as a condition of probation;
14. for STAR, Personal Care Services for persons birth through age 20 are Non-capitated Services;
15. for STAR+PLUS, nursing facility services are Non-capitated Services; and
16. for Members who are enrolled in STAR or STAR+PLUS during an Inpatient Stay under one of the exceptions identified in Attachment A, Section 5.06(a)(2), Hospital facility charges associated with the Inpatient Stay are Non-Capitated Services under the circumstances described in Attachment A, Section 5.06(a)(2).

8.2.2.9 Referrals for Non-capitated Services

Although Medicaid MCOs are not responsible for paying or reimbursing for Non-capitated Services, MCOs are responsible for educating Members about the availability of Non-capitated Services, and for providing appropriate referrals for Members to obtain or access these services. The MCO is responsible for informing Providers that bills for all Non-capitated Services must be submitted to HHSC’s Claims Administrator for reimbursement.

8.2.2.10 Cooperation with Immunization Registry

The MCO must work with HHSC and health care providers to improve the immunization rate of Medicaid clients and the reporting of immunization information for inclusion in the Texas Immunization Registry, called “ImmTrac.”

8.2.2.11 Case Management for Children and Pregnant Women

The MCO must coordinate services with Case Management for Children and Pregnant Women. This coordination includes, but is not limited to, client education, outreach, case collaboration and referrals to Case Management for Children and Pregnant Women. The MCO is required to follow referral procedures as outlined by the State. Referrals to Case Management for Children and Pregnant Women are to be based upon guidelines provided by the State, assessment, plan of care, change in client's physical, mental or psychosocial condition, or at client's request.

Annually, all MCO Care Coordination/Case Management Staff must complete the Texas Health Steps Online module titled: Case Management Services in Texas and maintain proof of completion.

8.2.2.12 Children of Migrant Farm Workers (FWC)

The MCO must cooperate and coordinate with the State, outreach programs, and Texas Health Steps regional program staff and agents to ensure prompt delivery of services, in accordance with the Contract’s timeframes, to FWC Members and other migrant populations who may transition into and out of the MCO more rapidly and/or unpredictably than the general population.

The MCO must provide accelerated services to FWC Members. For purposes of this section, “accelerated services” are services that are provided to FWC Members prior to their leaving Texas for work in other states. Accelerated services include...
the provision of preventive Health Care Services that will be due during the time the FWC Member is out of Texas. The need for accelerated services must be
determined on a case-by-case and according to the FWC Member’s age, periodicity schedule and health care needs.

The MCO must develop an annual plan identifying the process and methods it will use to identify/validate FWC and provide accelerated services to such
Members in accordance with Chapter 12 of the Uniform Managed Care Manual.

8.2.3 Medicaid Significant Traditional Providers

In the first three (3) operational years of a Medicaid MCO Program, the MCO must offer Network Provider agreements to all Medicaid Significant Traditional
Providers (STPs) identified by HHSC. Medicaid STPs are defined as pharmacy providers and providers of Acute and Long Term Services and Supports
and, for STAR+PLUS, Community-based Long Term Care providers in a county that provided a significant level of care to Medicaid clients.

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs). For STAR MCOs, the STP requirements for other
provider types apply only in the Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith,
Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS
MCOs, the STP requirements for other types of providers apply to the Jefferson, El Paso, Lubbock, and Hidalgo Service Areas; as well as the following
counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. The Procurement Library includes a list of
Medicaid STPs by Service Area.

The STP requirement will be in place for three (3) years after the Operational Start Date. During that time, providers who believe they meet the STP
requirements may contact HHSC to request HHSC’s consideration for STP status.

The MCO must give STPs the opportunity to participate in its Network for at least three (3) years. However, the STP provider must:

1. agree to accept the MCO's Provider reimbursement rate for the provider type; and
2. meet the standard credentialing requirements of the MCO, provided that lack of board certification or accreditation by the Joint Commission on
   Accreditation of Health Care Organizations (JCAHO) is not the sole grounds for exclusion from the Provider Network.

The MCO may terminate a Network Provider agreement with an STP after demonstrating, to the satisfaction of HHSC, good cause for the termination. Good
cause may include evidence of provider fraud, waste, or abuse.

8.2.4 Provider Complaints and Appeals

8.2.4.1 Provider Complaints

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider complaints. Within this process, the MCO must
respond fully and completely to each complaint and establish a tracking mechanism to document the status and final disposition of each Provider complaint.
The MCO must resolve Provider complaints within 30 days from the date the complaint is received. The HMO is subject to remedies, including liquidated
damages, if at least 98 percent of Provider Complaints are not resolved within 30 days of receipt of the Complaint by the HMO. Please see the Attachment A
“Uniform Managed Care Contract Terms & Conditions” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

MCOs must also resolve Provider complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification
form. HHSC will generally provide MCOs ten (10) Business Days to resolve such complaints. If an MCO cannot resolve a complaint by the due date
indicated on the notification form, it may submit a request to extend the deadline. HHSC may, in its reasonable discretion, grant a written extension if the
MCO demonstrates good cause.

Unless HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages if Provider
complaints are not resolved by the timeframes indicated herein.

8.2.4.2 Appeal of Provider Claims
MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider appeals related to claims payment, as required by Texas Government Code § 533.005(a)(15). Within this process, the MCO must respond fully and completely to each Medicaid Provider's claims payment appeal and establish a tracking mechanism to document the status and final disposition of each appeal. The MCO must allow Community-based Long Term Services and Supports providers to appeal claims that the MCO has not paid or denied by the 31st day following receipt.

In addition, the MCO's process must comply with Texas Government Code § 533.005(a)(19).

MCOs must contract with non-network physicians to resolve claims disputes related to denial on the basis of Medical Necessity that remain unresolved subsequent to a provider appeal. The determination of the physician resolving the dispute must be binding on the MCO and a Network Provider. The physician resolving the dispute must hold the same specialty or a related specialty as the appealing provider. HHSC reserves the right to amend this process to include an independent review process established by HHSC for final determination on these disputes.

8.2.5 Member Rights and Responsibilities

In accordance with 42 C.F.R. §438.100, MCOs must maintain written policies and procedures for informing Members of their rights and responsibilities, and must notify Members of their right to request a copy of these rights and responsibilities. The Member Handbook must include a notice that complies with Uniform Managed Care Manual Chapter 3.4.

8.2.6 Medicaid Member Complaint and Appeal System

The MCO must develop, implement, and maintain a Member Complaint and Appeal system that complies with the requirements in applicable federal and state laws and regulations, including 42 C.F.R. §431.200; 42 C.F.R. Part 438, Subpart F, “Grievance System”; and the provisions of 1 T.A.C. Chapter 357, relating to Medicaid managed care organizations.

The Complaint and Appeal system must include a Complaint process, an Appeal process, and access to HHSC’s Fair Hearing System. The procedures must be the same for all Members and must be reviewed and approved in writing by HHSC or its designee. Modifications and amendments to the Member Complaint and Appeal system must be submitted for HHSC’s approval at least 30 days prior to the implementation.

8.2.6.1 Member Complaint Process

The MCO must have written policies and procedures for receiving, tracking, responding to, reviewing, reporting and resolving Complaints by Members or their authorized representatives. For purposes of Section 8.2.6 an “authorized representative” is any person or entity acting on behalf of the Member and with the Member’s written consent. A Provider may be an authorized representative.

MCOs also must resolve Member Complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will provide MCOs up to ten (10) Business Days to resolve such Complaints, depending on the severity and/or urgency of the Complaint. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless the HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages, if Member Complaints are not resolved by the timeframes indicated herein.

The MCO must resolve Complaints within 30 days from the date the Complaint is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of receipt of the Complaint by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” The Complaint procedure must be the same for all Members. The Member or Member’s authorized representative may file a Complaint either orally or in writing. The MCO must also inform Members how to file a Complaint directly with HHSC, once the Member has exhausted the MCO’s Complaint process.
The MCO must designate an officer of the MCO who has primary responsibility for ensuring that Complaints are resolved in compliance with written policy and within the required timeframe. For purposes of Section 8.2.6.2, an “officer” of the MCO means a president, vice president, secretary, treasurer, or chairperson of the board for a corporation, the sole proprietor, the managing general partner of a partnership; or a person having similar executive authority in the organization.

The MCO must have a routine process to detect patterns of Complaints. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Complaints.

The MCO’s Complaint procedures must be provided to Members in writing and through oral interpretive services. A written description of the MCO’s Complaint procedures must be available in prevalent non-English languages for Major Population Groups identified by HHSC, at no more than a 6th grade reading level.

The MCO must include a written description of the Complaint process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TeleTypewriter/Telecommunications Device for the Deaf (TTY/TDD) and interpreter capabilities for making Complaints. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every Complaint received in person, by telephone, or in writing must be acknowledged and recorded in a written record and logged with the following details:

1. date;
2. identification of the individual filing the Complaint;
3. identification of the individual recording the Complaint;
4. nature of the Complaint;
5. disposition of the Complaint (i.e., how the MCO resolved the Complaint);
6. corrective action required; and
7. date resolved.

For Complaints that are received in person or by telephone, the MCO must provide Members or their representatives with written notice of resolution if the Complaint cannot be resolved within one working day of receipt.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making a Complaint.

If the Member makes a request for disenrollment, the MCO must give the Member information on the disenrollment process and direct the Member to the HHSC Administrative Services Contractor. If the request for disenrollment includes a Complaint by the Member, the Complaint will be processed separately from the disenrollment request, through the Complaint process.

The MCO will cooperate with the HHSC’s Administrative Services Contractor and HHSC or its designee to resolve all Member Complaints. Such cooperation may include, but is not limited to, providing information or assistance to internal Complaint committees.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the MCO’s Complaint system. The MCO’s Member Advocates must assist Members in writing or filing a Complaint and monitoring the Complaint through the MCO’s Complaint process until the issue is resolved.

8.2.6.2 Medicaid Standard Member Appeal Process

The MCO must develop, implement and maintain an Appeal procedure that complies with state and federal laws and regulations, including 42 C.F.R.§ 431.200 and 42 C.F.R. Part 438, Subpart F, “Grievance System.” An Appeal is a disagreement with an MCO Action as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.” The Appeal procedure must be the same for all Members. When a Member or his or her authorized representative expresses orally or in
writing any dissatisfaction or disagreement with an Action, the MCO must regard the expression of dissatisfaction as a request to Appeal an Action.

A Member must file a request for an Appeal with the MCO within 30 days from receipt of the notice of the Action. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Appeals are not resolved within 30 days of receipt of the Appeal by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, "Deliverables/Liquidated Damages Matrix." To ensure continuation of currently authorized services, however, the Member must file the Appeal on or before the later of: (1) ten (10) days following the MCO’s mailing of the notice of the Action, or (2) the intended effective date of the proposed Action. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved in compliance with written policy and within the 30-day time limit.

The provisions of Chapter 4201, Texas Insurance Code, relating to a Member’s right to Appeal an Adverse Determination made by the MCO or a utilization review agent to an independent review organization, do not apply to a Medicaid recipient. Chapter 4201 is preempted by federal Fair Hearings requirements.

The MCO must have policies and procedures in place outlining the Medical Director’s role in an Appeal of an Action. The Medical Director must have a significant role in monitoring, investigating and hearing Appeals. In accordance with 42 C.F.R. § 438.406, the MCO’s policies and procedures must require that individuals who make decisions on Appeals are not involved in any previous level of review or decision-making, and are health care professionals who have the appropriate clinical expertise in treating the Member’s condition or disease.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the Appeal process. The MCO’s Member Advocates must assist Members in writing or filing an Appeal and monitoring the Appeal through the MCO’s Appeal process until the issue is resolved.

The MCO must have a routine process to detect patterns of Appeals. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Appeals.

The MCO’s Appeal procedures must be provided to Members in writing and through oral interpretive services. A written description of the Appeal procedures must be available in prevalent non-English languages identified by HHSC, at no more than a 6th grade reading level. The MCO must include a written description of the Appeals process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TTY/TDD and interpreter capabilities for requesting an Appeal of an Action. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every oral Appeal received must be confirmed by a written, signed Appeal by the Member or his or her representative, unless the Member or his or her representative requests an expedited resolution. All Appeals must be recorded in a written record and logged with the following details:

1. date notice is sent;
2. effective date of the Action;
3. date the Member or his or her representative requested the Appeal;
4. date the Appeal was followed up in writing;
5. identification of the individual filing;
6. nature of the Appeal; and
7. disposition of the Appeal, including a copy of the notice of disposition and the date it was sent to Member.

The MCO must send a letter to the Member within five (5) Business Days acknowledging receipt of the Appeal request. Except for the resolution of an Expedited Appeal as provided in Section 8.2.6.3, the MCO must complete the entire standard Appeal process within 30 calendar days after receipt of the initial written or oral request for Appeal. The timeframe for a standard Appeal may be extended up to 14 calendar days if the Member or his or her representative requests an extension, or the MCO shows that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is
extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved within these timeframes and in accordance with the MCO’s written policies.

During the Appeal process, the MCO must provide the Member a reasonable opportunity to present evidence and any allegations of fact or law in person as well as in writing. The MCO must inform the Member of the time available for providing this information and that, in the case of an expedited resolution, limited time will be available.

The MCO must provide the Member and his or her representative opportunity, before and during the Appeal process, to examine the Member’s case file, including medical records and any other documents considered during the Appeal process. The MCO must include, as parties to the Appeal, the Member and his or her representative, including the legal representative of a deceased Member’s estate.

In accordance with 42 C.F.R.§ 438.420, the MCO must continue the Member’s benefits currently being received by the Member, including the benefit that is the subject of the Appeal, if all of the following criteria are met:

1. the Member or his or her representative files the Appeal timely as defined in this Contract;
2. the Appeal involves the termination, suspension, or reduction of a previously authorized course of treatment;
3. the services were ordered by an authorized provider;
4. the original period covered by the original authorization has not expired; and
5. the Member requests an extension of the benefits.

If, at the Member’s request, the MCO continues or reinstates the Member’s benefits while the Appeal is pending, the benefits must be continued until one of the following occurs:

1. the Member withdraws the Appeal;
2. ten (10) days pass after the MCO mails the notice resolving the Appeal against the Member, unless the Member, within the 10-day timeframe, has requested a Fair Hearing with continuation of benefits. In such a case, the benefits will continue until a Fair Hearing decision can be reached; or
3. a State Fair Hearing Officer issues a hearing decision adverse to the Member or the time period or service limits of a previously authorized service has been met.

In accordance with 42 C.F.R.§ 438.420(d), if the final resolution of the Appeal is adverse to the Member and upholds the MCO’s Action, then to the extent that the services were furnished to comply with the Contract, the MCO may recover such costs from the Member.

If the MCO or State Fair Hearing Officer reverses a decision to deny, limit, or delay services that were not furnished while the Appeal was pending, the MCO must authorize or provide the disputed services promptly and as expeditiously as the Member’s health condition requires.

If the MCO or State Fair Hearing Officer reverses a decision to deny authorization of services and the Member received the disputed services while the Appeal was pending, the MCO is responsible for the payment of services.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making an Appeal.

8.2.6.3 Expedited Medicaid MCO Appeals

In accordance with 42 C.F.R. §438.410, the MCO must establish and maintain an expedited review process for Appeals. Such expedited process will apply when the MCO determines (for a request from a Member) or the provider indicates (in making the request on the Member’s behalf or supporting the Member’s request) that taking the time for a standard resolution could seriously jeopardize the Member’s life or health. The MCO must follow all Appeal requirements for standard Member Appeals as set forth in Section 8.2.6.2), except where differences are specifically noted. The MCO must accept oral or written requests for Expedited Appeals.
Members must exhaust the MCO’s Expedited Appeal process before making a request for an expedited Fair Hearing. After the MCO receives the request for an Expedited Appeal, it must hear an approved request for a Member to have an Expedited Appeal and notify the Member of the outcome of the Expedited Appeal within three (3) Business Days, except that the MCO must complete investigation and resolution of an Appeal relating to an ongoing emergency or denial of continued Hospitalization: (1) in accordance with the medical or dental immediacy of the case; and (2) not later than one (1) Business Day after receiving the Member’s request for Expedited Appeal.

Except for an Appeal relating to an ongoing emergency or denial of continued hospitalization, the timeframe for notifying the Member of the outcome of the Expedited Appeal may be extended up to 14 calendar days if the Member requests an extension or the MCO shows (to the satisfaction of HHSC, upon HHSC’s request) that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay.

If the decision is adverse to the Member, the MCO must follow the procedures relating to the notice in Section 8.2.6.5. The MCO is responsible for notifying the Member of his or her right to access an expedited Fair Hearing from HHSC. The MCO will be responsible for providing documentation to HHSC and the Member, indicating how the decision was made, prior to HHSC’s expedited Fair Hearing.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for requesting an Expedited Appeal. The MCO must ensure that punitive action is neither taken against a provider who requests an expedited resolution or supports a Member’s request.

If the MCO denies a request for expedited resolution of an Appeal, it must:

1. transfer the Appeal to the timeframe for standard resolution, and
2. make a reasonable effort to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.4 Access to Fair Hearing for Medicaid Members

The MCO must inform Members that they have the right to access the Fair Hearing process at any time during the Appeal system provided by the MCO, with the following exception. In the case of an expedited Fair Hearing process, the MCO must inform the Member that he or she must first exhaust the MCO’s internal Expedited Appeal process prior to filing an Expedited Fair Hearing request. The MCO must notify Members that they may be represented by an authorized representative in the Fair Hearing process.

If a Member requests a Fair Hearing, the MCO will complete the request for Fair Hearing and submit the form via facsimile to the appropriate Fair Hearings office, within five (5) calendar days of the Member's request for a Fair Hearing. Within five (5) calendar days of notification that the Fair Hearing is set, the MCO will prepare an evidence packet for submission to the HHSC Fair Hearings staff and send a copy of the packet to the Member. The evidence packet must comply with HHSC’s Fair Hearings requirements.

8.2.6.5 Notices of Action and Disposition of Appeals for Medicaid Members

The MCO must notify the Member, in accordance with 1 T.A.C. Chapter 357, whenever the MCO takes an Action. The notice must, at a minimum, include any information required by the Uniform Managed Care Manual Chapters 3.21 and 3.22 regarding notices of actions and incomplete prior authorization requests.

8.2.6.6 Timeframe for Notice of Action

In accordance with 42 C.F.R.§ 438.404(c), the MCO must mail a notice of Action within the following timeframes:

1. for termination, suspension, or reduction of previously authorized Medicaid-covered services, within the timeframes specified in 42 C.F.R.§§ 431.211, 431.213, and 431.214;
2. for denial of payment, at the time of any Action affecting the claim;
3. for standard service authorization decisions that deny or limit services, within the timeframe specified in 42 C.F.R. § 438.210(d)(1);

4. if the MCO extends the timeframe in accordance with 42 C.F.R. §438.210(d)(1), it must:
   a. give the Member written notice of the reason for the decision to extend the timeframe and inform the Member of the right to file an Appeal if he or she disagrees with that decision; and
   b. issue and carry out its determination as expeditiously as the Member’s health condition requires and no later than the date the extension expires;

5. for service authorization decisions not reached within the timeframes specified in 42 C.F.R. § 438.210(d) (which constitutes a denial and is thus an Adverse Action), on the date that the timeframes expire; and

6. for expedited service authorization decisions, within the timeframes specified in 42 C.F.R. 438.210(d).

8.2.6.7 Notice of Disposition of Appeal

In accordance with 42 C.F.R. § 438.408(e), the MCO must provide written notice of disposition of all Appeals including Expedited Appeals. The written resolution notice must include the results and date of the Appeal resolution. For decisions not wholly in the Member’s favor, the notice must contain:

1. the right to request a Fair Hearing;
2. how to request a Fair Hearing;
3. The circumstances under which the Member may continue to receive benefits pending a Fair Hearing;
4. how to request the continuation of benefits;
5. if the MCO’s Action is upheld in a Fair Hearing, the Member may be liable for the cost of any services furnished to the Member while the Appeal is pending; and
6. any other information required by 1 T.A.C. Chapter 357 that relates to a managed care organization’s notice of disposition of an Appeal.

8.2.6.8 Timeframe for Notice of Resolution of Appeals

In accordance with 42 C.F.R. § 438.408, the MCO must provide written notice of resolution of Appeals, including Expedited Appeals, as expeditiously as the Member’s health condition requires, but the notice must not exceed the timeframes provided in this Section for standard Appeals or Expedited Appeals. For expedited resolution of Appeals, the MCO must make reasonable efforts to give the Member prompt oral notice of resolution of the Appeal, and follow up with a written notice within the timeframes set forth in this Section. If the MCO denies a request for expedited resolution of an Appeal, the MCO must transfer the Appeal to the timeframe for standard resolution as provided in this Section, make reasonable efforts to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.9 Medicaid Member Advocates

The MCO must provide Member Advocates to assist Members. Member Advocates must be physically located within the Service Area unless an exception is approved by HHSC. Member Advocates must inform Members of the following:

1. their rights and responsibilities,
2. the Complaint process,
3. the Appeal process,
4. Covered Services available to them, including preventive services, and
5. Non-capitated Services available to them.

Member Advocates must assist Members in writing Complaints and are responsible for monitoring the Complaint through the MCO’s Complaint process. Member Advocates are responsible for making recommendations to the MCO’s management on any changes needed to improve either the care provided or the way care is delivered. Member Advocates are also responsible for helping or referring Members to community resources that are available to meet Members’ needs if services are not available from the MCO as Covered Services.

8.2.7 Additional Medicaid Behavioral Health Provisions

8.2.7.1 Local Mental Health Authority (LMHA)
Assessment to determine eligibility for rehabilitative and targeted DSHS case management services is a function of the LMHA. Covered Services must be provided to Members with severe and persistent mental illness (SPMI) and severe emotional disturbance (SED), when Medically Necessary, whether or not they are also receiving Targeted Case Management or rehabilitation services through the LMHA.

The MCO must enter into written agreements with all LMHAs in the Service Area that describe the process(es) that the MCO and LMHAs will use to coordinate services for Medicaid Members with SPMI or SED. The agreements will:

1. describe the Behavioral Health Services indicated in detail in the Provider Procedures Manual and in the Texas Medicaid Bulletin, include the amount, duration, and scope of basic and Value-added Services, and the MCO's responsibility to provide these services;
2. describe criteria, protocols, procedures and instrumentation for referral of Medicaid Members from and to the MCO and the LMHA;
3. describe processes and procedures for referring Members with SPMI or SED to the LMHA for assessment and determination of eligibility for rehabilitation or Targeted Case Management Services;
4. describe how the LMHA and the MCO will coordinate providing Behavioral Health Services to Members with SPMI or SED;
5. establish clinical consultation procedures between the MCO and LMHA including consultation to effect referrals and ongoing consultation regarding the Member's progress;
6. establish procedures to authorize release and exchange of clinical treatment records;
7. establish procedures for coordination of assessment, intake/triage, utilization review/utilization management and care for persons with SPMI or SED;
8. establish procedures for coordination of inpatient psychiatric services (including Court-ordered Commitment of Members birth through age 20) in state psychiatric facilities within the LMHA's catchment area;
9. establish procedures for coordination of emergency and urgent services to Members;
10. establish procedures for coordination of care and transition of care for new Members who are receiving treatment through the LMHA; and
11. establish that, when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by DSHS, published at: http://www.dshs.state.tx.us/mhsa/umguidelines/.

The MCO must offer licensed practitioners of the healing arts (defined in 25 T.A.C., Part 1, Chapter 419, Subchapter L), who are part of the Member's treatment team for rehabilitation services (the Treatment Team) the opportunity to participate in the MCO's Network. The practitioner must agree to accept the MCO's Provider reimbursement rate, meet the credentialing requirements, and comply with all the terms and conditions of the MCO's standard Provider contract.

MCOs must allow Members receiving rehabilitation services to choose the licensed practitioners of the healing arts who are currently a part of the Member's Treatment Team. If the Member chooses to receive these services from Out-of-Network
licensed practitioners of the healing arts who are part of the Member's Treatment Team, the MCO must reimburse the provider through Out-of-Network reimbursement arrangements.
Nothing in this section diminishes the potential for the Local Mental Health Authority to seek best value for rehabilitative services by providing these services under arrangement, where possible, as specified is 25 T.A.C. §419.455.

8.2.7.2 Substance Abuse Benefit

8.2.7.2.1 Substance Abuse and Dependency Treatment Services

The requirements in this subsection apply to STAR+PLUS MCOs in all Service Areas and to STAR MCOs in all Service Areas except the Dallas Service Area. Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program.

Substance use disorder includes substance abuse and dependence as defined by the current Diagnostic and Statistical Manual of Mental Disorders (DSM).

8.2.7.2.2 Providers

Providers for the substance abuse and dependency treatment benefit include: Hospitals, chemical dependency treatment facilities licensed by the Department of State Health Services, and practitioners of the healing arts.

MCOs must include Significant Traditional Providers (STPs) of these benefits in its Network, and provide such STPs with expedited credentialing. Medicaid MCOs must enter into provider agreements with any willing Significant Traditional Provider (STP) of these benefits that meets the Medicaid enrollment requirements, MCO credentialing requirements and agrees to the MCO’s contract terms and rates. For purposes of this section, STPs are providers who meet the Medicaid enrollment requirements and have a contract with the Department of State Health Services (DSHS) to receive funding for treatment under the Federal Substance Abuse Prevention and Treatment block grant. The STP requirements described herein apply to all Service Areas, and unlike other STP requirements are not limited to the first three (3) years of operations.

MCOs must maintain a provider education process to inform substance abuse treatment Providers in the MCO’s Network on how to refer Members for treatment.

8.2.7.2.3 Care Coordination

MCOs must ensure care coordination is provided to Members with a substance use disorder. MCOs must work with providers, facilities, and Members to coordinate care for Members with a substance use disorder and to ensure Members have access to the full continuum of Covered Services (including without limitation assessment, detoxification, residential treatment, outpatient services, and medication therapy) as Medically Necessary and appropriate. MCOs must also coordinate services with the DSHS, DFPS, and their designees for Members requiring Non-Capitated Services. Non-Capitated Services includes, without limitation, services that are not available for coverage under the Contract, State Plan or Waiver that are available under the Federal Substance Abuse and Prevention and Treatment block grant when provided by a DSHS-funded provider or covered by the DFPS under direct contract with a treatment provider. MCOs must work with DSHS, DFPS, and providers to ensure payment for Covered Services is available to Out-of-Network Providers who also provide related Non-capitated Services when the Covered Services are not available through Network Providers.

8.2.7.3.4 Member Education and Self-Referral for Substance Abuse and Dependency Treatment Services

MCOs must maintain a Member education process (including hotlines, manuals, policies and other Member Materials) to inform Members of the availability of and access to substance abuse treatment services, including information on self-referral.

8.2.8 Third Party Liability and Recovery and Coordination of Benefits

Medicaid coverage is secondary when coordinating benefits with all other insurance coverage, unless an exception applies under federal law. Coverage provided under Medicaid will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-
Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with HHSC's administrative rules regarding Out-of-Network payment (1 T.A.C. §353.4).

MCOS are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must be in accordance with state and federal law and regulations, including Section 1902(a)(25)(E) and (F) of the Social Security Act, which require MCOS to pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action. The projected amount of TPR that the MCO is expected to recover may be factored into the rate setting process.

HHSC will provide the MCO, by Plan code, a monthly Member file (also known as a TPR client file). The file is an extract of those Medicaid Members who are known or believed to have other insurance. The file contains any Third Party Recovery (TPR) data that HHSC’s claims administration agent has on file for individual Medicaid clients, organized by name and client number, and adding additional relevant information where available, such as the insured's name/contact information, type of coverage, the insurance carrier, and the effective dates.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, "Financial Reporting Requirements."

After 120 days from the date of adjudication of a claim that is subject to TPR, HHSC has the right to attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated TPR or subrogation action.

8.2.9 Coordination with Public Health Entities

8.2.9.1 Reimbursed Arrangements with Public Health Entities

The MCO must make a good faith effort to enter into a Subcontract for Covered Services with Public Health Entities. Possible Covered Services that could be provided by Public Health Entities include, but are not limited to, the following services:

1. Sexually Transmitted Diseases (STDs) services;
2. confidential HIV testing;
3. immunizations;
4. tuberculosis (TB) care;
5. Family Planning services;
6. Texas Health Steps medical checkups, and
7. prenatal services.

If the MCO is unable to enter into a contract with Public Health Entities, the MCO must document efforts to contract with Public Health Entities, and make such documentation available to HHSC upon request.

MCO Contracts with Public Health Entities must specify the scope of responsibilities of each party, the methodology and agreements regarding billing and reimbursements, reporting responsibilities, Member and Provider educational responsibilities, and the methodology and agreements regarding sharing of confidential medical record information between the Public Health Entity and the MCO or PCP.

The MCO must:

1. identify care managers who will be available to assist public health providers and PCPs in efficiently referring Members to the public health providers, specialists, and health-related service providers either within or outside the MCO’s Network; and
2. inform Members that confidential healthcare information will be provided to the PCP, and educate Members on how to better utilize their PCPs, public health providers, emergency departments, specialists, and health-related service providers.
8.2.9.2 Non-Reimbursed Arrangements with Local Public Health Entities

The MCO must coordinate with Public Health Entities in its Service Area(s) regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. report to Public Health Entities regarding communicable diseases and/or diseases that are preventable by immunization as defined by state law;

2. notify the local Public Health Entity of communicable disease outbreaks involving Members; and

3. educate Members and Providers regarding WIC services available to Members.

To follow-up on suspected or confirmed cases of childhood lead exposure, the MCO must coordinate with local Public Health Entities that have a child lead program, or with the DSHS Childhood Lead Poisoning Prevention Program when the local Public Health Entity does not have a child lead program. In addition, the MCO must make a good faith effort to establish an effective working relationship with all state and local public health entities in its Service Area(s) to identify issues and promote initiatives addressing public health concerns.

8.2.10 Coordination with Other State Health and Human Services (HHS) Programs

The MCO must coordinate with other state HHS Programs in each Service Area regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. require Providers to use the DSHS Bureau of Laboratories for specimens obtained as part of a Texas Health Steps medical checkup, as indicated in Section 8.1.4 under Laboratory Services;

2. notify Providers of the availability of vaccines through the Texas Vaccines for Children Program;

3. work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry;

4. educate Providers and Members about services available through the Department of State Health Services (DSHS) Case Management for Children and Pregnant Women program;

5. coordinate with Case Management for Children and Pregnant Women for health care needs that are identified by Case Management for Children and Pregnant Women and referred to the MCO;

6. participate, to the extent practicable, in the community-based coalitions with the Medicaid-funded case management programs in the Department of Assistive and Rehabilitative Services (DARS), the Department of Aging and Disability Services (DADS), and DSHS;

7. cooperate with activities required of state and local public health authorities necessary to conduct the annual population and community based needs assessment;

8. report all blood lead results, coordinate and follow-up on suspected or confirmed cases of childhood lead exposure with the Childhood Lead Poisoning Prevention Program in DSHS, and follow the Centers for Disease Control and Prevention guidelines for testing children for lead and follow-up actions for children with elevated lead levels located at http://www.dshs.state.tx.us/lead/pdf_files/pb_109_physician_reference.pdf;

9. coordinate with Texas Health Steps Outreach Unit;

10. coordination of care protocols for working with Dental Contractors, as well as protocols for reciprocal referral and communication of data and clinical information regarding the Member's Medically Necessary dental Covered Services; and

11. develop a coordination plan to share with local entities regarding clients identified as requiring special needs or assistance during a disaster.

8.2.11 Advance Directives
Federal and state laws require MCOs and providers to maintain written policies and procedures for informing all adult Members 18 years of age and older about their rights to refuse, withhold or withdraw medical treatment and mental health treatment through advance directives (see Social Security Act §1902(a)(57) and §1903(m)(1)(A)). The MCO’s policies and procedures must include written notification to Members and comply with provisions contained in 42 C.F.R. § 489, Subpart I, relating to advance directives for all Hospitals, critical access Hospitals, skilled nursing facilities, home health agencies, providers of home health care, providers of personal care services and hospices. The MCO’s policies and procedures must comply with state laws and rules regarding:

1. a Member’s right to self-determination in making health care decisions;

2. the Advance Directives Act, Chapter 166, Texas Health and Safety Code, which includes:
   a. a Member’s right to execute an advance written directive to physicians and family or surrogates, or to make a non-written directive to administer, withhold or withdraw life-sustaining treatment in the event of a terminal or irreversible condition;
   b. a Member’s right to make written and non-written out-of-Hospital do-not-resuscitate (DNR) orders;
   c. a Member’s right to execute a Medical Power of Attorney to appoint an agent to make health care decisions on the Member’s behalf if the Member becomes incompetent; and

3. Chapter 137, Texas Civil Practice and Remedies Code, which includes a Member’s right to execute a Declaration for Mental Health Treatment in a document making a declaration of preferences or instructions regarding mental health treatment.

The MCO must maintain written policies for implementing a Member’s advance directive. Those policies must include a clear and precise statement of limitation if a Provider cannot or will not implement a Member’s advance directive.

The MCO cannot require a Member to execute or issue an advance directive as a condition of receiving Health Care Services.

The MCO cannot discriminate against a Member based on whether or not the Member has executed or issued an advance directive.

The MCO’s policies and procedures must require the MCO and Subcontractors to comply with the requirements of state and federal law relating to advance directives. The MCO must provide education and training to employees and Members on issues concerning advance directives.

All materials provided to Members regarding advance directives must be written at a 7th - 8th grade reading comprehension level, except where a provision is required by state or federal law and the provision cannot be reduced or modified to a 7th - 8th grade reading level because it is a reference to the law or is required to be included “as written” in the state or federal law.

The MCO must notify Members of any changes in state or federal laws relating to advance directives within 90 days from the effective date of the change, unless the law or regulation contains a specific time requirement for notification.

8.2.12 SSI Members

A Member’s SSI status is effective the date the State’s eligibility system identifies the Member as Type Program 13 (TP13). The State is responsible for updating the State's eligibility system within 45 days of official notice of the Member’s Federal SSI eligibility by the Social Security Administration (SSA).

8.2.13 Medicaid Wrap-Around Services

The MCO may be required to supplement Medicare coverage for STAR+PLUS Members by providing services, supplies, and outpatient drugs and biologicals that are available under the Texas Medicaid program. There are 3 categories of Medicaid wrap-around services:

1. Medicaid Only Services (i.e., services that do not have a corresponding Medicare service);
2. Medicare Services that become a Medicaid expense due to a benefit limitation on the Medicare side being met; and
3. Medicare Services that become a Medicaid expense due to coinsurance (True Cross-over Claims).

Section 8.2.13.1 includes requirements for Medicaid wrap-around services for outpatient drugs and biological products. HHSC will provide advance written notice to the MCOs identifying other types of Medicaid wrap-around services that will become Covered Services, and the effective date of coverage.

### 8.2.13.1 Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products

Effective March 1, 2012, STAR+PLUS MCOs will provide Medicaid wrap-around services for outpatient drugs and biological products to STAR+PLUS Members under a non-risk, cost settlement basis, as described in Attachment A, Section 10.16, "Supplemental Payments for Medicaid Wrap-Around Services for Outpatient Drugs and Biological Products." Refer to HHSC's Uniform Managed Care Manual, Chapter 2.2, "Pharmacy Claims Manual," for additional information regarding the claims processing requirements for these Medicaid wrap-around services.

### 8.2.14 Medical Transportation

HHSC reserves the right to amend the scope of the Contract to include medical transportation services (MTP) for Medicaid Members. For additional information regarding the MTP Program, the MCO should refer to the Nonemergency Medical Transportation (NEMT) Full Risk Broker Services RFP. MCOs should note that the MTP Program includes numerous *Frew v. Janek* requirements, including enhanced call center performance standards. If MTP services are added to the scope of the Contract, HHSC will provide advance written notice and conduct appropriate Readiness Review.

### 8.2.15 This Section Intentionally Left Blank

### 8.2.16 Supplemental Payments for Qualified Providers

In accordance with PPACA as amended by Section 1202 of the Health Care and Education Reconciliation Act and corresponding federal regulations at 42 C.F.R §§ 438.6 and 438.804, the MCO will make supplemental payments to qualified Medicaid providers for dates of service beginning on January 1, 2013, and ending on December 31, 2014. The Uniform Managed Care Manual will identify the types of providers and services that qualify for the supplemental payments.

HHSC or its Administrative Services Contractor will conduct the provider self-attestation process, and determine which providers and services are eligible for supplemental payments. HHSC will use encounter and other data provided by the MCO to calculate supplemental payments, and will provide the MCO with detailed reports identifying qualified providers, claims, and supplemental payment amounts. The MCO will use this information to respond to provider inquiries and complaints regarding supplemental payments, and will refer all cases for resolution as directed by HHSC.

The MCO will pay claims from qualified Network Providers at the MCO's contracted rates, and out-of-network providers in accordance with 1 Tex. Admin. Code § 353.4. The MCO's encounter data should reflect the actual amount paid to providers, and should not be adjusted to include supplemental payment amounts.

As described in Attachment A, Section 10.17, "Pass-through Payments for Provider Rate Increases," the MCO must pay the full amount of supplemental payments to qualified providers no later than 30 calendar days after receipt of HHSC's supplemental payment report, contingent upon MCO's receipt of payment of the allocation. The MCO must submit a report and certification, in the form and manner identified in the Uniform Managed Care Manual, to validate that payments have been made to qualified providers in accordance with HHSC's calculations. In addition, the MCO must provide reports, in the manner and frequency prescribed in the Uniform Managed Care Manual, documenting all claims adjustments that alter the supplemental payment amounts, including documentation of recoupments of overpaid amounts. The MCO must collect and refund all overpayments of supplemental payments to HHSC in the format and manner prescribed in the Uniform Managed Care Manual. In cases where a third party is responsible for all or part of a Covered Service and the MCO recovers only part of the amount paid by the MCO, then the amount recovered must be applied first to the supplemental payment and returned to HHSC. If the amount recovered is less than the supplemental payment, then the MCO will return the full amount of the recovery to HHSC.
8.3 Additional STAR+PLUS Scope of Work

8.3.1 Covered Community-Based Long-Term Services and Supports

The MCO must ensure that STAR+PLUS Members needing Community Long-term Services and Supports are identified, and that services are referred and authorized in a timely manner. The MCO must ensure that Providers of Community Long-term Services and Supports are licensed to deliver the services they provide. The inclusion of Community Long-term Services and Supports in a managed care model presents challenges, opportunities and responsibilities.

Community Long-term Services and Supports may be necessary as a preventative service to avoid more expensive hospitalizations, emergency room visits, or institutionalization. Community Long-term Services and Supports should also be made available to Members to assure maintenance of the highest level of functioning possible in the least restrictive setting. A Member’s need for Community Long-term Services and Supports to assist with the activities of daily living must be considered as important as needs related to a medical condition. MCOs must provide both Medically Necessary and Functionally Necessary Covered Services to Community Long-term Services and Supports Members.

8.3.1.1 Community Based Long-Term Services and Supports Available to All Members

The MCO must enter into written contracts with Providers of Personal Assistance Services and Day Activity and Health Services (DAHS) to ensure access to these services for all STAR+PLUS Members. At a minimum, these Providers must meet all of the following state licensure and certification requirements for providing the services in Attachment B-2.2, “STAR+PLUS Covered Services.”

<table>
<thead>
<tr>
<th>Community-based Long-Term Services and Supports Available to All Members</th>
<th>Licensure and Certification Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Home Care</strong></td>
<td>The Provider must be licensed by DADS as a Home and Community Support Services Agency (HCSSA). The level of licensure required depends on the type of service delivered. NOTE: For primary home care and client managed attendant care, the agency may have only the Personal Assistance Services level of licensure.</td>
</tr>
<tr>
<td><strong>Day Activity and Health Services (DAHS)</strong></td>
<td>The Provider must be licensed by the DADS Regulatory Division as an adult day care provider. To provide DAHS, the Provider must provide the range of services required for DAHS.</td>
</tr>
</tbody>
</table>

8.3.1.2 HCBS STAR+PLUS Waiver Services Available to Qualified Members

The HCBS STAR+PLUS Waivers provides Community Long-term Services and Supports to Medicaid Eligibles who are elderly and to adults with disabilities as a cost-effective alternative to living in a nursing facility. These Members must be age 21 or older, be a Medicaid recipient or be otherwise financially eligible for waiver services. To be eligible for HCBS STAR+PLUS Waiver Services, a Member must meet income and resource requirements for Medicaid nursing facility care, and receive a determination from HHSC on the medical necessity/level of care of the nursing facility care. The MCO must make available to STAR+PLUS Members who meet these eligibility requirements the array of services allowable through HHSC's CMS-approved HCBS STAR+PLUS Waiver (see Attachment B-2.2, “STAR+PLUS Covered Services”).

<table>
<thead>
<tr>
<th>Community-based Long-Term Services and Supports under the HCBS STAR+PLUS Waiver</th>
<th>Licensure and Certification Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Type</td>
<td>Licensing Agency</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>Personal Assistance Services</td>
<td>DADS as a Home and Community Support Services Agency</td>
</tr>
<tr>
<td>Assisted Living Services</td>
<td>Texas Department of Aging and Disability Services</td>
</tr>
<tr>
<td>Emergency Response Service Provider</td>
<td>Texas Department of State Health Services</td>
</tr>
<tr>
<td>Nursing Services</td>
<td>Texas Board of Nursing</td>
</tr>
<tr>
<td>Adult Foster Care</td>
<td>DADS as an assisted living facility</td>
</tr>
<tr>
<td>Dental</td>
<td>Texas State Board of Dental Examiners</td>
</tr>
<tr>
<td>Respite Care</td>
<td>DADS as a Home and Community Support Services Agency</td>
</tr>
<tr>
<td>Home Delivered Meals</td>
<td>DADS as a Home and Community Support Services Agency</td>
</tr>
<tr>
<td>Physical Therapy (PT) Services</td>
<td>Texas Board of Physical Therapy Examiners</td>
</tr>
<tr>
<td>Occupational Therapy (OT) Services</td>
<td>Texas Board of Occupational Therapy Examiners</td>
</tr>
<tr>
<td>Speech, Hearing, and Language Therapy Services</td>
<td>Department of State Health Services</td>
</tr>
<tr>
<td>Service</td>
<td>Requirements</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Consumer Directed Services (CDS)</td>
<td>No licensure or certification requirements. The Providers must complete DADS’ required training. Current CDSAs contracted by DADS are assumed to have completed the training.</td>
</tr>
<tr>
<td>Transition Assistance Services (TAS)</td>
<td>The Provider must comply with the requirements for delivery of TAS, which include requirements such as allowable purchases, cost limits, and timeframes for delivery. TAS providers must demonstrate knowledge of, and experience in, successfully serving individuals who require home and community-based services.</td>
</tr>
<tr>
<td>Minor Home Modification</td>
<td>No licensure or certification requirements.</td>
</tr>
<tr>
<td>Adaptive Aids and Medical Equipment</td>
<td>No licensure or certification requirements.</td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>No licensure or certification requirements.</td>
</tr>
</tbody>
</table>

### 8.3.2 Service Coordination

#### 8.3.2.1 Service Coordination Plan Requirements

The MCO must implement an HHSC-approved service coordination plan no later than October 1, 2013. At a minimum, the service coordination plan must address:

- how outreach to Members will be conducted;
- how Members are assessed and their service plans developed (the initial identification of Members' needed services and supports);
- how Members will be identified as needing an assessment when changes in their health or life circumstances occur;
- the Member's needs and preferences;
- the minimum number of service coordination contacts a Member will receive per year;
- how service coordination will be provided (face-to-face, telephone contact, etc.); and
- how these service coordination services will be tracked by the MCO.

The service coordination plan must address service planning for Members in the following categories.

- **Level 1 Members: Highest level of utilization**
  - Includes HCBS SPW recipients and Members with complex medical needs.
  - MCOs must provide Level 1 Members with a single identified person as their assigned Service Coordinator.
  - All Level 1 Members must receive a minimum of two face-to-face service coordination contacts annually.

- **Level 2 Members: Lower risk/utilization**
  - MCOs must provide Level 2 Members with a single identified person as their assigned Service Coordinator. Members and required assessments are as follows.
  - Members receiving LTSS for Personal Assistance Services or Day Activity and Health Services (PAS and DAHS) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Members with a history of behavioral health issues (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Members with a history of substance abuse (multiple outpatient visits, hospitalization, or institutionalization within the past year) must receive a minimum of one face-to-face and one telephonic service coordination contact annually.
  - Dual Eligibles who do not meet Level 1 requirements must receive a minimum of two telephonic service coordination contacts annually.

- **Level 3 Members: Members who do not qualify as Level 1 or Level 2**
  - MCO must make at least two telephonic service coordination outreach contacts yearly.
• Level 3 Members are not required to have a named Service Coordinator, unless they request service coordination services.

MCOs must provide written notice to all STAR+PLUS Members (including Level 3 Members who do not have a named Service Coordinator) that includes:

• A description of service coordination; and
• The MCO's Service Coordination phone number.

MCOs must notify all STAR+PLUS Members receiving service coordination of:

• The name of their Service Coordinator;
• The phone number of their Service Coordinator;
• The minimum number of contacts they will receive every year; and
• The types of contacts they will receive.

### 8.3.2.2 Service Coordination Structure

Individuals receiving Level 1 or Level 2 Service Coordination must have a single, identified person as their assigned Service Coordinator and the MCO must notify Members within 15 Business Days of the name and phone number of their new Service Coordinator, if their Service Coordinator changes. The MCO must also post the new Service Coordinator's information on the portal within the same time period.

Service coordination teams must be led by at least one Service Coordinator. Team members must have the following expertise or access within the MCO to identified subject matter experts in the following areas:

• Behavioral health
• Substance abuse
• Local resources (e.g., basic needs like housing, food, utility assistance)
• Pediatrics
• LTSS
• End of life/advanced illness
• Acute care
• Preventive care
• Cultural competency
• Pharmacology
• Nutrition
• Texas Promoting Independence strategies
• Consumer Directed Services options
• Person-directed planning

Service Coordination teams will have an overarching philosophy of independent living, self-determination, and community integration.

All STAR+PLUS MCOs must provide dedicated toll-free service coordination phone numbers. These numbers, if not regional, must have the capabilities of warm transferring to the MCO's regional office.

The MCO must furnish a Service Coordinator to all STAR+PLUS Members who request one. The MCO should also furnish a Service Coordinator to a STAR+PLUS Member when the MCO determines one is required through an assessment of the Member's health and support needs. If the Member refuses Service Coordination, the MCO should document the refusal in the Member's case file.

At a minimum, the MCO will have three tiers of Service Coordination for all Members.
The MCO must ensure that each STAR+PLUS Member has a qualified PCP who is responsible for overall clinical direction and, in conjunction with the Service Coordinator, serves as a central point of integration and coordination of Covered Services, including primary, Acute Care, Long-term Services and Supports, and Behavioral Health Services.

The Service Coordinator must work with the Member's PCP to coordinate all STAR+PLUS Covered Services and any applicable Non-capitated Services. This requirement applies regardless of whether the PCP is in the MCO's Network particularly for Dual Eligible Members. In order to integrate the Member's care while remaining informed of the Member's needs and condition, the Service Coordinator must actively involve the Member's primary and specialty care Providers, including Behavioral Health Service Providers, Providers of Non-capitated Services, and Medicare Advantage health plans for qualified Dual Eligible Members. When considering whether to refer a Member to a nursing facility or other long-term care facility, the MCO must consider the availability of the Program of All-Inclusive Care for the Elderly (PACE) for that Member.

Dual Eligible Members receive most Acute Care services through Medicare, rather than Medicaid.

The MCO must identify and train Members or their families to coordinate their own care, to the extent of the Member's or the family's capability and willingness to coordinate care.

8.3.2.3 Service Coordinators

The MCO must employ as Service Coordinators persons experienced in meeting the needs of vulnerable populations who have Chronic or Complex Conditions. Service Coordinators are Key MCO Personnel as described in Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.02, and must meet the requirements set forth in Section 4.04.1 of Attachment A.

Service Coordinators must meet the following minimum requirements:

- A Service Coordinator for a Level 1 Member must be a registered nurse (RN) or nurse practitioner (NP). Licensed vocational nurses (LVNs) employed as Service Coordinators before March 1, 2013 will be allowed to continue in that role.
- A Service Coordinator for a Level 2 or 3 Member must have an undergraduate or graduate degree in social work or a related field or be an LVN, RN, NP, or physician's assistant (PA); or have a minimum of a high school diploma or GED and direct experience with the ABD/SSI population in three of the last five years.
- Service Coordinators for Level 3 Members must have experience in meeting the needs of the member population served (for example, people with disabilities).
- Service Coordinators must possess knowledge of the principles of most integrated settings, including federal and state requirements.
- Service Coordinators must complete 16 hours of service coordination training every two years. MCOs must administer the training, which must include:
  - information related to the population served;
  - how to assess member needs;
  - person-directed planning;
  - refresher of available local and statewide resources; and
  - respect for cultural, spiritual, racial, and ethnic beliefs of others.

8.3.2.4 Referral to Community Organizations

The MCO must provide information about and referral to community organizations that may not be providing STAR+PLUS Covered Services, but are otherwise important to the health and wellbeing of Members. These organizations include, but are not limited to:

1. state/federal agencies (e.g., those agencies with jurisdiction over aging, public health, substance abuse, mental health/retardation, rehabilitation, developmental disabilities, income support, nutritional assistance, family support agencies, etc.);
2. social service agencies (e.g., area agencies on aging, residential support agencies, independent living centers, supported employment agencies, etc.);
3. city and county agencies (e.g., welfare departments, housing programs, etc.);
4. civic and religious organizations; and
8.3.2.5 Discharge Planning

The MCO must have a protocol for quickly assessing the needs of Members discharged from a Hospital or other care or treatment facility.

The MCO’s Service Coordinator must work with the Member’s PCP, the Hospital discharge planner(s), the attending physician, the Member, and the Member’s family to assess and plan for the Member’s discharge. When Long-term Services and Supports is needed, the MCO must ensure that the Member’s discharge plan includes arrangements for receiving community-based care whenever possible. The MCO must ensure that the Member, the Member’s family, and the Member’s PCP are all well informed of all service options available to meet the Member’s needs in the community.

8.3.2.6 Transition Plan for New STAR+PLUS Members

The MCO must provide a transition plan for Members enrolled in the STAR+PLUS Program. HHSC, and/or the previous STAR+PLUS MCO contractor, will provide the MCO with detailed Care Plans, names of current providers, etc., for newly enrolled Members already receiving Long-term Services and Supports at the time of enrollment in the MCO. The MCO must ensure that current providers are paid for Medically Necessary and Functionally Necessary Covered Services that are delivered in accordance with the Member’s existing treatment/Long-Term Services and Supports plan after the Member has become enrolled in the MCO and until the transition plan is developed.

The transition planning process must include, but is not limited to, the following:

1. review of existing Long-Term Services and Supports plans prepared by DADS or another STAR+PLUS MCO;
2. preparation of a transition plan that ensures continuous care under the Member’s existing Care Plan during the transfer into the MCO’s Network while the MCO conducts an appropriate assessment and development of a new plan, if needed;
3. if durable medical equipment or supplies had been ordered prior to enrollment but have not been received by the time of enrollment, coordination and follow-through to ensure that the Member receives the necessary supportive equipment and supplies without undue delay; and
4. payment to the existing provider of service under the existing authorization for up to six (6) months, until the MCO has completed the assessment and Service Plans and issued new authorizations.

Except as provided below, the MCO must review any existing care plan and develop a transition plan within 30 days of receiving notice of the Member’s enrollment. For all existing care plans received prior to the Operational Start Date, the MCO will have additional time to complete this process, not-to-exceed 120 days after the Member’s enrollment. The transition plan will remain in place until the MCO contacts the Member or the Member’s representative and coordinates modifications to the Member’s current treatment/Long-Term Services and Supports plan. The MCO must ensure that the existing services continue and that there are no breaks in services. For initial implementation of the STAR+PLUS program in a Service Area, the MCO must honor existing LTSS authorizations for up to six (6) months following the Operational Start Date, or until the MCO has evaluated and assessed the Member and issued new authorizations.

The Service Plan includes, but is not limited to, the following:

1. the Member’s history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide such services.
The Service Plan may include information for services outside the scope of covered benefits such as how to access affordable, integrated housing.

The MCO must ensure that the Member or the Member’s representative is involved in the assessment process and fully informed about options, is included in the development of the Service Plan, and is in agreement with the plan when completed.

8.3.2.7 Centralized Medical Record and Confidentiality

The Service Coordinator must be responsible for maintaining a centralized record related to Member contacts, assessments and service authorizations. The MCO must ensure that the organization of and documentation included in the centralized Member record meets all applicable professional standards ensuring confidentiality of Member records, referrals, and documentation of information. The MCO must have a systematic process for generating or receiving referrals and sharing confidential medical, treatment, and planning information across providers.

8.3.2.8 Nursing Facilities

Nursing facility care, although a part of the care continuum, presents a challenge for managed care. Because of the process for becoming eligible for Medicaid assistance in a nursing facility, there is frequently a significant time gap between entry into the nursing home and determination of Medicaid eligibility. During this gap, it is likely that the resident will have "nested" in the facility and many of the community supports are no longer available. To require participation of all nursing facility residents would result in the MCO maintaining a Member in the nursing facility without many options for managing their health. For this reason, persons who qualify for Medicaid as a result of nursing facility residency are not enrolled in STAR+PLUS.

The STAR+PLUS MCO must participate in the Promoting Independence (PI) initiative for such individuals. PI is a philosophy that aged and disabled individuals remain in the most integrated setting to receive Long-term Services and Supports. PI is Texas' response to the U.S. Supreme Court ruling in Olmstead v. L.C., which requires states to provide community-based services for persons with disabilities who would otherwise be entitled to institutional services, when:

1. the state's treatment professionals determine that such placement is appropriate;
2. the affected persons do not oppose such treatment; and
3. the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services.

In accordance with legislative direction, the MCO must designate a point of contact to receive referrals for nursing facility residents who may potentially be able to return to the community through the use of HCBS STAR+PLUS Waiver services. To be eligible for this option, an individual must reside in a nursing facility until a written plan of care for safely moving the resident back into a community setting has been developed and approved.

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The nursing facility will bill the state directly for covered nursing facility services delivered while the Member is in the nursing facility. See Section 8.3.2.7 for further information.

The MCO is responsible for the Member at the time of nursing facility entry and must utilize the Service Coordinator staff to complete an assessment of the Member within 30 days of entry in the nursing facility, and develop a plan of care to transition the Member back into the community if possible. If at this initial review, return to the community is possible, the Service Coordinator will work with the resident and family to return the Member to the community using HCBS STAR+PLUS Waiver Services.

If the initial review does not support a return to the community, the Service Coordinator will conduct a second assessment 90 days after the initial assessment to determine any changes in the individual's condition or circumstances that would allow a return to the community. The Service Coordinator will develop and implement the transition plan.

The MCO will provide these services as part of the PI initiative. The MCO must maintain the documentation of the assessments completed and make them available for state review at any time.
It is possible that the STAR+PLUS MCO will be unaware of the Member's entry into a nursing facility. It is the responsibility of the nursing facility to review the Member's Medicaid card upon entry into the facility and notify the MCO. The nursing facility is also required to notify HHSC of the entry of a new resident.

8.3.2.9 MCO Four-Month Liability for Nursing Facility Care

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The four (4) months do not have to be consecutive. Upon completion of four months of nursing facility care, the individual will be disenrolled from the STAR+PLUS Program and the Medicaid Fee-for-Service program will provide Medicaid benefits. A STAR+PLUS Member may not change MCOs while in a nursing facility.

Tracking the four (4) months of liability is done through a counter system. The four-month counter starts with the earlier of: (1) the date of the Medicaid admission to the nursing facility, or (2) on the 21st day of a Medicare stay, if applicable. A partial month counts as a full month. In other words, the month in which the Medicaid admission occurs or the month on which the 21st day of the Medicare stay occurs is counted as one (1) of the four (4) months. The MCO will not be responsible for the cost of care provided in a nursing facility. For Medicaid-only Members, the MCO is responsible for cost of Covered Services provided outside of the nursing facility. The MCO will not maintain nursing facilities in its Provider Network, and will not reimburse the nursing facilities for Covered Services provided in such facilities. Nursing facilities will use the traditional Fee-for-Service (FFS) system of billing HHSC rather than billing the MCO.

8.3.2.10 Prioritization Plan

Prior to the 3/1/2012 Operational Start Date of the STAR+PLUS Program in the Expansion Service Areas, HHSC and DADS will provide the MCO a plan that outlines a priority of populations and special handling procedures that the MCO must implement to help ensure timely assessments for potential enrollees and incoming Members as well as continuity of care for incoming Members. The populations that will be part of the priority list will include but are not limited to Money Follows the Person (MFP); Medically Dependent Children Program (MDCP), Comprehensive Care Program -Personal Care Services (CCP-PCS) and Comprehensive Care Program-Private Duty Nursing (CCP-PDN) aging out consumers; 217-Like Group Interest List consumers; and Supplemental Security Income (SSI) consumer. HHSC and/or DADS will also provide the MCO with information concerning Members who will be enrolled through manual processes and will need expedited access to services.

8.3.3 STAR+PLUS Assessment Instruments

The MCO must have and use functional assessment instruments to identify Members with significant health problems, Members requiring immediate attention, and Members who need or are at risk of needing Long-term Services and Supports. The MCO, a Subcontractor, or a Provider may complete assessment instruments, but the MCO remains responsible for the data recorded.

MCOs must use the DADS Form 2060, as amended or modified, to assess a Member's need for Functionally Necessary Personal Attendant Services. The MCO may adapt the form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. The DADS Form 2060 must be completed if a need for or a change in Personal Attendant Services is warranted at the initial contact, at the annual reassessment, and anytime a Member requests the services or requests a change in services. The DADS Form 2060 must also be completed at any time the MCO determines the Member requires the services or requires a change in the Personal Attendant Services that are authorized.

MCOs must use the Texas Medicaid Personal Care Assessment Form (PCAF Form) in lieu of the DADS Form 2060 for children under the age of 21 when assessing the Member's need for Functional Necessary Personal Attendant Services. MCOs may adapt the PCAF Form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. Reassessments using the PCAF Form must be completed every 12 months and as requested by the Member's parent or other legal guardian. The PCAF Form must also be completed at any time the MCO determines the Member may require a change in the number of authorized Personal Attendant Service hours.

For Members and applicants seeking or needing the HCBS STAR+PLUS Waiver services, the MCOs must use the Community Medical Necessity and Level of Care Assessment Instrument, as amended or modified, to assess Members and to supply current medical information for Medical Necessity determinations. The MCO must also complete the Individual Service Plan.
(ISP), Form 3671 for each Member receiving HCBS STAR+PLUS Waiver Services. The ISP is established for a one-year period. After the initial ISP is established, the ISP must be completed on an annual basis and the end date or expiration date does not change. Both of these forms (Community Medical Necessity and Level of Care Assessment Instrument and Form 3671) must be completed annually at reassessment.

The MCO is responsible for tracking the end dates of the ISP to ensure all Member reassessment activities have been completed and posted on the LTC online portal prior to the expiration date of the ISP. Note that the MCO cannot submit its initial Community Medical Necessity and Level of Care Assessment Instrument earlier than 120 days prior to the expiration date of the ISP. An Initial Community Medical Necessity and Level of Care determination will expire 120 days after it is approved by the HHSC Claims Administrator. The MCO cannot submit a renewal of the Community Medical Necessity and Level of Care Assessment Instrument earlier than 90 days prior to the expiration date of the ISP. Such renewal will expire 90 days after it is approved by the HHSC Claims Administrator.

8.3.4 HCBS STAR+PLUS Waiver Service Eligibility

Recipients of HCBS STAR+PLUS Waiver services must meet level of care criteria for participation in the waiver and must have a plan of care at initial determination of eligibility in which the plan's annualized cost is equal to or less than 202% of the annualized cost of care if the individual were to enter a nursing facility. If the MCO determines that the recipient's cost of care will exceed the 202% limit, the MCO will submit to HHSC's Health Plan Operations Unit a request to consider the use of State General Revenue Funds to cover costs over the 202% allowance, as per HHSC's policy and procedures related to use of general revenue for HCBS STAR+PLUS Waiver participants. If HHSC approves the use of State General Revenue Funds, the MCO will be allowed to provide waiver services as per the Individual Service Plan, and non-waiver services (services in excess of the 202% allowance) utilizing State General Revenue Funds. Non-waiver services are not Medicaid Allowable Expenses, and may not be reported as such on the FSRs. The MCO will submit reports documenting expenses for non-waiver services in an HHSC-approved format. HHSC will reimburse the MCO for such expenses.

8.3.4.1 For Members

Members can request to be tested for eligibility into the HCBS STAR+PLUS Waiver. The MCO can also initiate HCBS STAR+PLUS Waiver eligibility testing on a STAR+PLUS Member if the MCO determines that the Member would benefit from the HCBS STAR+PLUS Waiver services.

To be eligible for the HCBS STAR+PLUS Waiver, the Member must meet Medical Necessity/Level of Care and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that that Member has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost limit. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the Member and the MCO of the eligibility determination, which will be based on results of the assessments and the information provided by the MCO. If the STAR+PLUS Member is eligible for HCBS STAR+PLUS Waiver services, HHSC will notify the Member of the effective date of eligibility. If the Member is not eligible for HCBS STAR+PLUS Waiver services, HHSC will provide the Member information on right to Appeal the Adverse Determination. The MCO is responsible for preparing any requested documentation regarding its assessments and ISPs, and if requested by HHSC, attending the Fair Hearing. Regardless of the HCBS STAR+PLUS Waiver eligibility determination, HHSC will send a copy of the Member notice to the MCO.

8.3.4.2 For 217-Like Group Non-Member Applicants

Non-member persons who are not eligible for Medicaid in the community may apply for participation in the HCBS STAR+PLUS Waiver under the financial and functional eligibility requirements for the 217-Like Group (this group is described in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver). HHSC will inform the non-member applicant that services are provided through an MCO and allow the applicant to select the MCO. HHSC will provide the selected MCO an authorization form to initiate pre-enrollment assessment services required under the HCBS STAR+PLUS
Waiver for the applicant. The MCO's initial home visit with the applicant must occur within 14 days of the receipt of the referral. To be eligible for HCBS STAR+PLUS Waiver, the applicant must meet financial eligibility and Medical Necessity/Level of Care, and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that the applicant has a minimum of one (1) unmet need for at least one (1) HCBS STAR+PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost ceiling. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the applicant and the MCO of the results of its eligibility determination. If the applicant is eligible, HHSC will notify the applicant and the MCO will be notified of the effective date of eligibility, which will be the first day of the month following the determination of eligibility. The MCO must initiate the Individual Service Plan (ISP) on the date of enrollment.

If the applicant is not eligible, the HHSC notice will provide information on the applicant's right to Appeal the Adverse Determination. HHSC will also send notice to the MCO if the applicant is not eligible for HCBS STAR+PLUS Waiver services. The MCO is responsible for preparing any requested documentation regarding its assessments and service plans, and if requested by HHSC, attending the Fair Hearing.

8.3.4.3 Annual Reassessment

Prior to the end date of the annual ISP, the MCO must initiate an annual reassessment to determine and validate continued eligibility for HCBS STAR+PLUS Waiver services for each Member receiving these services. As part of the assessment, the MCO must inform the Member about Consumer Directed Services options. The MCO will be expected to complete the same activities for each annual reassessment as required for the initial eligibility determination.

8.3.4.4 STAR+PLUS Utilization Reviews

HHSC will conduct STAR+PLUS utilization reviews, as described in Texas Government Code § 533.00281. The reviews will include the MCO's assessment processes used to determine HCBS waiver eligibility. If HHSC recoups money from the MCO as a result of a utilization review conducted under this section, the MCO cannot hold a Network service provider liable for the good faith provision of services based on the MCO's authorization.

8.3.5 Consumer Directed Services Options

There are three (3) options available to STAR+PLUS Members desiring to self-direct the delivery of:

1. Primary Home Care (PHC) (which is available to all STAR+PLUS Members), and
2. Personal Attendant Services (PAS); in-home or out-of-home respite; nursing; physical therapy (PT); occupational therapy (OT); and/or speech/language therapy (SLT) for (which are available to Members in the HCBS STAR+PLUS Waivers).  

These three (3) options are: 1) Consumer-Directed; 2) Service Related; and 3) Agency. The MCO must provide information concerning the three (3) options to all Members; (1) who meet the functional requirements for PHC Services and the requirements for PAS (the functional criteria for these services are described in the Form 2060), (2) who are eligible for in-home or out-of-home respite services in the SPW; and (3) who are eligible for nursing, PT, OT and/or SLT in the SPW. In addition to providing information concerning the three (3) options, the MCO must provide Member orientation in the option selected by the Member. The MCO must provide the information to any STAR+PLUS Member receiving PHC/PAS and/or in-home or out-of-home respite:

1. at initial assessment;
2. at annual reassessment or annual contact with the STAR+PLUS Member;
3. at any time when a STAR+PLUS Member receiving PHC/PAS/Respite/Nursing/PT/TO/SLT requests the information; and
4. in the Member Handbook.

The MCO must contract with providers who are able to offer PHC/PAS in-home or out-of-home respite, nursing, PT, TO, and/or SLT and must also educate/train the MCO Network Providers regarding the three (3) PAS options. Network Providers must meet licensure/certification requirements as indicated in Attachment B-1, Sections 8.3.11 and 8.3.1.2 of the Uniform Managed Care Contract.

In all three (3) options, the Service Coordinator and the Member work together in developing the Individual Service Plan.

A more comprehensive description of Consumer Directed Services is found in the STAR+PLUS Handbook: http://www.dads.state.tx.us/handbooks/sph/8000/8000.htm#sec8120

8.3.5.1 Consumer-Directed Option Model

In the Consumer-Directed Model, the Member or the Member’s legal guardian is the employer of record and retains control over the hiring, management, and termination of an individual providing PHC/PAS in-home or out-of-home respite; nursing, PT, TO, and/or SLT. The Member is responsible for assuring that the employee meets the requirements for PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT, including the criminal history check. The Member uses a Consumer Directed Services agency (CDSA) to handle the employer-related administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT.

8.3.5.2 Service Related Option Model

In the Service Related Option Model, the Member or the Member’s legal guardian is actively involved in choosing their personal attendant, respite provider, nurse, physical therapist, occupational therapist and/or speech/language therapist but is not the employer of record. The Home and Community Support Services agency (HCSSA) in the MCO Provider Network is the employer of record for the personal attendant employee and respite provider. In this model, the Member selects the personal attendant and/or respite provider from the HCSSA’s personal attendant employees. The personal attendant's/respite provider's schedule is set up based on the Member input, and the Member manages the PHC/PAS, in-home or out-of-home respite. The Member retains the right to supervise and train the personal attendant. The Member may request a different personal attendant and the HCSSA would be expected to honor the request as long as the new attendant is a Network Provider. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite. In this model, the Member selects the nurse, physical therapist, occupational therapist, and/or speech/language therapist from the MCO's Provider Network. The nurse, physical therapist, occupational therapist, and/or speech/language therapist's schedule is set up based on the Member's input, and the Member manages the nursing, PT, OT, and/or SLT services. The Member retains the right to supervise and train the nurse, physical therapist, occupational therapist, and/or speech/language therapist. The Member may request a different nurse, physical therapist, occupational therapist, and/or speech/language therapist and the MCO must honor the request as long as the nurse, physical therapist, occupational therapist, and/or speech/language therapist is a Network Provider. The MCO establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of nursing, PT, OT, and/or SLT services.

8.3.5.3 Agency Model

In the Agency Model, the MCO contracts with a Home and Community Support Services agency (HCSSA) for the delivery of waiver services. The HCSSA is the employer of record for the personal attendant, respite provider, nurse, physical therapist, occupational therapist, and speech language therapist. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite.

8.3.6 Community Based Long-term Services and Supports Providers

8.3.6.1 Training
The MCO must comply with Section 8.1.4.6 regarding Provider Manual and Provider training specific to the STAR+PLUS Program. The MCO must train all Community Long-term Services and Supports Providers regarding the requirements of the Contract and special needs of STAR+PLUS Members. The MCO must establish ongoing STAR+PLUS Provider training addressing the following issues at a minimum:

1. Covered Services and the Provider’s responsibilities for providing such services to STAR+PLUS Members and billing the MCO. The MCO must place special emphasis on Community Long-term Services and Supports and STAR+PLUS requirements, policies, and procedures that vary from Medicaid Fee-for-Service and commercial coverage rules, including payment policies and procedures;

2. relevant requirements of the STAR+PLUS Contract, including the role of the Service Coordinator;

3. processes for making referrals and coordinating Non-capitated Services;

4. the MCO’s quality assurance and performance improvement program and the Provider’s role in such programs; and

5. the MCO’s STAR+PLUS policies and procedures, including those relating to Network and Out-of-Network referrals.

6. For STAR+PLUS in the El Paso, Hidalgo and Lubbock Service Areas with an Operational Start Date of 3/1/2012, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process.

8.3.6.2 LTSS Provider Billing

Long-term Services and Supports providers serving clients in the traditional Fee-for-Service Medicaid program have not been required to utilize the billing systems that most medical facilities use on a regular basis. For this reason, the MCO must make accommodations to the claims processing system for such providers to allow for a smooth transition from traditional Medicaid to STAR+PLUS.

HHSC has developed a standardized method for Long-term Services and Supports billing. All STAR+PLUS MCOs are required to utilize the standardized method, as found in Uniform Managed Care Manual Chapters 2.1.1 and 2.1.2.

8.3.6.3 Rate Enhancement Payments for Agencies Providing Attendant Care

All MCOs participating in the STAR+PLUS Program must allow their Long-term Services and Supports Providers to participate in the STAR+PLUS Attendant Care Enhancement Program.

Uniform Managed Care Manual Chapter 2.1.3, “STAR+PLUS Attendant Care Enhanced Payment Methodology,” includes the methodology that the STAR+PLUS MCO will use to implement and pay the enhanced payments, including a description of the timing of the payments. Such methodology must comply with the requirements in the Uniform Managed Care Manual and the intent of T.A.C. Title 1, Part 15, Chapter 355, Subchapter A, §355.112.

8.3.6.4 STAR+PLUS Handbook

The STAR+PLUS Handbook contains HHSC-approved policies and procedures related to the STAR+PLUS Program, including policies and procedures relating to the Texas Healthcare Transformation and Quality Improvement Program 1115 waiver. The STAR+PLUS Handbook includes additional requirements regarding the STAR+PLUS Program and guidance for the MCOs, the STAR+PLUS Support Units at DADS, and HHSC staff for administrating and managing STAR+PLUS Program operations. The STAR+PLUS Handbook is incorporated by reference into the Contract.

8.3.6.5 Annual Contact with STAR+PLUS Members

The MCO is required to contact each STAR+PLUS Member a minimum of two (2) times per calendar year. This contact can be written, telephonic, or an onsite visit to the Member’s residence, depending upon the Member’s level of need. The MCO must document the mechanisms, number and method of contacts, and outcomes within the MCO’s Service Coordination system.
8.3.7 Additional Requirements Regarding Dual Eligibles

8.3.7.1 Coordination of Services for Dual Eligibles

The STAR+PLUS MCOs must coordinate Medicare and Medicaid services for Dual Eligible recipients. To facilitate such coordination, the MCO must be contracted with the CMS and operating as a MA Dual SNP in the most populous counties in the Service Area(s), as identified by HHSC, no later than January 1, 2013. After January 1, 2013, the MCO must maintain its status as an MA DUAL SNP contractor throughout the term of the Contract. Failure to do so may result in HHSC’s assessment of contractual remedies, including Contract termination.

8.3.7.2 MA Dual SNP Agreement

As part of the integrated care initiative for Dual Eligible STAR+PLUS Members, the MCO may maintain a separate capitation agreement with HHSC whereby the MCO’s MA Dual SNP plan reimburses Medicare providers for the cost-sharing obligations that the State would otherwise be required to pay on behalf of qualified STAR+PLUS Dual Eligible Members. The final Texas MA Dual SNP Agreement, as amended or modified, will be incorporated by reference into the STAR+PLUS Contract. The MCO will be required to provide all enrolled STAR+PLUS Dual Eligible Members with the coordinated care and other services described in the Texas MA Dual SNP Agreement, and any violations of the Texas MA Dual SNP Agreement with respect to STAR+PLUS Members will also be a violation of the STAR+PLUS Contract. Note that, for STAR+PLUS Members who are also enrolled in the MA Dual SNP’s Medicare plan, the Parties may develop alternative methods for verifying Member eligibility and submitting encounter data. Any modifications to these processes or other requirements identified in the Texas MA Dual SNP Agreement will be included in the Texas MA Dual SNP Agreement.

8.3.8 Minimum Wage Requirements for STAR+PLUS Attendants in Community Settings

The MCO must ensure that facilities and agencies that provide attendant services in community settings pay attendants at or above the minimum rates described below. This requirement applies to the following types of services, whether or not the Member chooses to self-direct these services (see Section 8.3.5, "Consumer Directed Services Options:"

- Day Activity Health Care Services (DAHS);
- Primary Home Care (PHC);
- Personal Assistance Services (PAS); and
- Texas Health Steps Personal Care Services (PCS).

This requirement does not apply to attendant services provided by non-institutional facilities, such as assisted living, adult foster care, residential care, and nursing facilities.

8.3.8.1 State Fiscal Year 2014

The MCO must ensure that attendants are paid no less than $7.50 per hour for dates of service in SFY 2014 (September 1, 2013 to August 31, 2014).

8.3.8.2 State Fiscal Year 2015 and After

The MCO must ensure that attendants are paid no less than $7.86 per hour for dates of service on or after September 1, 2014.

8.4 Additional CHIP Scope of Work

The following provisions only apply to MCOs participating in CHIP.

8.4.1 CHIP Provider Complaint and Appeals
CHIP Member Complaints and Appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. HHSC will require the MCO to resolve Member Complaints and Appeals (that are not elevated to TDI) within 30 days from the date the Member Complaint or Appeal is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints and Member Appeals are not resolved within 30 days of receipt of the Complaint or Appeal by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 12, and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Any person, including those dissatisfied with a MCO’s resolution of a Member Complaint or Appeal, may report an alleged violation to TDI.

8.4.3 Third Party Liability and Recovery, and Coordination of Benefits

CHIP coverage is secondary when coordinating benefits with all other insurance coverage. Coverage provided under CHIP will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with TDI's rules regarding usual and customary payment.

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must comply with state and federal law and regulations. Consistent with Medicaid requirements, MCOs must pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action.

If a Member visits an FQHC or RHC (or a Municipal Health Department's public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, Financial Reporting Requirements. After 120 days from the date of adjudication (on any claim, encounter, or other Medicaid related payment made by the MCO, wherein the claim, encounter, or payment is subject to Third Party Recovery), HHSC may attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated recovery or subrogation action.

8.4.4 Perinatal Services for Traditional CHIP Members

The MCO’s perinatal Health Care Services must ensure appropriate care is provided to women and infant Members of the MCO from the preconception period through the infant’s first year of life. The MCO’s perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act), and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;

2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;

3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;

5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems; and

6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member with a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

Except as provided in Attachment A, Section 5.06, the MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO’s prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 9
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2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

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9. Turnover Requirements

9.1 Introduction

This section presents the Turnover Requirements. Turnover is defined as those activities that the MCO is required to perform prior to or upon termination of the Contract in situations where the MCO will transition data and documentation acquired under the Contract to HHSC or a subsequent contractor.

9.2 Turnover Plan
Twelve (12) months after the Effective Date of the Contract, the MCO must provide a Turnover Plan covering the turnover of the records and information maintained to either HHSC or a subsequent contractor. The Turnover Plan will be a comprehensive document detailing the proposed schedule, activities, and resource requirements associated with the turnover tasks. The Turnover Plan must describe the MCO’s policies and procedures that will assure:

1. The least disruption in the delivery of Covered Services to Members during the transition to a subsequent contractor.
2. Cooperation with HHSC and a subsequent contractor in notifying Members of the transition, as requested and in the form required or approved by HHSC.
3. Cooperation with HHSC and a subsequent contractor in transferring information to HHSC or a subsequent contractor, as requested and in the form required or approved by HHSC.

The Turnover Plan must be approved by HHSC, and include at a minimum:

1. The MCO’s approach and schedule for the transfer of data and information, as described above.
2. The quality assurance process that the MCO will use to monitor Turnover activities.
3. The MCO’s approach to training HHSC or a subsequent contractor’s staff in the operation of its business processes.

HHSC is not limited or restricted in the ability to require additional information from the MCO or modify the Turnover Plan as necessary.

### 9.3 Transfer of Data

The MCO must transfer to HHSC or a subsequent contractor all data and information necessary to transition operations, including: data and reference tables; data entry software; third-party software and modifications; documentation relating to software and interfaces; functional business process flows; and operational information, including correspondence, documentation of ongoing or outstanding issues, operations support documentation, and operational information regarding Subcontractors. For purposes of this provision, "documentation" means all operations, technical and user manuals used in conjunction with the software, Services and Deliverables, in whole or in part, that HHSC determines are necessary to view and extract application data in a proper format. The MCO must provide the documentation in the formats in which such documentation exists at the expiration or termination of the Contract. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 15.03, “Ownership and Licenses” for additional information concerning intellectual property rights.

In addition, the MCO will provide to HHSC the following:

1. Data, information and services necessary and sufficient to enable HHSC to map all Texas data from the MCO's system(s) to the replacement system(s) of HHSC or a successor contractor, including a comprehensive data dictionary as defined by HHSC.
2. All necessary data, information and services will be provided in the format defined by HHSC, and must be HIPAA compliant.
3. All of the data, information and services mentioned in this section must be provided and performed in a manner by the MCO using its best efforts to ensure the efficient administration of the contract. The data and information must be supplied in media and format specified by HHSC and according to the schedule approved by HHSC in the Turnover Plan. The data, information and services provided pursuant to this section must be provided at no additional cost to HHSC.

All relevant data and information must be received and verified by HHSC or a subsequent contractor. If HHSC determines that data or information are not accurate, complete, or HIPAA compliant, HHSC reserves the right to hire an independent contractor to assist HHSC in obtaining and transferring all the required data and information and to ensure that all the data are HIPAA compliant. The reasonable cost of providing these services will be the responsibility of the MCO.
9.4 Turnover Services

Six (6) months prior to the end of the Contract Period, including any extensions, the MCO must revise its Turnover Plan. If HHSC terminates the Contract prior to the expiration of the Contract Period, then HHSC may require the MCO to submit an updated Turnover Plan sooner than six (6) months prior to the termination date. In such cases, HHSC’s notice of termination will include the date the Turnover Plan is due.

9.5 Post-Turnover Services

Thirty (30) days following Turnover of operations, the MCO must provide HHSC with a Turnover Results Report documenting the completion and results of each step of the Turnover Plan. Turnover will not be considered complete until this document is approved by HHSC. HHSC may withhold up to 20% of the last month’s Capitation Payment until the Turnover activities are complete and the Turnover Plan is approved by HHSC.

If the MCO does not provide the required data or information necessary for HHSC or a subsequent contractor to assume the operational activities successfully, the MCO agrees to reimburse HHSC for all reasonable costs and expenses, including, but not limited to: transportation, lodging, and subsistence to carry out inspection, audit, review, analysis, reproduction and transfer functions at the location(s) of such records; and attorneys’ fees and costs. This section does not limit HHSC’s ability to impose remedies or damages as set forth in the Contract.
## DOCUMENT HISTORY LOG

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<td>Attachment B-2 is modified to reinstate the waiver of the three prescription limit for adults language and to clarify the waiver of the $200,000 individual annual limit on inpatient services. STAR Covered Services is modified to add “Cancer screening, diagnostic, and treatment services” and “Prenatal care services rendered in a birthing center” as clarification items and to clarify the requirements for services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting.</td>
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</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.

2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.

3 Brief description of the changes to the document made in the revision.

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**STAR Covered Services**

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR Program.
STAR MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated services are not included in the STAR MCOs’ Capitation Rates; however, STAR MCOs must coordinate care these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and noncapitated.

STAR MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following three (3) exceptions. Adult STAR Members are provided with three (3) enhanced benefits compared to the traditional, fee-for-service Medicaid coverage:

1. waiver of the three (3) prescription per-month limit;
2. waiver of the 30-day spell-of-illness limitation; and
3. waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR MCOs should refer to the current Texas Medicaid Provider Procedures Manual, which can be accessed online at: http://www.tmhp.com.

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

**STAR Covered Services include, but are not limited to, Medically Necessary:**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Children (birth through age 20)
  - Acute inpatient mental health services for Adults
  - Outpatient mental health services
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Outpatient substance use disorder treatment services including:
    - Assessment
    - Detoxification services
    - Counseling treatment
    - Medication assisted therapy
  - Residential substance use disorder treatment services including:
    - Detoxification services
    - Substance use disorder treatment (including room and board)
*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

- Birthing services provided by a physician and certified nurse midwife (CNM) in a licensed birthing center
- Birthing services provided by a licensed birthing center
- Cancer screening, diagnostic, and treatment services
- Chiropractic services
- Dialysis
- Durable medical equipment and supplies
- Early Childhood Intervention (ECI) services
- Emergency Services
- Family planning services
- Home health care services
- Hospital services, including inpatient and outpatient
  - The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.
  - The MCO may provide substance use disorder treatment services in a chemical dependency treatment facility in lieu of an acute care inpatient hospital setting.
- Laboratory
- Mastectomy, breast reconstruction, and related follow-up procedures, including:
  - inpatient services; outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and physician and professional services provided in an office, inpatient, or outpatient setting for:
    - all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
    - surgery and reconstruction on the other breast to produce symmetrical appearance;
    - treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    - prophylactic mastectomy to prevent the development of breast cancer.
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.
- Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program
- Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children 6 months through 35 months of age.
• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals
  • Drugs and biologicals provided in an inpatient setting
  • Podiatry
  • Prenatal care
  • Prenatal care provided by a physician, certified nurse midwife (CNM), nurse practitioner (NP), clinical nurse specialist (CNS), and physician assistant (PA) in a licensed birthing center
  • Primary care services
  • Preventive services including an annual adult well check for patients 21 years of age and over
    • Radiology, imaging, and X-rays
    • Specialty physician services
    • Therapies – physical, occupational and speech
    • Transplantation of organs and tissues
    • Vision (Includes optometry and glasses. Contact lenses are only covered if they are medically necessary for vision correction, which can not be accomplished by glasses.)
CHIPl Covered Services

Covered CHIPl services must meet the CHIPl definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays apply until a family reaches its specific cost-sharing maximum.

Covered CHIPl Perinatal services must meet the definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays do not apply to CHIPl Perinatal Members. CHIPl Perinate Newborns are eligible for 12-months continuous coverage, beginning with the month of enrollment as a CHIPl Perinate.
<table>
<thead>
<tr>
<th>Covered Benefit</th>
<th>CHIP Members and CHIP Perinate Newborn Members</th>
<th>CHIP Perinate Members (Unborn Child)</th>
</tr>
</thead>
</table>
| **Inpatient General Acute and Inpatient Rehabilitation Hospital Services** | Services include, but are not limited to, the following:  
- Hospital-provided Physician or Provider services  
- Semi-private room and board (or private if medically necessary as certified by attending)  
- General nursing care  
- Special duty nursing when medically necessary  
- ICU and services  
- Patient meals and special diets  
- Operating, recovery and other treatment rooms  
- Anesthesia and administration (facility technical component)  
- Surgical dressings, trays, casts, splints  
- Drugs, medications and biologicals | For CHIP Perinates in families with incomes at or below 185% of the Federal Poverty Level, the facility charges are not a covered benefit; however, professional services charges associated with labor with delivery are a covered benefit.  
For CHIP Perinates in families with incomes above 185% to 200% of the Federal Poverty Level, benefits are limited to professional service charges and facility charges associated with labor with delivery until birth, and services related to miscarriage or a non-viable pregnancy.  
Services include:  
- Operating, recovery and other treatment rooms  
- Anesthesia and administration (facility technical component) |
Blood or blood products that are not provided free-of-charge to the patient and their administration

X-rays, imaging and other radiological tests (facility technical component)

Laboratory and pathology services (facility technical component)

Machine diagnostic tests (EEGs, EKGs, etc.)

Oxygen services and inhalation therapy

Radiation and chemotherapy

Access to DSHS-designated Level III perinatal centers or Hospitals meeting equivalent levels of care

In-network or out-of-network facility and Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.

Hospital, physician and related medical services, such as anesthesia, associated with dental care

Inpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Inpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:

- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.
- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.

Surgical implants
- Other artificial aids including surgical implants
- Inpatient services for a mastectomy and breast reconstruction include:
  - all stages of reconstruction on the affected breast;
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed
  - surgery and reconstruction on the other breast to produce symmetrical appearance; and
  - treatment of physical complications from the mastectomy and treatment of lymphedemas.
- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit
- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

**Skilled Nursing Facilities (Includes Rehabilitation Hospitals)**

Services include, but are not limited to, the following:

- Semi-private room and board
- Regular nursing services
- Rehabilitation services
- Medical supplies and use of appliances and equipment furnished by the facility

Not a covered benefit.
<table>
<thead>
<tr>
<th><strong>Services include, but are not limited to, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>○ X-ray, imaging, and radiological tests (technical component)</td>
</tr>
<tr>
<td>○ Laboratory and pathology services (technical component)</td>
</tr>
<tr>
<td>○ Machine diagnostic tests</td>
</tr>
<tr>
<td>○ Ambulatory surgical facility services</td>
</tr>
<tr>
<td>○ Drugs, medications and biologicals</td>
</tr>
<tr>
<td>○ Casts, splints, dressings</td>
</tr>
<tr>
<td>○ Preventive health services</td>
</tr>
<tr>
<td>○ Physical, occupational and speech therapy</td>
</tr>
<tr>
<td>○ Renal dialysis</td>
</tr>
<tr>
<td>○ Respiratory services</td>
</tr>
<tr>
<td>- Radiation and chemotherapy</td>
</tr>
<tr>
<td>○ Blood or blood products that are not provided free-of-charge to the patient and the administration of these products</td>
</tr>
<tr>
<td>○ Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
</tr>
<tr>
<td>○ dilation and curettage (D&amp;C) procedures;</td>
</tr>
<tr>
<td>○ appropriate provider-administered medications;</td>
</tr>
<tr>
<td>○ ultrasounds, and</td>
</tr>
<tr>
<td>○ histological examination of tissue samples.</td>
</tr>
<tr>
<td>○ Facility and related medical services, such as anesthesia, associated with dental care, when provided in a licensed ambulatory surgical facility.</td>
</tr>
<tr>
<td>○ Surgical implants</td>
</tr>
<tr>
<td>○ Other artificial aids including surgical implants</td>
</tr>
<tr>
<td>○ Outpatient services provided at an outpatient hospital and ambulatory health care center for a mastectomy and breast reconstruction as clinically appropriate, include:</td>
</tr>
<tr>
<td>○ all stages of reconstruction on the affected breast;</td>
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<tr>
<td>○ external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed</td>
</tr>
<tr>
<td>○ surgery and reconstruction on the other breast to produce symmetrical appearance; and</td>
</tr>
<tr>
<td>○ treatment of physical complications from the mastectomy and treatment of lymphedemas.</td>
</tr>
<tr>
<td>○ Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit</td>
</tr>
<tr>
<td>○ Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:</td>
</tr>
<tr>
<td>○ cleft lip and/or palate; or</td>
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<tr>
<td>○ severe traumatic skeletal and/or congenital craniofacial deviations; or severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.</td>
</tr>
<tr>
<td><strong>Services include, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting:</strong></td>
</tr>
<tr>
<td>○ X-ray, imaging, and radiological tests (technical component)</td>
</tr>
<tr>
<td>○ Laboratory and pathology services (technical component)</td>
</tr>
<tr>
<td>○ Machine diagnostic tests</td>
</tr>
<tr>
<td>○ Drugs, medications and biologicals that are medically necessary prescription and injection drugs.</td>
</tr>
<tr>
<td>○ Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:</td>
</tr>
<tr>
<td>○ dilatation and curettage (D&amp;C) procedures;</td>
</tr>
<tr>
<td>○ appropriate provider-administered medications;</td>
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<tr>
<td>○ ultrasounds, and</td>
</tr>
<tr>
<td>○ histological examination of tissue samples.</td>
</tr>
<tr>
<td>(1) Laboratory and radiological services are limited to services that directly relate to ante partum care and/or the delivery of the covered CHIP Perinate until birth.</td>
</tr>
<tr>
<td>(2) Ultrasound of the pregnant uterus is a covered benefit when medically indicated. Ultrasound may be indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, gestational age confirmation or miscarriage or non-viable pregnancy.</td>
</tr>
<tr>
<td>(3) Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasonic Guidance for Cordocentesis, FIUT are covered benefits with an appropriate diagnosis.</td>
</tr>
<tr>
<td>(4) Laboratory tests are limited to: nonstress testing, contraction, stress testing, hemoglobin or hematocrit repeated once a trimester and at 32-36 weeks of pregnancy; or complete blood count (CBC), urinalysis for protein and glucose every visit, blood type and RH antibody screen; repeat antibody screen for Rh negative women at 28 weeks followed by RHO immune globulin administration if indicated; rubella antibody titer, serology for syphilis, hepatitis B surface antigen, cervical cytology, pregnancy test, gonorrhea test, urine culture, sickle cell test, tuberculosis (TB) test, human immunodeficiency virus (HIV) antibody screen, Chlamydia test, other laboratory tests not specified but deemed medically necessary, and multiple marker screens for neural tube defects (if the client initiates care between 16 and 20 weeks); screen for gestational diabetes at 24-28 weeks of pregnancy; other lab tests as indicated by medical condition of client.</td>
</tr>
<tr>
<td>(5) Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) are a covered benefit.</td>
</tr>
</tbody>
</table>
Physician/Physician Extender Professional Services

Services include, but are not limited to, the following:

- American Academy of Pediatrics recommended well-child exam and preventive health services (including, but not limited to, vision and hearing screening and immunizations)
- Physician office visits, inpatient and outpatient services
- Laboratory, x-rays, imaging and pathology services, including technical component and/or professional interpretation
- Medications, biologicals and materials administered in Physician’s office
- Allergy testing, serum and injections
- Professional component (in/outpatient) of surgical services, including:
  - Surgeons and assistant surgeons for surgical procedures including appropriate follow-up care
  - Administration of anesthesia by Physician (other than surgeon) or CRNA
  - Second surgical opinions
  - Same-day surgery performed in a Hospital without an over-night stay
  - Invasive diagnostic procedures such as endoscopic examinations
- Hospital-based Physician services (including Physician-performed technical and interpretive components)
- Physician and professional services for a mastectomy and breast reconstruction include:
  - all stages of reconstruction on the affected breast;
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed

Services include, but are not limited to the following:

- Medically necessary physician services are limited to prenatal and postpartum care and/or the delivery of the covered unborn child until birth
- Physician office visits, inpatient and outpatient services
- Laboratory, x-rays, imaging and pathology services including technical component and/or professional interpretation
- Medically necessary medications, biologicals and materials administered in Physician’s office
- Professional component (in/outpatient) of surgical services, including:
  - Surgeons and assistant surgeons for surgical procedures directly related to the labor with delivery of the covered unborn child until birth
  - Administration of anesthesia by Physician (other than surgeon) or CRNA
  - Invasive diagnostic procedures directly related to the labor with delivery of the unborn child.
  - Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero.)
- Hospital-based Physician services (including Physician performed technical and interpretive components)
- surgery and reconstruction on the other breast to produce symmetrical appearance; and

- treatment of physical complications from the mastectomy and treatment of lymphedemas.

- In-network and out-of-network Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.

- Physician services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Physician services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.

- Physician services medically necessary to support a dentist providing dental services to a CHIP member such as general anesthesia or intravenous (IV) sedation.

- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

- Professional component of the ultrasound of the pregnant uterus when medically indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, or gestational age confirmation.

- Professional component of Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasonic Guidance for Amniocentesis, Cordocentesis, and FIUT.

- Professional component associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Professional services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.
<table>
<thead>
<tr>
<th><strong>Prenatal Care and Pre-Pregnancy Family Services and Supplies</strong></th>
<th>Covered, unlimited prenatal care and medically necessary care related to diseases, illness, or abnormalities related to the reproductive system, and limitations and exclusions to these services are described under inpatient, outpatient and physician services. Primary and preventive health benefits do not include pre-pregnancy family reproductive services and supplies, or prescription medications prescribed only for the purpose of primary and preventive reproductive health care.</th>
<th>Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include: (1) One (1) visit every four (4) weeks for the first 28 weeks or pregnancy; (2) one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and (3) one (1) visit per week from 36 weeks to delivery. More frequent visits are allowed as Medically Necessary. Benefits are limited to: Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained in the physician’s files and is subject to retrospective review. Visits after the initial visit must include: • interim history (problems, marital status, fetal status); • physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and laboratory tests (urinalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client).</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Birthing Center Services</strong></td>
<td>Covers birthing services provided by a licensed birthing center. Limited to facility services (e.g., labor and delivery) Limitation: Applies only to CHIP members.</td>
<td>Covers birthing services provided by a licensed birthing center. Limited to facility services related to labor with delivery. Applies only to CHIP Perinate Members (unborn child) with incomes at 186% FPL to 200% FPL.</td>
</tr>
</tbody>
</table>
### Services Rendered by a Certified Nurse Midwife or physician in a licensed birthing center

| CHIP Members: Covers prenatal services and birthing services rendered in a licensed birthing center. |
| CHIP Perinate Newborn Members: Covers services rendered to a newborn immediately following delivery. |

Covers prenatal services and birthing services rendered in a licensed birthing center. Prenatal services subject to the following limitations: Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include:

1. One (1) visit every four (4) weeks for the first 28 weeks of pregnancy;
2. One (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and
3. One (1) visit per week from 36 weeks to delivery.

More frequent visits are allowed as Medically Necessary. Benefits are limited to:

- Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy.
- Documentation supporting medical necessity must be maintained and is subject to retrospective review.

Visits after the initial visit must include:
- Interim history (problems, marital status, fetal status);
- Physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and
- Laboratory tests (urinalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client).
| **Durable Medical Equipment (DME), Prosthetic Devices and Disposable Medical Supplies** | Services include DME (equipment which can withstand repeated use and is primarily and customarily used to serve a medical purpose, generally is not useful to a person in the absence of Illness, Injury, or Disability, and is appropriate for use in the home), including devices and supplies that are medically necessary and necessary for one or more activities of daily living and appropriate to assist in the treatment of a medical condition, including:

- Orthotic braces and orthotics
- Dental devices
- Prosthetic devices such as artificial eyes, limbs, braces, and external breast prostheses
- Prosthetic eyeglasses and contact lenses for the management of severe ophthalmologic disease
- Hearing aids

Diagnosis-specific disposable medical supplies, including diagnosis-specific prescribed specialty formula and dietary supplements. (See Attachment A) |

| **Home and Community Health Services** | Services that are provided in the home and community, including, but not limited to:

- Home infusion
- Respiratory therapy
- Visits for private duty nursing (R.N., L.V.N.)
- Skilled nursing visits as defined for home health purposes (may include R.N. or L.V.N.).
- Home health aide when included as part of a plan of care during a period that skilled visits have been approved.
- Speech, physical and occupational therapies.
- Services are not intended to replace the CHILD'S caretaker or to provide relief for the caretaker
- Skilled nursing visits are provided on intermittent level and not intended to provide 24-hour skilled nursing services |

|  | Services are not intended to replace 24-hour inpatient or skilled nursing facility services | Not a covered benefit. | Not a covered benefit. |
| Inpatient Mental Health Services | Mental health services, including for serious mental illness, furnished in a free-standing psychiatric hospital, psychiatric units of general acute care hospitals and state-operated facilities, including, but not limited to:  
- Neuropsychological and psychological testing.  
- When inpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
- Does not require PCP referral | Not a covered benefit. |
| Outpatient Mental Health Services | Mental health services, including for serious mental illness, provided on an outpatient basis, including, but not limited to:  
- The visits can be furnished in a variety of community-based settings (including school and home-based) or in a state-operated facility  
  - Neuropsychological and psychological testing  
  - Medication management  
  - Rehabilitative day treatments  
  - Residential treatment services  
  - Sub-acute outpatient services (partial hospitalization or rehabilitative day treatment)  
  - Skills training (psycho-educational skill development)  
  - When outpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
- A Qualified Mental Health Provider – Community Services (QMHP-CS), is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C., Part I, Chapter 412, Subchapter G, Division 1, §412.303(48). QMHP-CSs shall be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs shall be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services | Not a covered benefit. |
<table>
<thead>
<tr>
<th><strong>Inpatient Substance Abuse Treatment Services</strong></th>
<th>Services include, but are not limited to:</th>
<th>Not a covered benefit.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>⚪ Inpatient and residential substance abuse treatment services including detoxification and crisis stabilization, and 24-hour residential rehabilitation programs</td>
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<td></td>
<td>⚪ Does not require PCP referral</td>
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</tbody>
</table>

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<thead>
<tr>
<th><strong>Outpatient Substance Abuse Treatment Services</strong></th>
<th>Services include, but are not limited to, the following:</th>
<th>Not a covered benefit.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>⚪ Prevention and intervention services that are provided by physician and non-physician providers, such as screening, assessment and referral for chemical dependency disorders.</td>
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<tr>
<td></td>
<td>⚪ Intensive outpatient services</td>
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<td></td>
<td>⚪ Partial hospitalization</td>
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<tr>
<td></td>
<td>⚪ Intensive outpatient services is defined as an organized non-residential service providing structured group and individual therapy, educational services, and life skills training which consists of at least 10 hours per week for four to 12 weeks, but less than 24 hours per day</td>
<td></td>
</tr>
<tr>
<td></td>
<td>⚪ Outpatient treatment service is defined as consisting of at least one to two hours per week providing structured group and individual therapy, educational services, and life skills training</td>
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<tr>
<td></td>
<td>⚪ Does not require PCP referral</td>
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<thead>
<tr>
<th><strong>Rehabilitation Services</strong></th>
<th>Services include, but are not limited to, the following:</th>
<th>Not a covered benefit.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>⚪ Habilitation (the process of supplying a child with the means to reach age-appropriate developmental milestones through therapy or treatment) and rehabilitation services include, but are not limited to the following:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>⚪ Physical, occupational and speech therapy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>⚪ Developmental assessment</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Hospice Care Services</strong></th>
<th>Services include, but are not limited to:</th>
<th>Not a covered benefit.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>⚪ Palliative care, including medical and support services, for those children who have six (6) months or less to live, to keep patients comfortable during the last weeks and months before death</td>
<td></td>
</tr>
<tr>
<td></td>
<td>⚪ Treatment services, including treatment related to the terminal illness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>⚪ Up to a maximum of 120 days with a 6 month life expectancy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>⚪ Patients electing hospice services may cancel this election at anytime</td>
<td></td>
</tr>
<tr>
<td></td>
<td>⚪ Services apply to the hospice diagnosis</td>
<td></td>
</tr>
</tbody>
</table>
| **Emergency Services, including Emergency Hospitals, Physicians, and Ambulance Services** | MCO cannot require authorization as a condition for payment for emergency conditions or labor and delivery. Covered services include, but are not limited to, the following:  
○ Emergency services based on prudent layperson definition of emergency health condition  
○ Hospital emergency department room and ancillary services and physician services 24 hours a day, seven (7) days a week, both by in-network and out-of-network providers  
○ Medical screening examination  
○ Stabilization services  
○ Access to DSHS designated Level I and Level II trauma centers or hospitals meeting equivalent levels of care for emergency services  
○ Emergency ground, air and water transportation  
○ Emergency dental services, limited to fractured or dislocated jaw, traumatic damage to teeth, removal of cysts, and treatment relating to oral abscess of tooth or gum origin. | MCO cannot require authorization as a condition for payment for emergency conditions related to labor with delivery. Covered services are limited to those emergency services that are directly related to the delivery of the unborn child until birth.  
○ Emergency services based on prudent lay person definition of emergency health condition  
○ Medical screening examination to determine emergency when directly related to the delivery of the covered unborn child.  
○ Stabilization services related to the labor with delivery of the covered unborn child.  
○ Emergency ground, air and water transportation for labor and threatened labor is a covered benefit  
○ Emergency ground, air and water transportation for an emergency associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) is a covered benefit.  

Benefit limits: Post-delivery services or complications resulting in the need for emergency services for the mother of the CHIP Perinate are not a covered benefit. |
| **Transplants** | Services include, but are not limited to, the following:  
○ Using up-to-date FDA guidelines, all non-experimental human organ and tissue transplants and all forms of non-experimental corneal, bone marrow and peripheral stem cell transplants, including donor medical expenses. | Not a covered benefit. |
| **Vision Benefit** | The health plan may reasonably limit the cost of the frames/lenses. Services include:  
○ One (1) examination of the eyes to determine the need for and prescription for corrective lenses per 12-month period, without authorization  
○ One (1) pair of non-prosthetic eyewear per 12-month period | Not a covered benefit. |
| **Chiropractic Services** | Services do not require physician prescription and are limited to spinal subluxation | Not a covered benefit. |
| **Tobacco Cessation Program** | Covered up to $100 for a 12-month period limit for a plan-approved program  
○ Health Plan defines plan-approved program.  
○ May be subject to formulary requirements. | Not a covered benefit. |
### Case Management and Care Coordination Services

These services include outreach informing, case management, care coordination and community referral.

### Drug Benefits

Services include, but are not limited to, the following:

- Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals; and
- Drugs and biologicals provided in an inpatient setting.

Not a covered benefit unless identified elsewhere in this table.

### Value-added services

See RFP Attachment B-2.1

### CHIP Exclusions from Covered Services

Inpatient and outpatient infertility treatments or reproductive services other than prenatal care, labor and delivery, and care related to disease, illnesses, or abnormalities related to the reproductive system

- Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e., cannot be prescribed for family planning)

Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment of sickness or injury

Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community

Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court

Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.

Mechanical organ replacement devices including, but not limited to artificial heart

Hospital services and supplies when confinement is solely for diagnostic testing purposes, unless otherwise pre-authorized by Health Plan

Prostate and mammography screening

Elective surgery to correct vision

Gastric procedures for weight loss

Cosmetic surgery/services solely for cosmetic purposes

Dental devices solely for cosmetic purposes

Out-of-network services not authorized by the Health Plan except for emergency care and physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section
Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity, except for the services associated with the treatment for morbid obesity as part of a treatment plan approved by the Health Plan

Medications prescribed for weight loss or gain

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Replacement or repair of prosthetic devices and durable medical equipment due to misuse, abuse or loss when confirmed by the Member or the vendor

Corrective orthopedic shoes

Convenience items

Over-the-counter medications

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists a child with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a parent. This care does not require the continuing attention of trained medical or paramedical personnel.) This exclusion does not apply to hospice services.

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training and vision therapy

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered except when ordered by a Physician/PCP

Donor non-medical expenses

Charges incurred as a donor of an organ when the recipient is not covered under this health plan

Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa)

EXCLUSIONS FROM COVERED SERVICES FOR CHIP PERINATES
For CHIP Perinates in families with incomes at or below 185% of the Federal Poverty Level, inpatient facility charges are not a covered benefit if associated with the initial Perinatal Newborn admission. "Initial Perinatal Newborn admission" means the hospitalization associated with the birth.

Contraceptive medications prescribed only for the purpose of primary and preventive reproductive health care (i.e. cannot be prescribed for family planning)

Inpatient and outpatient treatments other than prenatal care, labor with delivery, services related to (a) miscarriage and (b) a non-viable pregnancy, and postpartum care related to the covered unborn child until birth.

Inpatient mental health services.
Outpatient mental health services.
Durable medical equipment or other medically related remedial devices.
Disposable medical supplies.
Home and community-based health care services.
Nursing care services.
Dental services.
Inpatient substance abuse treatment services and residential substance abuse treatment services.
Outpatient substance abuse treatment services.
Physical therapy, occupational therapy, and services for individuals with speech, hearing, and language disorders.
Hospice care.
Skilled nursing facility and rehabilitation hospital services.
Emergency services other than those directly related to the labor with delivery of the covered unborn child.
Transplant services.
Tobacco Cessation Programs.
Chiropractic Services.
Medical transportation not directly related to labor or threatened labor, miscarriage or non-viable pregnancy, and/or delivery of the covered unborn child.
Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment related to labor with delivery or post partum care.
Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community
Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court
Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.
Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa).

Mechanical organ replacement devices including, but not limited to artificial heart

Hospital services and supplies when confinement is solely for diagnostic testing purposes and not a part of labor with delivery

Prostate and mammography screening

Elective surgery to correct vision

Gastric procedures for weight loss

Cosmetic surgery/services solely for cosmetic purposes

Out-of-network services not authorized by the Health Plan except for emergency care related to the labor with delivery of the covered unborn child.

Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Corrective orthopedic shoes

Convenience items

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a caregiver. This care does not require the continuing attention of trained medical or paramedical personnel.)

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training, vision therapy, or vision services

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered

Donor non-medical expenses

Charges incurred as a donor of an organ
<table>
<thead>
<tr>
<th>SUPPLIES</th>
<th>COVERED</th>
<th>EXCLUDED</th>
<th>COMMENTS / MEMBER CONTRACT PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ace Bandages</td>
<td></td>
<td>X</td>
<td>Exception: If provided by and billed through the clinic or home care agency it is covered as an incidental supply.</td>
</tr>
<tr>
<td>Alcohol, rubbing</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Alcohol, swabs (diabetic)</td>
<td>X</td>
<td></td>
<td>Over-the-counter supply not covered, unless RX provided at time of dispensing.</td>
</tr>
<tr>
<td>Alcohol, swabs</td>
<td></td>
<td>X</td>
<td>Covered only when received with IV therapy or central line kits/supplies.</td>
</tr>
<tr>
<td>Ana Kit Epinephrine</td>
<td></td>
<td>X</td>
<td>A self-injection kit used by patients highly allergic to bee stings.</td>
</tr>
<tr>
<td>Arm Sling</td>
<td></td>
<td>X</td>
<td>Dispensed as part of office visit.</td>
</tr>
<tr>
<td>Attends (Diapers)</td>
<td></td>
<td>X</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.</td>
</tr>
<tr>
<td>Bandages</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Basal Thermometer</td>
<td></td>
<td>X</td>
<td>For covered DME items</td>
</tr>
<tr>
<td>Batteries – initial</td>
<td></td>
<td>X</td>
<td>For covered DME when replacement is necessary due to normal use.</td>
</tr>
<tr>
<td>Batteries – replacement</td>
<td></td>
<td>X</td>
<td>See IV therapy supplies.</td>
</tr>
<tr>
<td>Betadine</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Books</td>
<td></td>
<td>X</td>
<td>For monitoring of diabetes.</td>
</tr>
<tr>
<td>Clinitest</td>
<td></td>
<td>X</td>
<td>See Ostomy Supplies.</td>
</tr>
<tr>
<td>Colostomy Bags</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Communication Devices</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Contraceptive Jelly</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply. Contraceptives are not covered under the plan.</td>
</tr>
<tr>
<td>Cranial Head Mold</td>
<td></td>
<td>X</td>
<td>Coverage limited to dental devices used for treatment of craniofacial anomalies requiring surgical intervention.</td>
</tr>
<tr>
<td>Dental Devices</td>
<td></td>
<td>X</td>
<td>Monitor calibrating solution, insulin syringes, needles, lancets, lancet device, and glucose strips.</td>
</tr>
<tr>
<td>Diabetic Supplies</td>
<td></td>
<td>X</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.</td>
</tr>
<tr>
<td>Diapers/Incontinent Briefs/Chux</td>
<td>X</td>
<td></td>
<td>Contraceptives are not covered under the plan. For monitoring diabetes.</td>
</tr>
<tr>
<td>Diaphragm</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Diastix</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Diet, Special</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Distilled Water</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>X</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Central Line</td>
<td></td>
<td>Syringes, needles, Tegaderm, alcohol swabs, Betadine swabs or ointment, tape. Many times these items are dispensed in a kit when includes all necessary items for one dressing site change.</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Decubitus</td>
<td></td>
<td>Eligible for coverage only if receiving covered home care for wound care.</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Peripheral IV Therapy</td>
<td></td>
<td>Eligible for coverage only if receiving home IV therapy.</td>
<td></td>
</tr>
<tr>
<td>Dressing Supplies/Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dust Mask</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ear Molds</td>
<td></td>
<td>Custom made, post inner or middle ear surgery</td>
<td></td>
</tr>
<tr>
<td>Electrodes</td>
<td></td>
<td>Eligible for coverage when used with a covered DME.</td>
<td></td>
</tr>
<tr>
<td>Enema Supplies</td>
<td></td>
<td>Over-the-counter supply.</td>
<td></td>
</tr>
<tr>
<td>Enteral Nutrition Supplies</td>
<td></td>
<td>Necessary supplies (e.g., bags, tubing, connectors, catheters, etc.) are eligible for coverage. Enteral nutrition products are not covered except for those prescribed for hereditary metabolic disorders, a non-function or disease of the structures that normally permit food to reach the small bowel, or malabsorption due to disease.</td>
<td></td>
</tr>
<tr>
<td>Eye Patches</td>
<td></td>
<td>Covered for patients with amblyopia.</td>
<td></td>
</tr>
</tbody>
</table>
Exception: Eligible for coverage only for chronic hereditary metabolic disorders a non-function or disease of the structures that normally permit food to reach the small bowel; or malabsorption due to disease (expected to last longer than 60 days when prescribed by the physician and authorized by plan.) Physician documentation to justify prescription of formula must include:

- Identification of a metabolic disorder, dysphagia that results in a medical need for a liquid diet, presence of a gastrostomy, or disease resulting in malabsorption that requires a medically necessary nutritional product

Does not include formula:

- For members who could be sustained on an age-appropriate diet.
- Traditionally used for infant feeding
- In pudding form (except for clients with documented oropharyngeal motor dysfunction who receive greater than 50 percent of their daily caloric intake from this product)
- For the primary diagnosis of failure to thrive, failure to gain weight, or lack of growth or for infants less than twelve months of age unless medical necessity is documented and other criteria, listed above, are met.

Food thickeners, baby food, or other regular grocery products that can be blenderized and used with an enteral system that are not medically necessary, are not covered, regardless of whether these regular food products are taken orally or parenterally.

<table>
<thead>
<tr>
<th>Item</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gloves</td>
<td>X</td>
</tr>
<tr>
<td>Hydrogen Peroxide</td>
<td>X</td>
</tr>
<tr>
<td>Hygiene Items</td>
<td>X</td>
</tr>
<tr>
<td>Incontinent Pads</td>
<td>X</td>
</tr>
<tr>
<td>Insulin Pump (External) Supplies</td>
<td>X</td>
</tr>
<tr>
<td>Irrigation Sets, Wound Care</td>
<td>X</td>
</tr>
<tr>
<td>Irrigation Sets, Urinary</td>
<td>X</td>
</tr>
</tbody>
</table>

Exception: Central line dressings or wound care provided by home care agency.

Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.

Supplies (e.g., infusion sets, syringe reservoir and dressing, etc.) are eligible for coverage if the pump is a covered item.

Eligible for coverage when used during covered home care for wound care.

Eligible for coverage for individual with an indwelling urinary catheter.
<table>
<thead>
<tr>
<th>Item</th>
<th>X/Yes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV Therapy Supplies</td>
<td>X</td>
<td>Tubing, filter, cassettes, IV pole, alcohol swabs, needles, syringes and any other related supplies necessary for home IV therapy.</td>
</tr>
<tr>
<td>K-Y Jelly</td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Lancet Device</td>
<td>X</td>
<td>Limited to one device only.</td>
</tr>
<tr>
<td>Lancets</td>
<td>X</td>
<td>Eligible for individuals with diabetes.</td>
</tr>
<tr>
<td>Med Ejector</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Needles and Syringes/Diabetic</td>
<td></td>
<td>See Diabetic Supplies</td>
</tr>
<tr>
<td>Needles and Syringes/IV and Central Line</td>
<td></td>
<td>See IV Therapy and Dressing Supplies/Central Line.</td>
</tr>
<tr>
<td>Needles and Syringes/Other</td>
<td>X</td>
<td>Eligible for coverage if a covered IM or SubQ medication is being administered at home.</td>
</tr>
<tr>
<td>Normal Saline</td>
<td></td>
<td>See Saline, Normal</td>
</tr>
<tr>
<td>Novopen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ostomy Supplies</td>
<td>X</td>
<td>Items eligible for coverage include: belt, pouch, bags, wafer, face plate, insert, barrier, filter, gasket, plug, irrigation kit/sleeve, tape, skin prep, adhesives, drain sets, adhesive remover, and pouch deodorant. Items not eligible for coverage include: scissors, room deodorants, cleaners, rubber gloves, gauze, pouch covers, soaps, and lotions.</td>
</tr>
<tr>
<td>Parenteral Nutrition/Supplies</td>
<td>X</td>
<td>Necessary supplies (e.g., tubing, filters, connectors, etc.) are eligible for coverage when the Health Plan has authorized the parenteral nutrition.</td>
</tr>
<tr>
<td>Saline, Normal</td>
<td>X</td>
<td>Eligible for coverage: a) when used to dilute medications for nebulizer treatments; b) as part of covered home care for wound care; c) for indwelling urinary catheter irrigation.</td>
</tr>
<tr>
<td>Stump Sleeve</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Stump Socks</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Suction Catheters</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Syringes</td>
<td></td>
<td>See Needles/Syringes.</td>
</tr>
<tr>
<td>Tape</td>
<td></td>
<td>See Dressing Supplies, Ostomy Supplies, IV Therapy Supplies.</td>
</tr>
<tr>
<td>Tracheostomy Supplies</td>
<td>X</td>
<td>Cannulas, Tubes, Ties, Holders, Cleaning Kits, etc. are eligible for coverage.</td>
</tr>
<tr>
<td>Under Pads</td>
<td></td>
<td>See Diapers/Incontinent Briefs/Chux.</td>
</tr>
<tr>
<td>Unna Boot</td>
<td>X</td>
<td>Eligible for coverage when part of wound care in the home setting. Incidental charge when applied during office visit.</td>
</tr>
<tr>
<td>Urinary, External Catheter &amp; Supplies</td>
<td>X</td>
<td>Exception: Covered when used by incontinent male where injury to the urethra prohibits use of an indwelling catheter ordered by the PCP and approved by the plan</td>
</tr>
<tr>
<td>Urinary, Indwelling Catheter &amp; Supplies</td>
<td>X</td>
<td>Cover catheter, drainage bag with tubing, insertion tray, irrigation set and normal saline if needed.</td>
</tr>
<tr>
<td>Item</td>
<td></td>
<td>Cover supplies needed for intermittent or straight catheterization.</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Urinary, Intermittent</td>
<td>X</td>
<td>When determined to be medically necessary.</td>
</tr>
<tr>
<td>Urine Test Kit</td>
<td></td>
<td>See Ostomy Supplies.</td>
</tr>
<tr>
<td>Urostomy supplies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Subject: Attachment B-2.2 - STAR+PLUS Covered Services

## DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2.2. “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2.2 is modified to reinstate the waiver of the three prescription limit for adults and to add the waiver of the $200,000 individual annual limit on inpatient services. STAR+PLUS Covered Services is modified to clarify the requirements regarding services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting. Services included under the HMO capitation payment is modified to clarify the requirements for &quot;Prenatal care services rendered in a birthing center.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Community Based Long Term Care Services is modified to replace references to “1915(c) STAR+PLUS Waiver” and “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Acute Care Services is modified to remove the waiver of the 30-day spell of illness as required by Article II, Rider 51 of the General Appropriations Act (83R), and to remove the reference to the Texas Medicaid Bulletin.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
</tbody>
</table>

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3 Brief description of the changes to the document made in the revision.

### STAR+PLUS Covered Services

#### Acute Care Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR+PLUS Program.

STAR+PLUS MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated Services are not included in the STAR+PLUS MCOs’ Capitation Rates; however, STAR+PLUS MCOs must coordinate care for Members for these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and non-capitated.

STAR+PLUS MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template”).

STAR+PLUS Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following two exceptions. Adult STAR+PLUS Members are provided with two enhanced benefits compared to the traditional, fee-for-service Medicaid coverage:
1. waiver of the three prescription per month limit, for members not covered by Medicare; and
2. waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR+PLUS MCOs should refer to the current *Texas Medicaid Provider Procedures Manual*, which can be accessed online at: [http://www.tmhp.com](http://www.tmhp.com).

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

**Services included under the MCO capitation payment**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Adults and Children
  - Outpatient mental health services for Adults and Children
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Substance use disorder treatment services, including
    - Outpatient services, including:
      - Assessment
      - Detoxification services
      - Counseling treatment
      - Medication assisted therapy
    - Residential services, including
      - Detoxification services
      - Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

- Birthing services provided by a physician or Advanced Practice Nurse in a licensed birthing center
- Birthing services provided by a licensed birthing center
- Cancer screening, diagnostic, and treatment services
- Chiropractic services
• Dialysis
• Durable medical equipment and supplies
• Early Childhood Intervention (ECI) services
• Emergency Services
• Family planning services
• Home health care services
• Hospital services, inpatient and outpatient
• Laboratory
• Mastectomy, breast reconstruction, and related follow-up procedures, including:
  o outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and
  physician and professional services provided in an office, inpatient, or outpatient setting for:
    o all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
    o surgery and reconstruction on the other breast to produce symmetrical appearance;
    o treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    o prophylactic mastectomy to prevent the development of breast cancer.
  o external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.
• Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program
• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children six (6) months through 35 months of age.
• Optometry, glasses, and contact lenses, if medically necessary
• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals
• Drugs and biologicals provided in an inpatient setting
• Podiatry
• Prenatal care
• Primary care services
• Preventive services including an annual adult well check for patients 21 years of age and over
• Radiology, imaging, and X-rays
• Specialty physician services
Community Based Long Term Care Services

The following is a non-exhaustive, high-level listing of Community Based Long Term Care Covered Services included under the STAR+PLUS Medicaid managed care program.

- Community Based Long Term Care Services for all Members
  - Personal Attendant Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Personal Attendant Services (PAS).
  - Day Activity and Health Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Day Activity and Health Care Services (DAHS).

- HCBS STAR+PLUS Waiver Services for those Members who qualify for such services
  - The state provides an enriched array of services to clients who would otherwise qualify for nursing facility care through a Home and Community Based Medicaid Waiver. In traditional Medicaid, this is known as the Community Based Alternatives (CBA) waiver. The STAR+PLUS MCO must also provide medically necessary services that are available to clients through the CBA waiver in traditional Medicaid to those clients that meet the functional and financial eligibility for the HCBS STAR+PLUS Waiver.
    - Personal Attendant Services (including the three (3) service delivery options: Self-Directed; Agency Model, Self-Directed; and Agency Model)
    - In-Home or Out-of-Home Respite Services
    - Nursing Services (in home)
    - Emergency Response Services (Emergency call button)
    - Home Delivered Meals
    - Minor Home Modifications
    - Adaptive Aids and Medical Equipment
    - Medical Supplies not available under the Texas Medicaid State Plan/ Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver
    - Physical Therapy, Occupational Therapy, Speech Therapy
    - Day Activity Health Services (DAHS) (for members in 217-Like STAR+PLUS eligibility group, as identified in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver, whose income exceeds 150% FPL)
    - Adult Foster Care
    - Assisted Living
    - Transition Assistance Services (These services are limited to a maximum of $2,500.00. If the MCO determines that no other resources are available to pay for the basic services/items needed to assist a Member, who is leaving a nursing facility, with setting up a household, the MCO may authorize up to $2,500.00 for Transition Assistance Services (TAS). The $2,500.00 TAS benefit is part of the expense ceiling when determining the Total Annual Individual Service Plan (ISP) Cost.)
<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Item 27 is modified to remove the quarterly reports for item (a), add pharmacy to items (d) and (e), and to add item (f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports. Item 28 is modified to replace references to “1915 (c) Waiver” with “HCBS STAR +PLUS Waiver”.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.4</td>
<td>March 1, 2013</td>
<td>Item 19 is modified to clarify liquidated damage assessment and variance.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.5</td>
<td>June 1, 2013</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.6</td>
<td>September 1, 2013</td>
<td>Items 4, 6, 7, 16, 23, 24, 26, 27, 28, 29, 30, and 31 are modified to add &quot;not submitted&quot; to the LD. Items 10 and 21 are modified and items 28-31 are added to include pharmacy requirements. All subsequent items are renumbered. Items 21 and 22 are modified to include pharmacy claims. Item 24 is modified to change the name of the report. Item 27 is modified to remove quarterly from the measurement period.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.7</td>
<td>September 1, 2013</td>
<td>Contract amendment did not revise Attachment B-3, &quot;Deliverables/Liquidated Damages Matrix.&quot;</td>
</tr>
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</table>

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## Deliverables/Liquidated Damages Matrix

<table>
<thead>
<tr>
<th>#</th>
<th>Service/Component 1</th>
<th>Performance Standard 2</th>
<th>Measurement Period 3</th>
<th>Measurement Assessment 4</th>
<th>Liquidated Damages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>General Requirement: Failure to Perform an Administrative Service Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely perform an MCO Administrative Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure either: (1) results in actual harm to a Member or places a Member at risk of imminent harm, or (2) materially affects HHSC’s ability to administer the Program(s).</td>
<td>Ongoing</td>
<td>Each incident of non-compliance per MCO Program and SA.</td>
<td>HHSC may assess up to $5,000.00 per calendar day for each incident of non-compliance per MCO Program and SA.</td>
</tr>
<tr>
<td>2.</td>
<td>General Requirement: Failure to Provide a Covered Service Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely provide a MCO Covered Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure results in actual harm to a Member or places a Member at risk of imminent harm.</td>
<td>Ongoing</td>
<td>Each calendar day of non-compliance</td>
<td>HHSC may assess up to $7,500.00 per day for each incident of non-compliance.</td>
</tr>
<tr>
<td>3.</td>
<td>Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Section 4.08 Subcontractors</td>
<td>(i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract; (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting; (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and (iv) 30 calendar days prior to the termination date of any other Material Subcontract.</td>
<td>Transition, Measured Quarterly during the Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $5,000 per calendar day of non-compliance.</td>
</tr>
<tr>
<td>4.</td>
<td>Contract Attachment B-1, RFP §§ 6, 7, 8 and 9 Uniform Managed Care Manual</td>
<td>All reports and deliverables as specified in Sections 6, 7, 8 and 9 of Attachment B-1, must be submitted according to the timeframes and requirements stated in the Contract (including all attachments) and the Uniform Managed Care Manual. (Specific Reports or deliverables listed separately in this matrix are subject to the specified liquidated damages.)</td>
<td>Transition Period, Quarterly during Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $250 per calendar day if the report/deliverable is not submitted, late, inaccurate, or incomplete.</td>
</tr>
<tr>
<td>5.</td>
<td>Contract Attachment B-1, RFP §7.2 Transition Phase Schedule Contract Attachment B-1, RFP §7.2.1 Contract Start-Up and Planning Contract Attachment B-1, RFP §8.1 General Scope</td>
<td>The MCO must be operational no later than the agreed upon Operations Start Date. HHSC, or its agent, will determine when the MCO is considered to be operational based on the requirements in Section 7 and 8 of Attachment B-1.</td>
<td>Operations Start Date</td>
<td>Each calendar day of non-compliance, per MCO Program, per Service Area (SA).</td>
<td>HHSC may assess up to $10,000 per calendar day for each day beyond the Operations Start date that the MCO is not operational until the day that the MCO is operational, including all systems.</td>
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</table>
| 6. | Contract Attachment B-1, RFP §7.2.5 System Readiness Review | The MCO must submit to HHSC or to the designated Readiness Review Contractor the following plans for review, no later than 120 days prior to Operational Start Date:  
• Joint Interface Plan;  
• Disaster Recovery Plan;  
• Business Continuity Plan;  
• Risk Management Plan; and  
• Systems Quality Assurance Plan. | Transition Period | Each calendar day of non-compliance, per report, per MCO Program, and per SA. | HHSC may assess up to $1,000 per calendar day for each day a deliverable is not submitted, late, inaccurate or incomplete. |
| 7. | Contract Attachment B-1, RFP §7.2.7 Operations Readiness | Final versions of the Provider Directory must be submitted to the Administrative Services Contractor no later than 95 days prior to the Operational Start Date. | Transition Period | Each calendar day of non-compliance, per directory, per MCO Program and per SA. | HHSC may assess up to $1,000 per calendar day for each day the directory is not submitted, late, inaccurate or incomplete. |
| 8. | Attachment B-1, RFP Sections 7.2.8.1 and 8.1.19 | The MCO must submit or comply with the requirements of the HHSC-approved Fraud and Abuse Compliance Plan. | Transition, Operations, and Turnover | Each incident of noncompliance, per MCO Program. | HHSC may assess up to $250 per calendar day for each incident of noncompliance, per MCO Program. |
(2) No more than 20 percent of an MCO's total emergency room visits, by service delivery area, may occur in out-of-network facilities  
(3) No more than 20 percent of total dollars billed to an MCO for "other outpatient services" may be billed by out-of-network providers. | Measured Quarterly beginning March 1, 2010. | Per incident of non-compliance, per Medicaid MCO, per Service Area. | HHSC may assess up to $25,000 per quarter, per standard, per Medicaid MCO, per Service Area. |
<table>
<thead>
<tr>
<th>10.</th>
<th>Contract Attachment B-1, RFP §8.1.4.7 Provider Hotline; §8.1.21.1 Prior Authorization for Prescription Drugs and 72-Hour Emergency Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. The MCO must operate a toll-free Provider telephone hotline for Provider inquiries from 8 AM – 5 PM, local time for the Service Area, Monday through Friday, excluding State-approved holidays.</td>
<td></td>
</tr>
<tr>
<td>B. Performance Standards:</td>
<td></td>
</tr>
<tr>
<td>1. Call pickup rate—At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used.</td>
<td></td>
</tr>
<tr>
<td>2. Call abandonment rate—Call abandonment rate is seven percent (7%) or less.</td>
<td></td>
</tr>
<tr>
<td>C. Average hold time is two (2) minutes or less.</td>
<td></td>
</tr>
<tr>
<td>Operations and Turnover</td>
<td></td>
</tr>
<tr>
<td>A. Each incident of non-compliance per MCO Program and SA.</td>
<td></td>
</tr>
<tr>
<td>B. Each percentage point below the standard for 1 and each percentage point above the standard for 2 per MCO Program and SA.</td>
<td></td>
</tr>
<tr>
<td>C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
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<tr>
<td>HHSC may assess:</td>
<td></td>
</tr>
<tr>
<td>A. Per MCO Program and SA, up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.</td>
<td></td>
</tr>
<tr>
<td>B. Up to $100.00 per MCO Program and SA for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.</td>
<td></td>
</tr>
<tr>
<td>C. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>11.</th>
<th>Contract Attachment B-1, RFP §8.1.5.6 Member Services Hotline</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week.</td>
<td></td>
</tr>
<tr>
<td>B. Performance Standards.</td>
<td></td>
</tr>
<tr>
<td>1. Call pickup rate—At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used.</td>
<td></td>
</tr>
<tr>
<td>2. Call hold rate—At least 80% of calls must be answered by toll-free line staff within 30 seconds</td>
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<tr>
<td>3. Call abandonment rate—Call abandonment rate is seven percent (7%) or less.</td>
<td></td>
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<tr>
<td>C. Average hold time is two (2) minutes or less.</td>
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<tr>
<td>Ongoing during Operations and Turnover</td>
<td></td>
</tr>
<tr>
<td>A. Each incident of non-compliance per MCO Program and SA.</td>
<td></td>
</tr>
<tr>
<td>B. Each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3 per MCO Program and SA.</td>
<td></td>
</tr>
<tr>
<td>C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
<td></td>
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<tr>
<td>HHSC may assess:</td>
<td></td>
</tr>
<tr>
<td>A. Per MCO Program and SA, up to $100.00 for each hour or portion thereof that toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.</td>
<td></td>
</tr>
<tr>
<td>B. Per MCO Program and SA, up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.</td>
<td></td>
</tr>
<tr>
<td>C. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time.</td>
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<tr>
<td></td>
<td>Contract Attachment B-1, RFP §8.1.5.9 Member Complaint and Appeal Process</td>
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<tr>
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</tr>
<tr>
<td>12.</td>
<td>Contract Attachment B-1, RFP §8.2.7.1 Member Complaint Process Contract Attachment B-1, RFP §8.4.3 CHIP Member Complaint and Appeal Process Contract Attachment B-1, RFP §8.2.4.1 Provider Complaints</td>
</tr>
<tr>
<td>13.</td>
<td>Contract Attachment B-1, RFP §8.1.5.9 Member Complaint and Appeal Process Contract Attachment B-1, RFP §8.2.7.2 Medicaid Standard Member Appeal Process Contract Attachment B-1, RFP §8.4.3 CHIP Member Complaint and Appeal Process</td>
</tr>
</tbody>
</table>
| 15. | Contract Attachment B-1, RFP §8.1.15.3 Behavioral Health Services Hotline | A. The MCO must have an emergency and crisis Behavioral Health services Hotline available 24 hours a day, seven (7) days a week, toll-free throughout the Service Area(s).  
B. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess behavioral health emergencies.  
C. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for the MCO Program:  
1. Call pickup rate: 99% of calls are answered by the fourth ring or an automated call pick-up system:  
2. Call hold rate: At least 80% of calls must be answered by toll-free line staff within 30 seconds.  
3. Call abandonment rate: The call abandonment rate is seven percent (7%) or less.  
D. Average hold time is two (2) minutes or less. | Operations and Turnover | A. Each incident of non-compliance per MCO Program and SA.  
B. Each incident of non-compliance per MCO Program and SA.  
C. Per MCO Program, and SA, per month, each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3.  
D. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time. | HHSC may assess:  
A. Up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational if the MCO’s failure to meet the performance standard is caused by a Force Majeure Event. HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.  
B. Up to $100.00 per incident for each occurrence that HHSC identifies through its recurring monitoring processes that toll-free line staff were not qualified or did not have access to qualified professionals to assess behavioral health emergencies.  
C. Up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.  
D. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time. |
<p>| 16. | Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements Uniform Managed Care Manual Chapter 5.0 | Financial Statistical Reports (FSR): For each MCO Program and SA, the MCO must file quarterly and annual FSRs. Quarterly reports are due no later than 30 days after the conclusion of each State Fiscal Quarter (SFQ). The first annual report is due no later than 120 days after the end of each Contract Year and the second annual report is due no later than 365 days after the end of each Contract Year. | Quarterly during the Operations Period | Per calendar day of non-compliance, per MCO Program, per SA. | HHSC may assess up to $1,000 per calendar day a quarterly or annual report is not submitted, late, inaccurate or incomplete. |</p>
<table>
<thead>
<tr>
<th></th>
<th>17.</th>
<th>18.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements: Uniform Managed Care Manual Chapter 5.0</strong></td>
<td><strong>Contract Attachment B-1, RFP §8.1.18 Management Information System (MIS) Requirements</strong></td>
<td><strong>Contract Attachment B-1, RFP §8.1.18 Management Information System (MIS) Requirements</strong></td>
</tr>
<tr>
<td>Medicaid Disproportionate Share Hospital (DSH) Reports: The Medicaid MCO must submit, on an annual basis, preliminary and final DSH Reports. The Preliminary report is due no later than June 1st after each reporting year, and the final report is due no later than July 1st after each reporting year. This standard does not apply to CHIP or CHIP Perinatal Programs. Any claims added after July 1st shall include supporting claim documentation for HHSC validation.</td>
<td>The MCO’s MIS must be able to resume operations within 72 hours of employing its Disaster Recovery Plan.</td>
<td><strong>Per calendar day of non-compliance, per MCO Program, per SA.</strong></td>
</tr>
<tr>
<td>Measured during 4th Quarter of the Operations Period (6/1–8/31)</td>
<td>Measured Quarterly during the Operations Period</td>
<td><strong>Per calendar day of non-compliance, per MCO Program, per SA.</strong></td>
</tr>
<tr>
<td><strong>HHSC may assess up to $1,000 per calendar day, per program, per service area, for each day the report is late, incorrect, inaccurate or incomplete.</strong></td>
<td><strong>HHSC may assess up to $5,000 per calendar day of non-compliance</strong></td>
<td><strong>HHSC may assess up to $5,000 per calendar day of non-compliance</strong></td>
</tr>
<tr>
<td>19.</td>
<td>Contract Attachment B-1, RFP §8.1.18.1 Encounter Data</td>
<td>The MCO must submit Encounter Data transmissions and include all Encounter Data and Encounter Data adjustments processed by the MCO on a monthly basis, not later than the 30th calendar day after the last day of the month in which the claim(s) are adjudicated. Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments. Additionally, the MCO will be subject to liquidated damages if the Quarterly Encounter Reconciliation Report (which reconciles the yearto-date paid claims reported in the Financial Statistical Report (FSR) to the appropriate paid dollars reported in the Texas Encounter Data (TED) Warehouse) includes more than a 2% variance.</td>
</tr>
<tr>
<td>20.</td>
<td>Contract Attachment B-1, RFP §8.1.18.3 System-Wide Functions</td>
<td>The MCO’s MIS system must meet all requirements in Section 8.1.18.3 of Attachment B-1.</td>
</tr>
</tbody>
</table>
21. Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements and §8.1.21.14 Pharmacy Claims and File Processing Uniform Managed Care Manual Chapter 2.0 and 2.2

The MCO must adjudicate all provider Clean Claims within 30 days of receipt by the MCO. The MCO must pay providers interest at 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 30-day claims processing deadline. Interest owed to the provider must be paid on the same date as the claim. The MCO must adjudicate all Clean Claims for outpatient pharmacy benefits within (1) 18 days after receipt by the MCO if submitted electronically, or (2) 21 days after receipt by the MCO if submitted non-electronically. The MCO must pay providers interest at 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 18-day or 21-day claims-processing deadline. Interest owed to the provider must be paid on the same date as the claim.

22. Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements Uniform Managed Care Manual Chapters 2.0 and 2.2

The MCO must comply with the claims processing requirements and standards as described in Section 8.1.18.5 of Attachment B-1 and in Chapters 2.0 and 2.2 of the Uniform Managed Care Manual. Measured Quarterly during the Operations Period Per quarterly reporting period, per MCO Program, per Service Area, per claim type. HHSC may assess liquidated damages of up to $5,000 for the first quarter that an MCO’s Claims Performance percentages by claim type, by Program, and by service area, fall below the performance standards. HHSC may assess up to $25,000 per quarter for each additional quarter that the Claims Performance percentages by claim type, by Program, and by service area, fall below the performance standards.

HHSC may assess liquidated damages of up to $1,000 per claim if the MCO fails to pay interest timely.
<table>
<thead>
<tr>
<th></th>
<th>Attachment B-1, RFP Section 8.1.19</th>
<th>The MCO must respond to Office of Inspector General request for information in the manner and format requested.</th>
<th>Transition, Operations, and Turnover</th>
<th>Each calendar day of noncompliance, per MCO Program.</th>
<th>HHSC may assess up to $250 per calendar day, per MCO Program, that the report is not submitted, late, inaccurate, or incomplete.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attachment B-1, RFP Section 8.1.20.2, UMCM Chapter 5.5</td>
<td>The MCO must submit a Fraudulent Practices Report to the HHSC-OIG within 30 Business Days of receiving a report of possible Waste, Abuse, or Fraud from the MCO’s Special Investigative Unit (SIU). The MCO must submit quarterly MCO Open Case List Reports.</td>
<td>Transition, Operations, and Turnover</td>
<td>Each calendar day of noncompliance, per MCO Program.</td>
<td>HHSC may assess up to $250 per calendar day, per MCO Program, that the report is not submitted, late, inaccurate, or incomplete.</td>
</tr>
<tr>
<td>23.</td>
<td>Attachment B-1, RFP §8.1.20.2 Reports Attachment B-1, RFP §8.2.5.1 Provider Complaints Attachment B-1, RFP §8.2.7.1 Member Complaint Process</td>
<td>The MCO fails to submit a timely response to an HHSC Member or Provider Complaint received by HHSC and referred to the MCO by the specified due date. The MCO response must be submitted according to the timeframes and requirements stated within the MCO Notification Correspondence (letter, email, etc).</td>
<td>Measured on a Quarterly Basis</td>
<td>Each incident of non-compliance per MCO Program and SA</td>
<td>HHSC may assess up to $250 per calendar day for each day beyond the due date specified within the MCO Notification Correspondence.</td>
</tr>
<tr>
<td>24.</td>
<td>Contract Attachment B-1, RFP §8.1.20.2 Reports Uniform Managed Care Manual Chapters 2.0 and 5.0</td>
<td>Claims Summary Report: The MCO must submit quarterly, Claims Summary Reports to HHSC by MCO Program, by Service Area, and by claim type, by the 30th day following the reporting period unless otherwise specified.</td>
<td>Measured Quarterly during the Operations Period</td>
<td>Per calendar day of non-compliance, per MCO Program, per Service Area, per claim type.</td>
<td>HHSC may assess up to $1,000 per calendar day the report is not submitted, late, inaccurate, or incomplete.</td>
</tr>
</tbody>
</table>
(a) Medicaid Managed Care Texas Health Steps Medical Checkups Reports - The MCO must submit an annual report of the number of New Members and Existing Members that receive timely Texas Health Steps (THSteps) medical checkups or refuse to obtain medical checkups.

(b) Children of Migrant Farm Workers Annual Plan and Children of Migrant Farm Workers Annual Report - The MCO must submit an annual plan that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers and an annual report that summarizes the MCO's migrant efforts as stated in its annual plan.

(c) Frew Quarterly Monitoring Report - The MCO must submit each quarter responses to questions on this report's template addressing the status of Frew Consent Decree paragraphs.

(a) Annually
(b) Annually
(c) Quarterly
(d) Annually
(e) Quarterly
(f) Quarterly

(a) Per calendar day of non-compliance per Program.
(b) Plan: Per calendar day of non-compliance.
(c) Per calendar day of non-compliance per Program and Service Area.
(d) Per calendar day of non-compliance per MCO.
(e) Per calendar day of non-compliance per MCO.
(f) Per calendar day of non-compliance per Program.

HHSC may assess up to $1,000 per calendar day for the first measurement period the reports are not submitted, late, inaccurate, or incomplete.

HHSC may assess up to $5,000 per calendar day for each consecutive measurement period that a subsequent report is not submitted, late, inaccurate, or incomplete.

In addition, HHSC may assess up to $2,500 per calendar day for any report resubmissions that are not submitted, late, inaccurate, or incomplete within each measurement period.
(d) Frew Annual Provider Training Report - The MCO must submit an annual report of health care and pharmacy provider training conducted throughout the year on Texas Health Steps, Frew, and/or pharmacy benefit education topics that includes the number of Medicaid providers that received training and feedback received on the subject matter and methodology of the training.

(e) Frew Provider Recognition Report - The MCO must submit a quarterly report of Medicaid enrolled healthcare and pharmacy providers who attended the MCO’s training on Frew, Texas Health Steps, and/or pharmacy benefit education topics and consented to being recognized as having attended training on the HHSC website.

(f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports - Each State Fiscal Quarter, the MCO must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups.
<p>| 28 | Contract Attachment B-1, §8.1.21.1 Formulary and Preferred Drug List | The MCO fails to allow Network Providers free access to a point-of-care web-based application accessible to smart phones, tablets, or similar technology. The application must also identify preferred/non-preferred drugs; Clinical Edits, and any preferred drugs that can be substituted for non-preferred drugs. The MCO must update this information at least weekly. | Ongoing | Each calendar day of non-compliance | HHSC may assess up to $5,000 per calendar day for each incident of non-compliance per MCO Program. |
| 29 | Contract Attachment B-1, §8.1.21.2 Prior Authorization (PA) for Prescription Drugs and 72-Hour Emergency Supplies | The MCO fails to reimburse a pharmacy for providing a 72-hour emergency supply as outlined in this section or fails to make a prior authorization determination within 24 hours of the request. | Ongoing | Each incident of noncompliance | HHSC may assess up to $5,000 per incident of non-compliance per MCO Program. |</p>
<table>
<thead>
<tr>
<th>30</th>
<th>Contract Attachment B-1, §8.1.21.5 Pharmacy Rebate Program Uniform Managed Care Manual, Chapters 2.0 and 2.2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The MCO fails to include valid national drug codes (NDCs) on encounters for outpatient prescription drugs, including physician-administered drugs.</td>
</tr>
<tr>
<td>Ongoing</td>
<td>Each incident of noncompliance</td>
</tr>
<tr>
<td></td>
<td>HHSC may assess up to $500 for each incident of non-compliance per MCO Program.</td>
</tr>
<tr>
<td>31</td>
<td>Contract Attachment B-1, §8.1.21.16 E-Prescribing</td>
</tr>
<tr>
<td></td>
<td>Contract Attachment B-1, RFP §8.3.3 STAR+PLUS Assessment Instruments</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>32.</td>
<td>Contract Attachment B-1, RFP §8.3.4.1 For Members</td>
</tr>
<tr>
<td>33.</td>
<td>Contract Attachment B-1, RFP §8.3.4.2 217-Like Group Non-Member Applicants</td>
</tr>
<tr>
<td>34.</td>
<td>Contract Attachment B-1, RFP §9.4 Turnover Services</td>
</tr>
<tr>
<td></td>
<td>Contract Attachment B-1, RFP §9.5 Post-Turnover Services</td>
</tr>
<tr>
<td>Service Area</td>
<td>Counties Served</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Bexar</td>
<td>Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, Wilson</td>
</tr>
<tr>
<td>Dallas</td>
<td>Collin, Dallas, Ellis, Hunt, Kaufman, Navarro, Rockwall</td>
</tr>
<tr>
<td>El Paso</td>
<td>El Paso, Hudspeth</td>
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<tr>
<td>Harris</td>
<td>Austin, Brazoria, Fort Bend, Galveston, Harris, Matagorda, Montgomery, Waller, Wharton</td>
</tr>
<tr>
<td>Hidalgo</td>
<td>Cameron, Duval, Hidalgo, Jim Hogg, Maverick, McMullen, Starr, Webb, Willacy, Zapata</td>
</tr>
<tr>
<td>Jefferson</td>
<td>Chambers, Hardin, Jefferson, Liberty, Newton, Orange, Polk, San Jacinto, Tyler, Walker</td>
</tr>
<tr>
<td>Lubbock</td>
<td>Carson, Crosby, Deaf Smith, Floyd, Garza, Hale, Hockley, Hutchinson, Lamb, Lubbock, Lynn, Potter, Randall, Swisher, Terry</td>
</tr>
<tr>
<td>Nueces</td>
<td>Aransas, Bee, Brooks, Calhoun, Galveston, Jim Wells, Karnes, Kenedy, Kleberg, Live Oak, Nueces, Refugio, San Patricio, Victoria</td>
</tr>
<tr>
<td>Tarrant</td>
<td>Denton, Hood, Johnson, Parker, Tarrant, Wise</td>
</tr>
<tr>
<td>Travis</td>
<td>Bastrop, Burnet, Caldwell, Fayette, Hays, Lee, Travis, Williamson</td>
</tr>
<tr>
<td>Service Area</td>
<td>Counties Served</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------</td>
</tr>
<tr>
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<td>Travis</td>
<td>Bastrop, Burnet, Caldwell, Fayette, Hays, Lee, Travis, Williamson</td>
</tr>
</tbody>
</table>
### Service Areas

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Counties Served</th>
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</thead>
<tbody>
<tr>
<td>Bexar</td>
<td>Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, Wilson</td>
</tr>
<tr>
<td>Dallas* (Not Included in the Scope of this RFP)</td>
<td>Collin, Dallas, Ellis, Hunt, Kaufman, Navarro, Rockwall</td>
</tr>
<tr>
<td>El Paso</td>
<td>El Paso, Hudspeth</td>
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</tr>
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<td>Travis</td>
<td>Bastrop, Barret, Caldwell, Fayette, Hays, Lee, Travis, Williamson</td>
</tr>
<tr>
<td>Service Area</td>
<td>Counties Served</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------</td>
</tr>
</tbody>
</table>
Attachment D

CORPORATE GUARANTEE

In consideration of the execution by the Texas Health & Human Services Commission (“Beneficiary”) of the HHSC Contract No. 529-12-0002-000__ ("Contract") with ________________________ (“Subsidiary”), _______________________________ (“Parent”) unconditionally and irrevocably guarantees to Beneficiary, on the terms and conditions herein, the full and faithful performance by Subsidiary of all of the obligations undertaken by Subsidiary pursuant to the Contract and as it may hereafter be amended, modified, or extended from time to time, by work authorizations or otherwise.

If Subsidiary fails or refuses to complete any of its obligations, Parent shall complete, or cause to be completed, the obligation that Subsidiary failed or refused to complete, or be considered to be in breach of the Contract to the same extent as Subsidiary, pursuant to the terms and conditions of the Contract. The obligations of Parent under this Guarantee (i) are joint and several obligations made for the benefit of Beneficiary, and (ii) are direct and unconditional obligations to Beneficiary, independent of obligations of Subsidiary or any other guarantor, and may be the basis of a separate action by Beneficiary against any or all guarantors that may be asserted without first bringing an action against Subsidiary.

Parent authorizes Beneficiary, without notice or demand and without affecting its liability hereunder, from time to time to: (a) waive or delay the exercise of any rights or remedies of Beneficiary against Subsidiary and/or any guarantor; (b) release or substitute any guarantor; (c) renew, amend, extend, compromise or waive any obligation of any guarantor; and (d) renew, compromise, extend, waive, or amend any term of the Contract pursuant to its terms.

Parent agrees that, until its obligations hereunder have been performed and/or paid in full, Parent shall not be released by or because of the taking, or failure to take, any action by Subsidiary or Beneficiary that might in any manner or to any extent vary the risks of Parent under this Guarantee or that, but for this paragraph, might discharge or otherwise reduce, limit, or modify Parent's obligations under this Guarantee. Parent waives and surrenders any defense to any liability under this Guarantee based upon any such action, including but not limited to any action of Beneficiary described in the immediately preceding paragraph of this Guarantee, provided, however, Parent does not waive any defenses, remedies, or offsets to which Subsidiary is entitled under or with respect to the Contract. It is the express intent of Parent that Parent’s obligations under this Guarantee are and shall be absolute, irrevocable and unconditional guarantees of performance and payment of Subsidiary and are not merely guarantees of collection.

Parent waives:

(a) the right to require Beneficiary to proceed against Subsidiary;
(b) all requirements of presentment, protest or default and notices of presentment, protest or default;
(c) any right to require Beneficiary to proceed against Subsidiary or to pursue any other remedy in Beneficiary's power whatsoever;
(d) notice of acceptance of this Guarantee;
(e) notice of any amendments, work authorizations, extensions of time for performance, changes in the work, or other acts by Beneficiary affecting Subsidiary's rights or obligations under the Contract;
(f) notice of any breach or claim of breach by Subsidiary, provided Beneficiary has complied with any required notice provisions to Subsidiary under the Contract;
(g) any defense arising out of the exercise by Beneficiary of any right or remedy it may have with respect to the Contract, including the right to amend or modify the Contract and the right to waive or delay the exercise of any rights it may otherwise have against Subsidiary;
(h) notice of the settlement or compromise of any claim of Beneficiary against Subsidiary relating to any of Subsidiary’s obligations under the Contract; and
No provision or waiver in this Guarantee shall be construed as limiting the generality of any other waiver contained in this Guarantee.

Parent hereby irrevocably waives all claims it has or may acquire against Subsidiary in respect of Parent’s obligations under this Guarantee, including rights of exoneration, reimbursement and subrogation but excluding any rights it may have under any surety bonds. Parent agrees to indemnify Beneficiary, and hold it harmless from and against all loss and expense, including legal fees, suffered or incurred by Beneficiary as the prevailing party in the enforcement of the Contract and/or this Guarantee.

Parent represents and warrants that the execution and delivery of, and performance of the obligations contained in this Guarantee have been authorized by all appropriate action and will not constitute a breach of or contravene any agreement or instrument to which Parent is a party, and that this Guarantee is a valid and binding obligation of Parent enforceable against Parent in accordance with its terms.

Parent consents to all of the terms and conditions of the Contract, as they may be amended or modified from time-to-time by the Beneficiary and Subsidiary. Such Contract terms and conditions are incorporated herein by reference, except that all references to the parties shall mean Beneficiary and Parent, all references to Subsidiary shall mean Parent, all references to the Contract shall be to this Guarantee, and notices to Parent shall be sent to the address set forth below instead of the address set forth in the Contract.

Parent may not directly or indirectly assign or otherwise transfer (except as a result of a merger or acquisition of or involving Parent) or delegate any rights or obligations hereunder, including any claim arising by subrogation, and any attempt by Parent to assign or delegate any of its rights or obligations hereunder shall be void. This Guarantee shall be binding on the successors and assigns of Parent, and shall inure to the benefit of the successors and assigns of Beneficiary.

If any provision of this Guarantee should be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the fullest extent permitted by law:

(a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of Beneficiary in order to carry out the intentions of the parties hereto as nearly as may be possible; and

(b) such invalidity, illegality or unenforceability shall not affect the validity or enforceability of such provision in any other jurisdiction.

This Guarantee shall be governed by and interpreted in accordance with the laws of the State of Texas. Parent hereby irrevocably submits to the jurisdiction of any State district court sitting in Travis County, State of Texas, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Guarantee and irrevocably waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. Service of process by Beneficiary in connection with such action or proceeding shall be binding on Parent if sent to Parent by registered or certified mail at its address specified below. Parent agrees to pay all expenses of Beneficiary in connection with the lawful enforcement of this Guarantee, including, without limitation, costs of collection incurred as the prevailing party in any such action.
### Centene Corporation

**Computation of ratio of earnings to fixed charges**  
($ in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-tax earnings (loss) from continuing operations</td>
<td>$182,803</td>
<td>$(11,624)</td>
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<tr>
<td>Addback:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed charges</td>
<td>27,733</td>
<td>29,679</td>
</tr>
<tr>
<td>Subtract:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>1,023</td>
<td>13,154</td>
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<tr>
<td>Interest capitalized</td>
<td>—</td>
<td>—</td>
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<tr>
<td><strong>Total earnings</strong></td>
<td>$211,559</td>
<td>$31,209</td>
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<tr>
<td><strong>Fixed Charges:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expensed and capitalized</td>
<td>$20,261</td>
<td>$20,460</td>
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<tr>
<td>Interest component of rental payments (1)</td>
<td>7,472</td>
<td>9,219</td>
</tr>
<tr>
<td><strong>Total fixed charges</strong></td>
<td>$27,733</td>
<td>$29,679</td>
</tr>
<tr>
<td><strong>Ratio of earnings to fixed charges</strong></td>
<td>7.63</td>
<td>1.05</td>
</tr>
</tbody>
</table>

(1) Estimated at 33% of rental expense as a reasonable approximation of the interest factor.
CERTIFICATION

I, Michael F. Neidorff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: October 22, 2013

/s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)
CERTIFICATION

I, William N. Scheffel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: October 22, 2013

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Centene Corporation (the Company) for the period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Michael F. Neidorff, Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 22, 2013

/s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)
In connection with the Quarterly Report on Form 10-Q of Centene Corporation (the Company) for the period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, William N. Scheffel, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 22, 2013

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from to

Commission file number: 001-31826

CENTENE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 42-1406317
(State or other jurisdiction of Incorporation or organization) (I.R.S. Employer Identification Number)

7700 Forsyth Boulevard
St. Louis, Missouri 63105
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code:

(314) 725-4477

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☑ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act. Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

As of July 12, 2013, the registrant had 54,631,561 shares of common stock outstanding.
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## Part I
### Financial Information

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</tr>
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<td>4</td>
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## Part II
### Other Information

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<th>Item</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<tr>
<td>1A</td>
<td>Risk Factors</td>
<td>26</td>
</tr>
<tr>
<td>2</td>
<td>Unregistered Sales of Equity Securities and Use of Proceeds</td>
<td>40</td>
</tr>
<tr>
<td>6</td>
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</tr>
<tr>
<td></td>
<td>Signatures</td>
<td>42</td>
</tr>
</tbody>
</table>
CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. We have attempted to identify these statements by terminology including “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “seek,” “target,” “goal,” “may,” “will,” “should,” “can,” “continue” and other similar words or expressions in connection with, among other things, any discussion of future operating or financial performance. In particular, these statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, including those entitled “Management's Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 1A. “Risk Factors,” and Part I, Item 3 “Legal Proceedings.” Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

All forward-looking statements included in this filing are based on information available to us on the date of this filing and we undertake no obligation to update or revise the forward-looking statements included in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Actual results may differ from projections or estimates due to a variety of important factors, including:

- our ability to accurately predict and effectively manage health benefits and other operating expenses;
- competition;
- membership and revenue projections;
- timing of regulatory contract approval;
- changes in healthcare practices;
- changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder;
- changes in expected contract start dates;
- changes in expected closing dates for acquisitions;
- inflation;
- provider and state contract changes;
- new technologies;
- reduction in provider payments by governmental payors;
- major epidemics;
- disasters and numerous other factors affecting the delivery and cost of healthcare;
- the expiration, cancellation or suspension of our Medicare or Medicaid managed care contracts by federal or state governments;
- availability of debt and equity financing, on terms that are favorable to us; and
- general economic and market conditions.
ITEM 1. Financial Statements.

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 688,712</td>
<td>$ 843,952</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>357,908</td>
<td>263,452</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>131,330</td>
<td>139,118</td>
</tr>
<tr>
<td>Other current assets</td>
<td>164,410</td>
<td>127,080</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,342,360</td>
<td>1,373,602</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>769,905</td>
<td>614,723</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>39,291</td>
<td>34,793</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>388,965</td>
<td>377,726</td>
</tr>
<tr>
<td>Goodwill</td>
<td>344,822</td>
<td>256,288</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>52,219</td>
<td>20,268</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>107,673</td>
<td>64,282</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 3,045,235</strong></td>
<td><strong>$ 2,741,682</strong></td>
</tr>
</tbody>
</table>

| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | |
| Current liabilities: | | |
| Medical claims liability | $ 1,078,386 | $ 926,302 |
| Premium deficiency reserve | 1,016 | 41,475 |
| Accounts payable and accrued expenses | 216,330 | 191,343 |
| Unearned revenue | 21,811 | 34,597 |
| Current portion of long-term debt | 3,029 | 3,373 |
| **Total current liabilities** | **1,320,572** | **1,197,090** |
| Long-term debt | 548,473 | 535,481 |
| Other long-term liabilities | 53,916 | 55,344 |
| **Total liabilities** | **1,922,961** | **1,787,915** |
| Commitments and contingencies | | |
| Stockholders’ equity: | | |
| Common stock, $.001 par value; authorized 100,000,000 shares; 57,661,262 issued and 54,627,735 outstanding at June 30, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012 | 58 | 55 |
| Additional paid-in capital | 563,873 | 450,856 |
| Accumulated other comprehensive income: | | |
| Unrealized (loss) gain on investments, net of tax | (4,061) | 5,189 |
| Retained earnings | 629,306 | 566,820 |
| Treasury stock, at cost (3,033,527 and 3,009,912 shares, respectively) | (70,969) | (69,864) |
| **Total Centene stockholders’ equity** | **1,118,207** | **953,056** |
| Noncontrolling interest | 4,067 | 711 |
| **Total stockholders’ equity** | **1,122,274** | **953,767** |
| **Total liabilities and stockholders’ equity** | **$ 3,045,235** | **$ 2,741,682** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.
# CENTENE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF OPERATIONS
*(In thousands, except share data)*
*(Unaudited)*

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30</th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$2,528,718</td>
<td>$2,034,558</td>
</tr>
<tr>
<td>Service</td>
<td>105,599</td>
<td>27,041</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,634,317</td>
<td>2,061,599</td>
</tr>
<tr>
<td>Premium tax</td>
<td>91,628</td>
<td>49,147</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>2,725,945</td>
<td>2,110,746</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,244,611</td>
<td>1,890,405</td>
</tr>
<tr>
<td>Cost of services</td>
<td>93,300</td>
<td>21,816</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>230,248</td>
<td>168,062</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>90,760</td>
<td>49,176</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>28,033</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>2,658,919</td>
<td>2,157,492</td>
</tr>
<tr>
<td><strong>Earnings (loss) from operations</strong></td>
<td>67,026</td>
<td>(46,746)</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,286</td>
<td>4,045</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(7,033)</td>
<td>(4,739)</td>
</tr>
<tr>
<td><strong>Earnings (loss) before income tax expense (benefit)</strong></td>
<td>64,279</td>
<td>(47,440)</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>25,268</td>
<td>(8,608)</td>
</tr>
<tr>
<td><strong>Net earnings (loss)</strong></td>
<td>39,011</td>
<td>(38,832)</td>
</tr>
<tr>
<td><strong>Noncontrolling interest</strong></td>
<td>(473)</td>
<td>(3,833)</td>
</tr>
<tr>
<td><strong>Net earnings (loss) attributable to Centene Corporation</strong></td>
<td>39,484</td>
<td>(34,999)</td>
</tr>
<tr>
<td></td>
<td>$39,484</td>
<td>($34,999)</td>
</tr>
<tr>
<td><strong>Net earnings (loss) per common share attributable to Centene Corporation:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings (loss) per common share</td>
<td>$0.72</td>
<td>$(0.68)</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share</td>
<td>$0.70</td>
<td>$(0.68)</td>
</tr>
<tr>
<td><strong>Weighted average number of common shares outstanding:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>54,529,036</td>
<td>51,515,895</td>
</tr>
<tr>
<td>Diluted</td>
<td>56,601,660</td>
<td>51,515,895</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of these statements.
CENTENE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS  
(In thousands)  
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$39,011</td>
<td>$(38,832)</td>
</tr>
<tr>
<td>Reclassification adjustment,</td>
<td>(27)</td>
<td>(66)</td>
</tr>
<tr>
<td>net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrealized (loss)</td>
<td>(8,934)</td>
<td>(329)</td>
</tr>
<tr>
<td>gain on investments, net of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>tax</td>
<td>(8,961)</td>
<td>(395)</td>
</tr>
<tr>
<td>Other comprehensive earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive earnings (loss)</td>
<td>30,050</td>
<td>(39,227)</td>
</tr>
<tr>
<td>Comprehensive earnings (loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>attributable to the</td>
<td>(473)</td>
<td>(3,833)</td>
</tr>
<tr>
<td>noncontrolling interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive earnings (loss)</td>
<td>$30,523</td>
<td>$(35,394)</td>
</tr>
<tr>
<td>attributable to Centene</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation</td>
<td></td>
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The accompanying notes to the consolidated financial statements are an integral part of this statement.
Six Months Ended June 30, 2013

<table>
<thead>
<tr>
<th>Centene Stockholders’ Equity</th>
<th>Common Stock</th>
<th>Treasury Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$.001 Par Value Shares</td>
<td>Additional Paid-in Capital</td>
</tr>
<tr>
<td>Balance, December 31, 2012</td>
<td>55,339,160</td>
<td>$55</td>
</tr>
<tr>
<td>Comprehensive Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrealized investment (loss) gain, net of $(5,258) tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock issued for acquisition</td>
<td>1,716,690</td>
<td>2</td>
</tr>
<tr>
<td>Common stock issued for stock offering</td>
<td>342,640</td>
<td>1</td>
</tr>
<tr>
<td>Common stock issued for employee benefit plans</td>
<td>262,772</td>
<td></td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, June 30, 2013</td>
<td>57,661,262</td>
<td>$58</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
### CENTENE CORPORATION AND SUBSIDIARIES
#### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
</tbody>
</table>

#### Cash flows from operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings (loss)</td>
<td>$61,922</td>
<td>$(16,229)</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$32,928</td>
<td>$33,266</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>$16,955</td>
<td>$11,993</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>$28,033</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>$10,715</td>
<td>$9,364</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>$(71,230)</td>
<td>$(232,745)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>$(35,879)</td>
<td>$(34,105)</td>
</tr>
<tr>
<td>Other assets</td>
<td>$(38,191)</td>
<td>$1,520</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>$111,625</td>
<td>$251,050</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>$(12,068)</td>
<td>$19,885</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$(1,488)</td>
<td>$(77,010)</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>$5,650</td>
<td>$(4,922)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>$80,939</td>
<td>$(9,900)</td>
</tr>
</tbody>
</table>

#### Cash flows from investing activities:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>$(30,057)</td>
<td>$(57,442)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>$(537,590)</td>
<td>$(406,901)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>$358,971</td>
<td>$253,719</td>
</tr>
<tr>
<td>Investments in acquisitions, net of cash acquired</td>
<td>$(66,832)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>$(275,508)</td>
<td>$(210,624)</td>
</tr>
</tbody>
</table>

#### Cash flows from financing activities:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>$3,867</td>
<td>$10,320</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>$30,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>$(10,118)</td>
<td>$(21,601)</td>
</tr>
<tr>
<td>Proceeds from stock offering</td>
<td>$15,239</td>
<td>—</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>$1,113</td>
<td>$5,810</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>$(1,105)</td>
<td>$(1,791)</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>$3,920</td>
<td>$982</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>$(3,587)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>$39,329</td>
<td>$68,720</td>
</tr>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>$(155,240)</td>
<td>$(151,804)</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents, beginning of period

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong>, beginning of period</td>
<td>$843,952</td>
<td>$573,698</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents, end of period

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong>, end of period</td>
<td>$688,712</td>
<td>$421,894</td>
</tr>
</tbody>
</table>

#### Supplemental disclosures of cash flow information:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$15,170</td>
<td>$10,312</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>$21,694</td>
<td>$32,394</td>
</tr>
<tr>
<td>Equity issued in connection with acquisition</td>
<td>$75,438</td>
<td>—</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of these statements.
1. Basis of Presentation

The accompanying interim financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited financial statements included in the Form 10-K for the fiscal year ended December 31, 2012. The unaudited interim financial statements herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the December 31, 2012 audited financial statements have been omitted from these interim financial statements where appropriate. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of the interim periods presented.

Certain 2012 amounts in the notes to the consolidated financial statements have been reclassified to conform to the 2013 presentation. These reclassifications have no effect on net earnings or stockholders’ equity as previously reported.

2. Acquisition: AcariaHealth, Inc.

In April 2013, the Company acquired 100% of AcariaHealth, Inc., a specialty pharmacy company, for $146,567 in total consideration. The transaction consideration was financed through a combination of $75,438 of Centene common stock and $71,129 of cash on hand. The Company subsequently sold 342,640 shares of common stock for $15,239 related to funding the escrow account for the acquisition.

The Company's initial allocation of fair value resulted in goodwill of $88,535 and other identifiable intangible assets of $35,000. The goodwill is not deductible for income tax purposes. The Company has not yet finalized the allocation of the fair value of assets and liabilities; the total consideration remains subject to finalization of working capital adjustments in accordance with the purchase agreement. The acquisition is recorded in the Specialty Services segment.
3. Short-term and Long-term Investments and Restricted Deposits

Short-term and long-term investments and restricted deposits by investment type consist of the following:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>June 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S.</td>
<td>$ 249,551</td>
<td>$ 310</td>
</tr>
<tr>
<td>government corporations and agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate securities</td>
<td>327,048</td>
<td>2,601</td>
</tr>
<tr>
<td>Restricted certificates of deposit</td>
<td>5,892</td>
<td>—</td>
</tr>
<tr>
<td>Restricted cash equivalents</td>
<td>18,430</td>
<td>—</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>80,442</td>
<td>511</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>13,336</td>
<td>244</td>
</tr>
<tr>
<td>Revenue</td>
<td>93,823</td>
<td>508</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>24,375</td>
<td>—</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>102,366</td>
<td>628</td>
</tr>
<tr>
<td>Cost and equity method investments</td>
<td>15,969</td>
<td>—</td>
</tr>
<tr>
<td>Life insurance contracts</td>
<td>15,202</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$ 946,434</td>
<td>$ 4,802</td>
</tr>
</tbody>
</table>

The Company’s investments are classified as available-for-sale with the exception of life insurance contracts and certain cost and equity method investments. The Company’s investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets with the focus on high credit quality securities. The Company limits the size of investment in any single issuer other than U.S. treasury securities and obligations of U.S. government corporations and agencies. As of June 30, 2013, 45% of the Company’s investments in securities recorded at fair value that carry a rating by S&P or Moody’s were rated AAA/Aaa, 63% were rated AA-/Aa3 or higher, and 94% were rated A-/A3 or higher. At June 30, 2013, the Company held certificates of deposit, life insurance contracts and cost and equity method investments which did not carry a credit rating.
The fair value of available-for-sale investments with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th></th>
<th>December 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less Than 12 Months</td>
<td>12 Months or More</td>
<td>Less Than 12 Months</td>
<td>12 Months or More</td>
</tr>
<tr>
<td></td>
<td>Unrealized Losses</td>
<td>Fair Value</td>
<td>Unrealized Losses</td>
<td>Fair Value</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$(7,697)</td>
<td>$197,695</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>$(1,799)</td>
<td>130,007</td>
<td>(9)</td>
<td>41</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>(323)</td>
<td>20,482</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>(6)</td>
<td>682</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Revenue</td>
<td>(603)</td>
<td>36,632</td>
<td>(12)</td>
<td>1,811</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>(261)</td>
<td>32,967</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$(10,689)</td>
<td>$418,465</td>
<td>$(21)</td>
<td>$1,852</td>
</tr>
</tbody>
</table>

As of June 30, 2013, the gross unrealized losses were generated from 111 positions out of a total of 356 positions. The decline in fair value of fixed income securities is a result of movement in interest rates subsequent to the purchase of the security.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If the security meets this criterion, the decline in fair value is other-than-temporary and is recorded in earnings. The Company does not intend to sell these securities prior to maturity and it is not likely that the Company will be required to sell these securities prior to maturity; therefore, there is no indication of other than temporary impairment for these securities.

The contractual maturities of short-term and long-term investments and restricted deposits are as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th></th>
<th>December 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investments</td>
<td>Restricted Deposits</td>
<td>Investments</td>
<td>Restricted Deposits</td>
</tr>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Fair Value</td>
<td>Amortized Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>One year or less</td>
<td>$130,505</td>
<td>$131,330</td>
<td>$39,174</td>
<td>$39,183</td>
</tr>
<tr>
<td>One year through five years</td>
<td>575,864</td>
<td>575,090</td>
<td>108</td>
<td>108</td>
</tr>
<tr>
<td>Five years through ten years</td>
<td>170,418</td>
<td>164,182</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Greater than ten years</td>
<td>30,365</td>
<td>30,633</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$907,152</td>
<td>$901,235</td>
<td>$39,282</td>
<td>$39,291</td>
</tr>
</tbody>
</table>

Actual maturities may differ from contractual maturities due to call or prepayment options. Asset backed securities are included in the one year through five years category, while cost and equity method investments and life insurance contracts are included in the five years through ten years category. The Company has an option to redeem at amortized cost substantially all of the securities included in the Greater than ten years category listed above.

The Company continuously monitors investments for other-than-temporary impairment. Certain investments have experienced a decline in fair value due to changes in credit quality, market interest rates and/or general economic conditions. The Company recognizes an impairment loss for cost and equity method investments when evidence demonstrates that it is other-than-temporarily impaired. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.
Investment amortization of $5,190 and $5,918 was recorded in the six months ended June 30, 2013 and 2012, respectively.

4. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the extent to which the fair value estimates are based upon observable or unobservable inputs. Level inputs are as follows:

<table>
<thead>
<tr>
<th>Level Input</th>
<th>Input Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.</td>
</tr>
<tr>
<td>Level II</td>
<td>Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.</td>
</tr>
<tr>
<td>Level III</td>
<td>Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.</td>
</tr>
</tbody>
</table>

The following table summarizes fair value measurements by level at June 30, 2013, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 688,712</td>
<td>—</td>
<td>—</td>
<td>$ 688,712</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$ 201,291</td>
<td>$ 25,904</td>
<td>—</td>
<td>$ 227,195</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>—</td>
<td>327,841</td>
<td>—</td>
<td>327,841</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>80,630</td>
<td>—</td>
<td>80,630</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>—</td>
<td>13,574</td>
<td>—</td>
<td>13,574</td>
</tr>
<tr>
<td>Revenue</td>
<td>—</td>
<td>93,716</td>
<td>—</td>
<td>93,716</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>—</td>
<td>24,375</td>
<td>—</td>
<td>24,375</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>102,733</td>
<td>—</td>
<td>102,733</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 201,291</td>
<td>$ 668,773</td>
<td>—</td>
<td>$ 870,064</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 18,430</td>
<td>—</td>
<td>—</td>
<td>$ 18,430</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,892</td>
<td>—</td>
<td>—</td>
<td>5,892</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>14,969</td>
<td>—</td>
<td>—</td>
<td>14,969</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$ 39,291</td>
<td>—</td>
<td>—</td>
<td>$ 39,291</td>
</tr>
<tr>
<td>Other long-term assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contract</td>
<td>—</td>
<td>$ 9,954</td>
<td>—</td>
<td>$ 9,954</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 929,294</td>
<td>$ 678,727</td>
<td>—</td>
<td>$ 1,608,021</td>
</tr>
</tbody>
</table>
The following table summarizes fair value measurements by level at December 31, 2012, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$843,952</td>
<td></td>
<td></td>
<td>$843,952</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations</td>
<td>$57,114</td>
<td>$46,250</td>
<td></td>
<td>$103,364</td>
</tr>
<tr>
<td>of U.S. government corporations and agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate securities</td>
<td></td>
<td>320,710</td>
<td></td>
<td>320,710</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td></td>
<td>89,837</td>
<td></td>
<td>89,837</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td></td>
<td>5,422</td>
<td></td>
<td>5,422</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>86,027</td>
<td></td>
<td>86,027</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td></td>
<td>37,685</td>
<td></td>
<td>37,685</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td></td>
<td>84,475</td>
<td></td>
<td>84,475</td>
</tr>
<tr>
<td>Total investments</td>
<td>$57,114</td>
<td>$670,406</td>
<td></td>
<td>$727,520</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$14,460</td>
<td></td>
<td></td>
<td>$14,460</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,890</td>
<td></td>
<td></td>
<td>5,890</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations</td>
<td>14,443</td>
<td></td>
<td></td>
<td>14,443</td>
</tr>
<tr>
<td>of U.S. government corporations and agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$34,793</td>
<td></td>
<td></td>
<td>$34,793</td>
</tr>
<tr>
<td>Other long-term assets:</td>
<td></td>
<td>$16,304</td>
<td></td>
<td>$16,304</td>
</tr>
<tr>
<td>Interest rate swap contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$935,859</td>
<td>$686,710</td>
<td></td>
<td>$1,622,569</td>
</tr>
</tbody>
</table>

The Company periodically transfers U.S. Treasury securities and obligations of U.S. government corporations and agencies between Level I and Level II fair value measurements dependent upon the level of trading activity for the specific securities at the measurement date. The Company’s policy regarding the timing of transfers between Level I and Level II is to measure and record the transfers at the end of the reporting period. At June 30, 2013, there were no transfers from Level I to Level II and $28,403 of transfers from Level II to Level I. The Company utilizes matrix pricing services to estimate fair value for securities which are not actively traded on the measurement date. The Company designates these securities as Level II fair value measurements. The aggregate carrying amount of the Company’s life insurance contracts and other non-majority owned investments, which approximates fair value, was $31,171 and $26,321 as of June 30, 2013 and December 31, 2012, respectively.

5. Debt

Debt consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes, at par</td>
<td>$425,000</td>
<td>$425,000</td>
</tr>
<tr>
<td>Unamortized premium on senior</td>
<td>6,938</td>
<td>7,823</td>
</tr>
<tr>
<td>notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap fair value</td>
<td>9,954</td>
<td>16,304</td>
</tr>
<tr>
<td>Senior notes</td>
<td>441,892</td>
<td>449,127</td>
</tr>
<tr>
<td>Revolving credit agreement</td>
<td>30,000</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage notes payable</td>
<td>74,100</td>
<td>84,081</td>
</tr>
<tr>
<td>Capital leases and other</td>
<td>5,510</td>
<td>5,646</td>
</tr>
<tr>
<td>Total debt</td>
<td>551,502</td>
<td>538,854</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(3,029)</td>
<td>(3,373)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$548,473</td>
<td>$535,481</td>
</tr>
</tbody>
</table>
Senior Notes

In May 2011, the Company issued $250,000 non-callable 5.75% Senior Notes due June 1, 2017 (the $250,000 Notes) at a discount to yield 6%. In connection with the May 2011 issuance, the Company entered into an interest rate swap for a notional amount of $250,000. Gains and losses due to changes in the fair value of the interest rate swap completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $250,000 Notes. At June 30, 2013, the fair value of the interest rate swap increased the fair value of the notes by $9,954 and the variable interest rate of the swap was 3.78%.

In November 2012, the Company issued an additional $175,000 non-callable 5.75% Senior Notes due June 1, 2017 ($175,000 Add-on Notes) at a premium to yield 4.29%. The indenture governing the $250,000 Notes and the $175,000 Add-on Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio. Interest is paid semi-annually in June and December. At June 30, 2013, the total net unamortized debt premium on the $250,000 Notes and $175,000 Add-on Notes was $6,938.

Revolving Credit Agreement

In May 2013, the Company entered into a new unsecured $500,000 revolving credit facility and terminated its previous $350,000 revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the Company's 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended) or certain financial conditions are not met including $100,000 of unregulated cash on the balance sheet. As of June 30, 2013, the Company had $30,000 in borrowings outstanding under the agreement.

The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, minimum debt-to-EBITDA ratios and minimum tangible net worth. The Company is required to maintain a minimum debt-to-EBITDA ratio of 3.50 as of June 30, 2013, 3.25 as of September 30, 2013 and 3.0 as of December 31, 2013 and thereafter. As of June 30, 2013, the Company's availability under the new revolving credit agreement would have been limited to approximately $377,000 as a result of the debt-to-EBITDA ratio.

Mortgage Notes Payable

The Company had a mortgage note of $8,700 at December 31, 2012 collateralized by an office building and parking garage. In June 2013, the Company paid the balance of this mortgage note.

Letters of Credit

The Company had outstanding letters of credit of $12,324 as of June 30, 2013, which were not part of the revolving credit facility. The letters of credit bore interest at 1.06% as of June 30, 2013.

6. Stockholders' Equity

In April 2013, the Company completed the acquisition of AcariaHealth, Inc. and as a result, issued 1,716,690 shares of Centene common stock to the selling stockholders. Additionally, the Company filed an equity shelf registration statement related to funding the escrow account for the acquisition and sold 342,640 shares of Centene common stock for $15,239.
7. Earnings (Loss) Per Share

The following table sets forth the calculation of basic and diluted net earnings per common share:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Net earnings (loss) attributable to Centene Corporation</td>
<td>$ 39,484</td>
<td>$(34,999)</td>
</tr>
<tr>
<td>Shares used in computing per share amounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding</td>
<td>54,529,036</td>
<td>51,515,895</td>
</tr>
<tr>
<td>Common stock equivalents (as determined by applying the treasury stock method)</td>
<td>2,072,624</td>
<td>—</td>
</tr>
<tr>
<td>Weighted average number of common shares and potential dilutive common shares outstanding</td>
<td>56,601,660</td>
<td>51,515,895</td>
</tr>
<tr>
<td>Net earnings (loss) per share attributable to Centene Corporation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings (loss) per common share</td>
<td>$ 0.72</td>
<td>$(0.68)</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share</td>
<td>$ 0.70</td>
<td>$(0.68)</td>
</tr>
</tbody>
</table>

The calculation of diluted earnings per common share for the three and six months ended June 30, 2013 excludes the impact of 35,094 shares and 68,809 shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units. The calculation of diluted earnings (loss) per common share for the three and six months ended June 30, 2012 excludes the impact of 4,530,436 shares and 4,693,165 shares (before application of the treasury stock method), respectively, related to stock options, restricted stock and restricted stock units as the Company incurred losses during the period and the shares would be anti-dilutive.

8. Segment Information

Centene operates in two segments: Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment consists of Centene’s health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene’s specialty companies offering products for behavioral health, care management software, correctional systems healthcare, health insurance exchanges, individual health insurance, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services. The health plan in Massachusetts, operated by our individual health insurance business, is included in the Specialty Services segment.

In January 2013, the Company reclassified the health plan in Arizona, operated by its long-term care company, to the Medicaid Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Medicaid Managed Care segment for all periods presented.

Segment information for the three months ended June 30, 2013, follows:

<table>
<thead>
<tr>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$ 2,440,156</td>
<td>$ 194,161</td>
<td>$ —</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>10,702</td>
<td>555,506</td>
<td>(566,208)</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$ 2,450,858</td>
<td>$ 749,667</td>
<td>(566,208)</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$ 41,028</td>
<td>$ 25,998</td>
<td>—</td>
</tr>
</tbody>
</table>
Segment information for the three months ended June 30, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$1,914,662</td>
<td>$146,937</td>
<td>$—</td>
<td>$2,061,599</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>22,761</td>
<td>439,826</td>
<td>(462,587)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total premium and service revenues</strong></td>
<td>$1,937,423</td>
<td>$586,763</td>
<td>(462,587)</td>
<td>$2,061,599</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>$(30,993)</td>
<td>$(15,753)</td>
<td>$—</td>
<td>$(46,746)</td>
</tr>
</tbody>
</table>

Segment information for the six months ended June 30, 2013, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$4,857,015</td>
<td>$319,545</td>
<td>$—</td>
<td>$5,176,560</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>21,165</td>
<td>1,118,401</td>
<td>(1,139,566)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total premium and service revenues</strong></td>
<td>$4,878,180</td>
<td>$1,437,946</td>
<td>(1,139,566)</td>
<td>$5,176,560</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$48,526</td>
<td>$58,604</td>
<td>$—</td>
<td>$107,130</td>
</tr>
</tbody>
</table>

Segment information for the six months ended June 30, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$3,435,893</td>
<td>$289,174</td>
<td>$—</td>
<td>$3,725,067</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>37,613</td>
<td>763,905</td>
<td>(801,518)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total premium and service revenues</strong></td>
<td>$3,473,506</td>
<td>$1,053,079</td>
<td>(801,518)</td>
<td>$3,725,067</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>$(17,501)</td>
<td>$4,953</td>
<td>$—</td>
<td>$(12,548)</td>
</tr>
</tbody>
</table>

9. Contingencies

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking a declaration of the Company’s right to terminate the contract on July 5, 2013. In April 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. In May 2013, the Franklin Circuit Court ruled that Kentucky Spirit does not have a contractual right to terminate the contract early. Kentucky Spirit has appealed that ruling to the Kentucky Court of Appeals.

The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet. In response, the Company filed a lawsuit in April 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches. This lawsuit was subsequently consolidated with the original lawsuit for declaratory relief and continues to proceed.

Kentucky Spirit's efforts to resolve issues with the Commonwealth were unsuccessful and on July 5, 2013, Kentucky Spirit proceeded with its previously announced exit. By letter dated July 11, 2013, the Commonwealth alleged that Kentucky Spirit's exit constitutes a material breach of contract. The letter states that, unless Kentucky Spirit cures the alleged material breach within thirty days, the Commonwealth will seek to recover substantial damages and to enforce its rights under Kentucky Spirit's $25,000 performance bond. Any claim for damages by the Commonwealth may include the costs of transition and the additional costs to the Commonwealth to cover Kentucky Spirit's former members through July 5, 2014. Kentucky Spirit is pursuing its litigation claims for damages against the Commonwealth and will vigorously defend against any allegations that it has breached the contract.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If the Company prevails on its claims, Kentucky Spirit would be entitled to damages under its lawsuit. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of June 30, 2013. While uncertain, the ultimate resolution of the pending litigation could have a material effect on the results of operations of the Company in the period it is resolved or becomes known.
Excluding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position or results of operations.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing. The discussion contains forward-looking statements that involve both known and unknown risks and uncertainties, including those set forth under Part II, Item 1A. “Risk Factors” of this Form 10-Q.

OVERVIEW

Key financial metrics for the second quarter of 2013 are summarized as follows:

- Quarter-end at-risk managed care membership of 2,696,900, an increase of 299,400 members, or 12% year over year.
- Premium and service revenues of $2.6 billion, representing 28% growth year over year.
- Health Benefits Ratio of 88.8%, compared to 92.9% in 2012.
- General and Administrative expense ratio of 8.7%, compared to 8.2% in 2012.
- Operating cash flow of $37.9 million for the second quarter of 2013.
- Diluted earnings per share of $0.70, including AcariaHealth transaction costs of $0.07 per diluted share.

The following items contributed to our revenue and membership growth over the last year:

- AcariaHealth, Inc. In April 2013, we completed the acquisition of AcariaHealth Inc. (AcariaHealth), a specialty pharmacy company, for $146.6 million. The transaction consideration was financed through a combination of Centene common stock and cash on hand.

- Kansas. In January 2013, our subsidiary, Sunflower State Health Plan, began operating under a statewide contract to serve members in the state's KanCare program, which includes TANF, ABD (dual and non-dual), foster care, LTC and CHIP beneficiaries.

- Louisiana. In February 2012, Louisiana Healthcare Connections (LHC), began operating under a new contract in Louisiana to provide healthcare services to Medicaid enrollees participating in the Bayou Health program. LHC completed its three-phase membership roll-out for the three geographical service areas during the second quarter of 2012. In November 2012, the covered services provided by LHC expanded to include pharmacy benefits.

- Mississippi. In December 2012, our subsidiary, Magnolia Health Plan, began operating under an expanded contract to provide managed care services statewide to certain Medicaid members as well as providing behavioral health services.

- Missouri. In July 2012, Home State Health Plan began operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.

- Texas. In March 2012, we began operating under contracts in Texas that expanded our operations through new service areas including the 10 county Hidalgo Service Area and the Medicaid Rural Service Areas of West Texas, Central Texas and North-East Texas, as well as the addition of STAR+PLUS in the Lubbock Service Area. The expansion also added the management of outpatient pharmacy benefits in all service areas and products, as well as inpatient facility services for the STAR+PLUS program.

- Washington. In July 2012, we began operating under a new contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state, operating as Coordinated Care.

We expect the following items to contribute to our future growth potential:

- We expect to realize the full year benefit in 2013 of business commenced during 2012 in Louisiana, Mississippi, Missouri, Texas and Washington as discussed above.
• In July 2013, our Ohio subsidiary, Buckeye Community Health Plan (Buckeye), began operating under a new and expanded contract with the Ohio Department of Job and Family Services (ODJFS) to serve Medicaid members in Ohio. Under the new state contract, Buckeye operates statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). Buckeye also began serving members under the ABD Children program in July 2013.

• In July 2013, our joint venture subsidiary, Centurion, began operating under a new contract with the Department of Corrections in Massachusetts to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. Centurion was notified by the Department of Corrections in Tennessee in June 2013 that it had been awarded a contract to provide comprehensive healthcare services to individuals incarcerated in Tennessee state correctional facilities. Operations in Tennessee are expected to begin in the third quarter of 2013. Centurion is a joint venture between Centene and MHM Services Inc.

• In May 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California Department of Health Care Services (DHCS) and the Imperial County Board of Supervisors of their intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medi-Cal beneficiaries in Imperial County. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the fourth quarter of 2013.

• In March 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California DHCS of its intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medicaid beneficiaries in 18 rural counties. Under the contract, California Health and Wellness Plan will serve members under the state's Medi-Cal Managed Care Rural Expansion program. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the fourth quarter of 2013.

• In January 2013, our Florida subsidiary, Sunshine State Health Plan, was notified by the Florida Agency for Health Care Administration that it has been recommended for a contract award in 10 of 11 regions of the Medicaid Managed Care Long Term Care program. Upon execution of a contract and regulatory approval, enrollment will be implemented by region, beginning in August 2013 and continuing through March 2014.

• In November 2012, our Illinois subsidiary, IlliniCare Health Plan, was selected to serve dual-eligible members in Cook, DuPage, Lake, Kane, Kankakee and Will counties (Greater Chicago region) as part of the Illinois Medicare-Medicaid Alignment Initiative. Enrollment is expected to begin in the first half of 2014.

• In August 2012, we were notified by the ODJFS that Buckeye, our Ohio subsidiary, was selected to serve Medicaid members in a dual-eligible demonstration program in three of Ohio's pre-determined seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton). This three-year program, which is part of the state of Ohio's Integrated Care Delivery System (ICDS) expansion, will serve those who have both Medicare and Medicaid eligibility. Enrollment is expected to begin in the first half of 2014.

• In May 2012, we announced that the Governor and Executive Council of New Hampshire had given approval for the Department of Health and Human Services to contract with our subsidiary, Granite State Health Plan, to serve Medicaid beneficiaries in New Hampshire. Operations are currently expected to commence in the fourth quarter of 2013.

As of July 6, 2013, our subsidiary, Kentucky Spirit Health Plan, has discontinued serving Medicaid members in Kentucky. We expect to begin presenting Kentucky as a discontinued operation upon completion of all significant operating cash flows.

In March 2013, we were notified by the Arizona Health Care Cost Containment System that our Arizona subsidiary, Bridgeway Health Solutions of Arizona, LLC (Bridgeway), was not awarded a contract to serve acute care members in Arizona for the five years beginning October 1, 2013. The current contract termination is effective September 30, 2013. Bridgeway currently serves 16,100 Medicaid acute care members in Yavapai County.
MEMBERSHIP

From June 30, 2012 to June 30, 2013, we increased our at-risk managed care membership by 299,400, or 12.5%. The following table sets forth our membership by state for our managed care organizations:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,200</td>
<td>23,500</td>
<td>24,000</td>
</tr>
<tr>
<td>Florida</td>
<td>216,200</td>
<td>214,000</td>
<td>204,100</td>
</tr>
<tr>
<td>Georgia</td>
<td>316,600</td>
<td>313,700</td>
<td>313,300</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>18,000</td>
<td>17,800</td>
</tr>
<tr>
<td>Indiana</td>
<td>200,000</td>
<td>204,000</td>
<td>205,000</td>
</tr>
<tr>
<td>Kansas</td>
<td>137,500</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>133,500</td>
<td>135,800</td>
<td>143,500</td>
</tr>
<tr>
<td>Louisiana</td>
<td>153,700</td>
<td>165,600</td>
<td>168,700</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>15,200</td>
<td>21,500</td>
<td>41,400</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,300</td>
<td>77,200</td>
<td>30,100</td>
</tr>
<tr>
<td>Missouri</td>
<td>58,800</td>
<td>59,600</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>156,700</td>
<td>157,800</td>
<td>166,800</td>
</tr>
<tr>
<td>South Carolina</td>
<td>88,800</td>
<td>90,100</td>
<td>87,800</td>
</tr>
<tr>
<td>Texas</td>
<td>960,400</td>
<td>949,900</td>
<td>919,200</td>
</tr>
<tr>
<td>Washington</td>
<td>67,600</td>
<td>57,200</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>73,400</td>
<td>72,400</td>
<td>75,800</td>
</tr>
<tr>
<td>Total</td>
<td>2,696,900</td>
<td>2,560,300</td>
<td>2,397,500</td>
</tr>
</tbody>
</table>

The following table sets forth our membership by line of business:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>2,051,700</td>
<td>1,977,200</td>
<td>1,848,500</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>275,900</td>
<td>237,700</td>
<td>222,600</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>322,500</td>
<td>307,800</td>
<td>269,900</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>22,400</td>
<td>29,100</td>
<td>48,100</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>24,400</td>
<td>8,500</td>
<td>8,400</td>
</tr>
<tr>
<td>Total</td>
<td>2,696,900</td>
<td>2,560,300</td>
<td>2,397,500</td>
</tr>
</tbody>
</table>

The following table identifies our dual eligible membership by line of business. The membership tables above include these members.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>81,800</td>
<td>72,800</td>
<td>62,000</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>16,600</td>
<td>7,700</td>
<td>7,600</td>
</tr>
<tr>
<td>Medicare</td>
<td>5,700</td>
<td>5,100</td>
<td>3,600</td>
</tr>
<tr>
<td>Total</td>
<td>104,100</td>
<td>85,600</td>
<td>73,200</td>
</tr>
</tbody>
</table>
RESULTS OF OPERATIONS

The following discussion and analysis is based on our consolidated statements of operations, which reflect our results of operations for the three and six months ended June 30, 2013 and 2012, prepared in accordance with generally accepted accounting principles in the United States.

Summarized comparative financial data for the three and six months ended June 30, 2013 and 2012 is as follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Premium</td>
<td>$ 2,528.7</td>
<td>$ 2,034.5</td>
</tr>
<tr>
<td>Service</td>
<td>105.6</td>
<td>27.1</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,634.3</td>
<td>2,061.6</td>
</tr>
<tr>
<td>Premium tax</td>
<td>91.6</td>
<td>49.1</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,725.9</td>
<td>2,110.7</td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,244.6</td>
<td>1,890.4</td>
</tr>
<tr>
<td>Cost of services</td>
<td>93.3</td>
<td>21.9</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>230.2</td>
<td>168.0</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>90.8</td>
<td>49.1</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>28.0</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>67.0</td>
<td>(46.7)</td>
</tr>
<tr>
<td>Investment and other income, net</td>
<td>(2.7)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Earnings (loss) before income tax expense (benefit)</td>
<td>64.3</td>
<td>(47.4)</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>25.3</td>
<td>(8.6)</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>39.0</td>
<td>(38.8)</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(0.5)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Net earnings (loss) attributable to Centene Corporation</td>
<td>$ 39.5</td>
<td>$ (35.0)</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share attributable to Centene Corporation</td>
<td>$ 0.70</td>
<td>$ (0.68)</td>
</tr>
</tbody>
</table>


Premium and Service Revenues

Premium and service revenues increased 27.8% in the three months ended June 30, 2013 over the corresponding period in 2012 primarily as a result of the Mississippi expansion, pharmacy carve-in in Louisiana, the additions of the Kansas, Missouri and Washington contracts, rate increases in several of our markets, the acquisition of AcariaHealth and increased membership in Texas.

Operating Expenses

Medical Costs

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided. The table below depicts the HBR for our membership by member category for the three months ended June 30,:
<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid and CHIP</td>
<td>89.0%</td>
<td>92.4%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>89.0</td>
<td>93.0</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>82.0</td>
<td>98.0</td>
</tr>
<tr>
<td>Total</td>
<td>88.8</td>
<td>92.9</td>
</tr>
</tbody>
</table>

The consolidated HBR for the three months ended June 30, 2013 was 88.8%, compared to 92.9% in the same period in 2012. The HBR decreased compared to last year primarily as a result of improvements in the performance of the Texas and individual health business from 2012, as well as the effect of the premium deficiency reserve recorded for Kentucky in 2012.

**Cost of Services**

Cost of services increased by $71.5 million in the three months ended June 30, 2013, compared to the corresponding period in 2012. This was primarily due to the acquisition of AcariaHealth.

**General & Administrative Expenses**

General and administrative expenses, or G&A, increased by $62.2 million in the three months ended June 30, 2013, compared to the corresponding period in 2012. This was primarily due to expenses for additional staff and facilities to support our membership growth as well as performance based compensation.

The consolidated G&A expense ratio for the three months ended June 30, 2013 and 2012 was 8.7% and 8.2%, respectively. The year over year increase reflects an increase in performance based compensation expense in 2013 of approximately 70 basis points and the AcariaHealth transaction costs, partially offset by the leveraging of expenses over higher revenue in 2013.

**Impairment Loss**

During the second quarter of 2012, our subsidiary, Celtic Insurance Company, experienced a high level of medical costs for individual health policies, especially for recently issued policies related to members converted from another insurer throughout the first quarter of 2012. We conducted an impairment analysis of the identifiable intangible assets and goodwill of the Celtic reporting unit, resulting in goodwill and intangible asset impairments of $28.0 million, recorded as impairment loss in the consolidated statement of operations. The impaired identifiable intangible assets of $2.3 million and goodwill of $25.7 million were reported under the Specialty Services segment, of which $26.6 million of the impairment loss was not deductible for income tax purposes.

**Other Income (Expense)**

The following table summarizes the components of other income (expense) for the three months ended June 30, ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$ 4.3</td>
<td>$ 4.0</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(7.0)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(2.7)</td>
<td>(0.7)</td>
</tr>
</tbody>
</table>

The increase in investment income in 2013 reflects an increase in investment balances over 2012. Interest expense increased in 2013 compared to 2012, reflecting the addition of $175 million of Senior Notes in the fourth quarter of 2012.

**Income Tax Expense**

Excluding the effects of noncontrolling interest, our effective tax rate for the three months ended June 30, 2013 was a tax expense of 39.0% compared to a tax benefit of 19.7% in the corresponding period in 2012. The change in the effective tax rate primarily relates to the impact of Celtic’s non-deductible goodwill impairment in 2012 resulting in a reduced tax benefit on a pre-tax loss.
Segment Results

In January 2013, we reclassified the health plan in Arizona, operated by our long-term care company, to the Medicaid Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Medicaid Managed Care segment for all periods presented. The following table summarizes our operating results by segment for the three months ended June 30, (in millions):

<table>
<thead>
<tr>
<th>Premium and Service Revenues</th>
<th>2013</th>
<th>2012</th>
<th>% Change 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Managed Care</td>
<td>$2,450.9</td>
<td>$1,937.4</td>
<td>26.5%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>749.6</td>
<td>586.8</td>
<td>27.8%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(566.2)</td>
<td>(462.6)</td>
<td>22.4%</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td><strong>$2,634.3</strong></td>
<td><strong>$2,061.6</strong></td>
<td><strong>27.8%</strong></td>
</tr>
<tr>
<td>Earnings (Loss) from Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$41.0</td>
<td>$(31.0)</td>
<td>(232.4)%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>26.0</td>
<td>(15.7)</td>
<td>(265.0)%</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td><strong>$67.0</strong></td>
<td><strong>$(46.7)</strong></td>
<td><strong>(243.4)%</strong></td>
</tr>
</tbody>
</table>

Medicaid Managed Care

Premium and service revenues increased 26.5% in the three months ended June 30, 2013, primarily as a result of the Mississippi expansion, pharmacy carve-in in Louisiana, the additions of the Kansas, Missouri and Washington contracts, increased membership in Texas and rate increases in several of our markets. Earnings from operations increased $72.0 million between years primarily as a result of improvements in the performance of the Texas business from 2012 and the effect of the premium deficiency reserve recorded for Kentucky in 2012.

Specialty Services

Premium and service revenues increased 27.8% in the three months ended June 30, 2013, due to the carve-in of pharmacy services in Louisiana, the associated services provided to the increased membership in the Medicaid segment and the acquisition of AcariaHealth. Earnings from operations increased $41.7 million in the three months ended June 30, 2013, reflecting improvement in our individual health insurance business and growth in our pharmacy business. Earnings from operations in 2012 were negatively impacted by a $28.0 impairment loss in our individual insurance business.

Earnings (Loss) Per Share and Shares Outstanding

Our earnings (loss) per share calculation for the three months ended June 30, 2012 reflects lower diluted weighted average shares outstanding resulting from the exclusion of the effect of outstanding stock awards which would be anti-dilutive to earnings per share.


Premium and Service Revenues

Premium and service revenues increased 39.0% in the six months ended June 30, 2013 over the corresponding period in 2012 primarily as a result of the Texas, Mississippi and Louisiana expansions, pharmacy carve-in in Texas and Louisiana, the additions of the Kansas, Missouri and Washington contracts, rate increases in several of our markets and the acquisition of AcariaHealth. During the six months ended June 30, 2013, we received premium rate adjustments which yielded a net 0.5% composite change across all of our markets.
Operating Expenses

Medical Costs

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided. The table below depicts the HBR for our membership by member category for the six months ended June 30:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid and CHIP</td>
<td>90.7%</td>
<td>90.2%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>88.5</td>
<td>91.4</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>82.5</td>
<td>93.9</td>
</tr>
<tr>
<td>Total</td>
<td>89.6</td>
<td>90.8</td>
</tr>
</tbody>
</table>

The consolidated HBR for the six months ended June 30, 2013 of 89.6% was a decrease of 120 basis points over the comparable period in 2012. The decrease compared to last year primarily reflects a higher level of medical costs in 2012 for the Texas expansion area and Kentucky, as well as a high level of medical costs in the individual health business, partially offset by a higher level of flu costs during the first quarter of 2013.

Cost of Services

Cost of services increased by $73.2 million in the six months ended June 30, 2013, compared to the corresponding period in 2012. This was primarily due to the acquisition of AcariaHealth.

General & Administrative Expenses

General and administrative expenses, or G&A, increased by $109.3 million in the six months ended June 30, 2013, compared to the corresponding period in 2012. This was primarily due to expenses for additional staff and facilities to support our membership growth, partially offset by a reduction in performance based compensation expense in 2012.

The consolidated G&A expense ratio for the six months ended June 30, 2013 and 2012 was 8.5% and 8.9%, respectively. The year over year decrease in the G&A expense ratio reflects the leveraging of expenses over higher revenue in 2013, partially offset by the AcariaHealth transaction costs.

Impairment Loss

During the second quarter of 2012, our subsidiary, Celtic Insurance Company, experienced a high level of medical costs for individual health policies, especially for recently issued policies related to members converted from another insurer throughout the first quarter of 2012. We conducted an impairment analysis of the identifiable intangible assets and goodwill of the Celtic reporting unit, resulting in goodwill and intangible asset impairments of $28.0 million, recorded as impairment loss in the consolidated statement of operations. The impaired identifiable intangible assets of $2.3 million and goodwill of $25.7 million were reported under the Specialty Services segment, of which $26.6 million of the impairment loss was not deductible for income tax purposes.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the six months ended June 30, 2013 ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$ 8.8</td>
<td>$ 9.3</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(13.7)</td>
<td>(9.5)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$ (4.9)</td>
<td>$ (0.2)</td>
</tr>
</tbody>
</table>
The decrease in investment income in 2013 reflects a decrease in investment returns over 2012. Interest expense increased during the six months ended June 30, 2013 by $4.2 million reflecting the addition of $175 million of Senior Notes in the fourth quarter of 2012.

**Income Tax Expense**

Excluding the effects of noncontrolling interests, our effective tax rate for the six months ended June 30, 2013 was a tax expense of 39.2% compared to tax benefit of 46.1% in the corresponding period in 2012. The increase in income tax expense over 2012 resulted from decreased earnings in the first half of 2012, partially offset by a non-deductible goodwill impairment in 2012.

**Segment Results**

The following table summarizes our operating results by segment for the six months ended June 30, 2013 (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>% Change 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium and Service Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$4,878.2</td>
<td>$3,473.5</td>
<td>40.4%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>1,437.9</td>
<td>1,053.1</td>
<td>36.5%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(1,139.6)</td>
<td>(801.5)</td>
<td>42.2%</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td>$5,176.5</td>
<td>$3,725.1</td>
<td>39.0%</td>
</tr>
<tr>
<td><strong>Earnings (Loss) from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$48.5</td>
<td>$(17.5)</td>
<td>(377.3)%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>58.6</td>
<td>5.0</td>
<td>1,083.2%</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td>$107.1</td>
<td>$(12.5)</td>
<td>(953.8)%</td>
</tr>
</tbody>
</table>

**Medicaid Managed Care**

Premium and service revenues increased 40.4% in the six months ended June 30, 2013, primarily as a result of the Texas, Mississippi and Louisiana expansions, pharmacy carve-in in Texas and Louisiana, the additions of the Kansas, Missouri and Washington contracts and rate increases in several of our markets. Earnings from operations increased $66.0 million in the six months ended June 30, 2013, as a result of improvements in the performance of the Texas business from 2012 and the effect of the premium deficiency reserve recorded for Kentucky in 2012.

**Specialty Services**

Premium and service revenues increased 36.5% in the six months ended June 30, 2013, due to the carve-in of pharmacy services in Texas and Louisiana, growth in our Medicaid segment and the associated services provided to this increased membership and the acquisition of AcariaHealth. Earnings from operations increased $53.6 million in the six months ended June 30, 2013, reflecting improvement in our individual health insurance business and growth in our pharmacy business. Earnings from operations in 2012 were negatively impacted by a $28.0 impairment loss in our individual insurance business.

**Earnings (Loss) Per Share and Shares Outstanding**

Our earnings (loss) per share calculation for the six months ended June 30, 2012 reflects lower diluted weighted average shares outstanding resulting from the exclusion of the effect of outstanding stock awards which would be anti-dilutive to earnings per share.
LIQUIDITY AND CAPITAL RESOURCES

Shown below is a condensed schedule of cash flows for the six months ended June 30, 2013 and 2012, used in the discussion of liquidity and capital resources ($ in millions).

<table>
<thead>
<tr>
<th></th>
<th>Six Months Ended June 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>$80.9</td>
<td>$(9.9)</td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(275.5)</td>
<td>(210.6)</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>39.3</td>
<td>68.7</td>
<td></td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>$(155.3)</td>
<td>$(151.8)</td>
<td></td>
</tr>
</tbody>
</table>

**Cash Flows Provided by (Used in) Operating Activities**

Normal operations are funded primarily through operating cash flows and borrowings under our revolving credit facility. Operating activities provided cash of $80.9 million in the six months ended June 30, 2013, compared to using $9.9 million in the comparable period in 2012. The cash provided by operations in 2013 was primarily related to an increase in medical claims liabilities including our new business in Kansas.

Cash flows from operations in each year were impacted by the timing of payments we receive from our states. States may prepay the following month premium payment, which we record as unearned revenue, or they may delay our premium payment, which we record as a receivable. We typically receive capitation payments monthly, however the states in which we operate may decide to adjust their payment schedules which could positively or negatively impact our reported cash flows from operating activities in any given period. The table below details the impact to cash flows from operations from the timing of payments from our states ($ in millions).

<table>
<thead>
<tr>
<th></th>
<th>Six Months Ended June 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>$(71.2)</td>
<td>$(232.7)</td>
<td></td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>(12.1)</td>
<td>19.9</td>
<td></td>
</tr>
<tr>
<td>Net decrease in operating cash flow</td>
<td>$(83.3)</td>
<td>$(212.8)</td>
<td></td>
</tr>
</tbody>
</table>

**Cash Flows Used in Investing Activities**

Investing activities used cash of $275.5 million in the six months ended June 30, 2013 and $210.6 million in the comparable period in 2012. Cash flows used in investing activities in 2013 primarily consisted of additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long-term investments, the acquisition of AcariaHealth and capital expenditures. We completed the acquisition of AcariaHealth in April 2013 for $146.6 million in total consideration. The transaction was financed through a combination of Centene common stock as well as $71.1 million cash on hand. During 2012, our investing activities primarily related to additions to the investment portfolio of our regulated subsidiaries and capital expenditures.

We spent $30.1 million and $57.4 million in the six months ended June 30, 2013 and 2012, respectively, on capital expenditures for system enhancements and market expansions.

As of June 30, 2013, our investment portfolio consisted primarily of fixed-income securities with an average duration of 3.0 years. We had unregulated cash and investments of $33.8 million at June 30, 2013, compared to $37.3 million at December 31, 2012.

**Cash Flows Provided by Financing Activities**

Our financing activities provided cash of $39.3 million in the six months ended June 30, 2013, compared to $68.7 million in the comparable period in 2012. During 2013, our financing activities primarily related to borrowings under our revolving credit facility, the sale of $15.2 million of common stock to fund the escrow account for the acquisition of AcariaHealth and the repayment of a mortgage note. During 2012, our financing activities primarily related to borrowings under our revolving credit facility and proceeds from the exercise of stock options.
Liquidity Metrics

In May 2013, we entered into a new unsecured $500 million revolving credit facility and terminated its previous $350 million revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended) or certain financial conditions are not met including $100 million of unregulated cash on the balance sheet. As of June 30, 2013, we had $30.0 million in borrowings outstanding under our revolving credit facility, and we were in compliance with all covenants.

The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, minimum debt-to-EBITDA ratios and minimum tangible net worth. We are required to maintain a minimum debt-to-EBITDA ratio of 3.50 as of June 30, 2013, 3.25 as of September 30, 2013 and 3.0 as of December 31, 2013 and thereafter. As of June 30, 2013, the availability under the new revolving credit agreement would have been limited to approximately $377.0 million as a result of the debt-to-EBITDA ratio.

We had outstanding letters of credit of $12.3 million as of June 30, 2013, which were not part of our revolving credit facility and bore interest at 1.06%.

At June 30, 2013, we had working capital, defined as current assets less current liabilities, of $21.8 million, as compared to $176.5 million at December 31, 2012. We manage our short-term and long-term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term requirements as needed.

At June 30, 2013, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 32.9%, compared to 36.1% at December 31, 2012. Excluding the $74.1 million non-recourse mortgage note, our debt to capital ratio was 29.8% at June 30, 2013, compared to 32.7% at December 31, 2012. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.

2013 Expectations

During the remainder of 2013, we expect to make additional capital contributions to our insurance subsidiaries of approximately $100 million associated with our growth and spend approximately $40 million in additional capital expenditures primarily associated with system enhancements and market expansions. These capital contributions and capital expenditures are expected to be funded by unregulated cash flow generation and borrowings on our revolving credit facility.

Based on our operating plan, we expect that our available cash, cash equivalents and investments, cash from our operations and cash available under our credit facility will be sufficient to finance our general operations and capital expenditures for at least 12 months from the date of this filing.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our operations are conducted through our subsidiaries. As managed care organizations, these subsidiaries are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state, and restrict the timing, payment and amount of dividends and other distributions that may be paid to us. Generally, the amount of dividend distributions that may be paid by a regulated subsidiary without prior approval by state regulatory authorities is limited based on the entity’s level of statutory net income and statutory capital and surplus.

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of June 30, 2013, our subsidiaries had aggregate statutory capital and surplus of $1,179.0 million, compared with the required minimum aggregate statutory capital and surplus requirements of $674.2 million. We estimate our Risk Based Capital, or RBC, percentage to be in excess of 350% of the Authorized Control Level.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of June 30, 2013, each of our health plans was in compliance with the risk-based capital requirements enacted in those states.
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

INVESTMENTS AND DEBT

As of June 30, 2013, we had short-term investments of $131.3 million and long-term investments of $809.2 million, including restricted deposits of $39.3 million. The short-term investments generally consist of highly liquid securities with maturities between three and 12 months. The long-term investments consist of municipal, corporate and U.S. Treasury securities, government sponsored obligations, life insurance contracts, asset backed securities and equity securities and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states' requirements, these investments are classified as long-term regardless of the contractual maturity date. Our investments are subject to interest rate risk and will decrease in value if market rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at June 30, 2013, the fair value of our fixed income investments would decrease by approximately $24.4 million. Declines in interest rates over time will reduce our investment income.

We entered into interest rate swap agreements with creditworthy financial institutions to manage the impact of market interest rates on interest expense. Our swap agreements convert a portion of our interest expense from fixed to variable rates to better match the impact of changes in market rates on our variable rate cash equivalent investments. As a result, the fair value of $250 million of our Senior Note debt varies with market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at June 30, 2013, the fair value of our debt would decrease by approximately $9.8 million. An increase in interest rates decreases the fair value of the debt and conversely, a decrease in interest rates increases the value.

For a discussion of the interest rate risk that our investments are subject to, see "Risk Factors–Risks Related to Our Business–Our investment portfolio may suffer losses from reductions in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity."

INFLATION

The inflation rate for medical care costs has been higher than the inflation rate for all items. We use various strategies to mitigate the negative effects of healthcare cost inflation. Specifically, our health plans try to control medical and hospital costs through our state savings initiatives and contracts with independent providers of healthcare services. Through these contracted care providers, our health plans emphasize preventive healthcare and appropriate use of specialty and hospital services. Additionally, our contracts with states require actuarially sound premiums that include health care cost trend.

While we currently believe our strategies to mitigate healthcare cost inflation will continue to be successful, competitive pressures, new healthcare and pharmaceutical product introductions, demands from healthcare providers and customers, applicable regulations or other factors may affect our ability to control the impact of healthcare cost increases.


Evaluation of Disclosure Controls and Procedures - We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the filing of this Form 10-Q, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2013. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2013.

Changes in Internal Control Over Financial Reporting - No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
ITEM 1. Legal Proceedings.

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking a declaration of the Company’s right to terminate the contract on July 5, 2013. In April 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. In May 2013, the Franklin Circuit Court ruled that Kentucky Spirit does not have a contractual right to terminate the contract early. Kentucky Spirit has appealed that ruling to the Kentucky Court of Appeals.

The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet. In response, the Company filed a lawsuit in April 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth’s alleged breaches. This lawsuit was subsequently consolidated with the original lawsuit for declaratory relief and continues to proceed.

Kentucky Spirit’s efforts to resolve issues with the Commonwealth were unsuccessful and on July 5, 2013, Kentucky Spirit proceeded with its previously announced exit. By letter dated July 11, 2013, the Commonwealth alleged that Kentucky Spirit’s exit constitutes a material breach of contract. The letter states that, unless Kentucky Spirit cures the alleged material breach within thirty days, the Commonwealth will seek to recover substantial damages and to enforce its rights under Kentucky Spirit’s $25.0 million performance bond. Any claim for damages by the Commonwealth may include the costs of transition and the additional costs to the Commonwealth to cover Kentucky Spirit’s former members through July 5, 2014. Kentucky Spirit is pursuing its litigation claims for damages against the Commonwealth and will vigorously defend against any allegations that it has breached the contract.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If the Company prevails on its claims, Kentucky Spirit would be entitled to damages under its lawsuit. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of June 30, 2013. While uncertain, the ultimate resolution of the pending litigation could have a material effect on the results of operations of the Company in the period it is resolved or becomes known.

Excluding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position or results of operations.

ITEM 1A. Risk Factors.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND THE TRADING PRICE OF OUR COMMON STOCK

You should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. You should also refer to the other information in this filing, including our consolidated financial statements and related notes. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our Company.
Risks Related to Being a Regulated Entity

Reduction in Medicaid, CHIP and ABD funding could substantially reduce our profitability.

Most of our revenues come from Medicaid, CHIP and ABD premiums. The base premium rate paid by each state differs, depending on a combination of factors such as defined upper payment limits, a member’s health status, age, gender, county or region, benefit mix and member eligibility categories. Since Medicaid was created in 1965, the federal government and the states have shared the costs, with the federal share currently averaging around 57%. Future levels of Medicaid, CHIP and ABD funding and premium rates may be affected by continuing government efforts to contain healthcare costs and may further be affected by state and federal budgetary constraints.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act collectively referred to as the Affordable Care Act (ACA), were enacted. While the constitutionality of the ACA was subsequently challenged in a number of legal actions, in June 2012, the Supreme Court upheld the constitutionality of the ACA, with one limited exception relating to the Medicaid expansion provision. The Court held that states could not be required to expand Medicaid and risk losing all federal money for their existing Medicaid programs. Under the ACA, Medicaid coverage will be expanded to all individuals under age 65 with incomes up to 133% of the federal poverty level beginning January 1, 2014, subject to the states' elections. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for 3 years, from 2014 through 2016. In 2017, the federal share declines to 95%; in 2018 it is 94%; in 2019 it is 93%; and it will be 90% in 2020 and subsequent years. States may delay Medicaid expansion after 2014 but the federal payment rates will be less. Currently 24 states are moving toward expanding Medicaid eligibility, although most are involved in a variety of legislative proposals within their States. The U.S. Department of Health and Human Services (HHS) has stated that it will consider a limited number of premium assistance demonstration proposals from States that want to privatize Medicaid expansion. States must provide a choice between at least two qualified health plans and offer very similar benefits as those available in the newly created insurance exchanges. Arkansas, Tennessee and Indiana are exploring alternative solutions with CMS.

States periodically consider reducing or reallocating the amount of money they spend for Medicaid, CHIP, LTC, Foster Care and ABD. The current adverse economic conditions have, and are expected to continue to, put pressures on state budgets as tax and other state revenues decrease while these eligible populations increase, creating more need for funding. We anticipate this will require government agencies with whom we contract to find funding alternatives, which may result in reductions in funding for current programs and program expansions, contraction of covered benefits, limited or no premium rate increases or premium decreases. In recent years, the majority of states have implemented measures to restrict Medicaid, CHIP, LTC, Foster Care and ABD costs and eligibility. If any state in which we operate were to decrease premiums paid to us, or pay us less than the amount necessary to keep pace with our cost trends, it could have a material adverse effect on our revenues and operating results.

Changes to Medicaid, CHIP, LTC, Foster Care and ABD programs could reduce the number of persons enrolled in or eligible for these programs, reduce the amount of reimbursement or payment levels, or increase our administrative or healthcare costs under these programs, all of which could have a negative impact on our business. Recent legislation generally requires that eligibility levels be maintained, but this could cause states to reduce reimbursement or reduce benefits in order to afford to maintain eligibility levels. A number of states have requested waivers to the requirements to maintain eligibility levels and legislation has been introduced that would eliminate the requirement that eligibility levels be maintained. We believe that reductions in Medicaid, CHIP, LTC, Foster Care and ABD payments could substantially reduce our profitability. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds.

If we are unable to participate in CHIP programs, our growth rate may be limited.

CHIP is a federal initiative designed to provide coverage for low-income children not otherwise covered by Medicaid or other insurance programs. It is funded jointly by the federal government and States through a formula based on the Medicaid Federal Medical Assistance Percentage (FMAP). As an incentive for States to expand their coverage programs for children, Congress created an enhanced federal matching rate for CHIP that is about 15 percentage points higher than the Medicaid rate. Every fiscal year the Centers for Medicare & Medicaid Services (CMS) determines the federal share of program funding. The programs vary significantly from state to state. Participation in CHIP programs is an important part of our growth strategy. If states do not allow us to participate or if we fail to win bids to participate, our growth strategy may be materially and adversely affected.
If CHIP is not reauthorized or states face shortfalls, our business could suffer.

The Affordable Care Act extends CHIP through September 30, 2019. Beginning October 1, 2015, the enhanced CHIP federal matching rate will increase by 23 percentage points, bringing the average federal matching rate for CHIP to 93%. This rate continues until September 30, 2019.

The federal allotment for CHIP for fiscal year 2012 was $14.982 billion.

States receive matching funds from the federal government to pay for their CHIP programs which have a per state annual cap. Because of funding caps, there is a risk that states could experience shortfalls in future years, which could have an impact on our ability to receive amounts owed to us from states in which we have CHIP contracts.

If any of our state contracts are terminated or are not renewed, our business will suffer.

We provide managed care programs and selected services to individuals receiving benefits under federal assistance programs, including Medicaid, CHIP and ABD. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. Our contracts with various states are generally intended to run for one or two years and may be extended for one or two additional years if the state or its agent elects to do so. Our current contracts are set to expire or renew between August 31, 2013 and December 31, 2016. When our contracts expire, they may be opened for bidding by competing healthcare providers. There is no guarantee that our contracts will be renewed or extended. For example, on April 12, 2010, the Wisconsin Department of Health Services notified us that our Wisconsin subsidiary was not awarded a Southeast Wisconsin BadgerCare Plus Managed Care contract. While we will continue to serve other regions of the state, we transitioned the affected members to other plans by November 1, 2010. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds. For example, the Indiana contract under which we operate can be terminated by the State without cause. Our contracts could also be terminated if we fail to perform in accordance with the standards set by state regulatory agencies. If any of our contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, our business will suffer, and our financial position, results of operations or cash flows may be materially affected.

Changes in government regulations designed to protect the financial interests of providers and members rather than our investors could force us to change how we operate and could harm our business.

Our business is extensively regulated by the states in which we operate and by the federal government. The applicable laws and regulations are subject to frequent change and generally are intended to benefit and protect the financial interests of health plan providers and members rather than investors. The enactment of new laws and rules or changes to existing laws and rules or the interpretation of such laws and rules could, among other things:

• force us to restructure our relationships with providers within our network;
• require us to implement additional or different programs and systems;
• mandate minimum medical expense levels as a percentage of premium revenues;
• restrict revenue and enrollment growth;
• require us to develop plans to guard against the financial insolvency of our providers;
• increase our healthcare and administrative costs;
• impose additional capital and reserve requirements; and
• increase or change our liability to members in the event of malpractice by our providers.

The ACA also requires that proposed increases of 10% or more of premiums for most individual and small group insurance health insurance plans must be approved by state or federal officials (Rate Review Program).
Regulations may decrease the profitability of our health plans.

Certain states have enacted regulations which require us to maintain a minimum health benefits ratio, or establish limits on our profitability. Other states require us to meet certain performance and quality metrics in order to receive our full contractual revenue. In certain circumstances, our plans may be required to pay a rebate to the state in the event profits exceed established levels. These regulatory requirements, changes in these requirements or the adoption of similar requirements by other regulators may limit our ability to increase our overall profits as a percentage of revenues. Most states, including but not limited to Georgia, Indiana, Texas and Wisconsin, have implemented prompt-payment laws and many states are enforcing penalty provisions for failure to pay claims in a timely manner. Failure to meet these requirements can result in financial fines and penalties. In addition, states may attempt to reduce their contract premium rates if regulators perceive our health benefits ratio as too low. Any of these regulatory actions could harm our financial position, results of operations or cash flows. Certain states also impose marketing restrictions on us which may constrain our membership growth and our ability to increase our revenues.

If we fail to comply with Medicare laws and regulation, our growth rate could be limited.

We feel there are potential growth opportunities in dual eligible markets to fully integrate care for dual eligible beneficiaries who are enrolled in both Medicaid and Medicare. The dual eligible population represents a disproportionate amount of state and federal health care spending yet less than 15 percent of dual eligibles are in comprehensive, managed care. As a result, states and the federal government have put dual eligibles on the fast track to managed care and dual eligibles are an important part of our growth strategy.

Although we strive to comply with all existing Medicare statutes and regulations applicable to our business, different interpretations and enforcement policies of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make significant changes to our operations. If we fail to comply with existing or future applicable Medicare laws and regulations, states may not allow us to continue to participate in dual eligible demonstration programs or we may fail to win bids to participate in such programs, and our growth strategy may be materially and adversely affected.

We face periodic reviews, audits and investigations under our contracts with state and federal government agencies, and these audits could have adverse findings, which may negatively impact our business.

We contract with various state and federal governmental agencies to provide managed healthcare services. Pursuant to these contracts, we are subject to various reviews, audits and investigations to verify our compliance with the contracts and applicable laws and regulations. Any adverse review, audit or investigation could result in:

• cancellation of our contracts;
• refunding of amounts we have been paid pursuant to our contracts;
• imposition of fines, penalties and other sanctions on us;
• loss of our right to participate in various markets;
• increased difficulty in selling our products and services; or
• loss of one or more of our licenses.

Failure to comply with government regulations could subject us to civil and criminal penalties.

Federal and state governments have enacted fraud and abuse laws and other laws to protect patients' privacy and access to healthcare. In some states, we may be subject to regulation by more than one governmental authority, which may impose overlapping or inconsistent regulations. Violation of these and other laws or regulations governing our operations or the operations of our providers could result in the imposition of civil or criminal penalties, the cancellation of our contracts to provide services, the suspension or revocation of our licenses or our exclusion from participating in the Medicaid, CHIP, LTC, Foster Care and ABD programs. If we were to become subject to these penalties or exclusions as the result of our actions or omissions or our inability to monitor the compliance of our providers, it would negatively affect our ability to operate our business.
HIPAA broadened the scope of fraud and abuse laws applicable to healthcare companies. HIPAA created civil penalties for, among other things, billing for medically unnecessary goods or services. HIPAA established new enforcement mechanisms to combat fraud and abuse, including civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of protected health information. The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states’ Attorneys General in addition to the HHS Office of Civil Rights. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules.

We may incur significant costs as a result of compliance with government regulations, and our management will be required to devote time to compliance.

Many aspects of our business are affected by government laws and regulations. The issuance of new regulations, or judicial or regulatory guidance regarding existing regulations, could require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover from the states our costs of complying with these new regulations. The costs of any such future compliance efforts could have a material adverse effect on our business. We have already expended significant time, effort and financial resources to comply with the privacy and security requirements of HIPAA and HITECH, and will have to expend additional time and financial resources to comply with the American Recovery and Reinvestment Act of 2009, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act. We cannot predict whether states will enact stricter laws governing the privacy and security of electronic health information. If any new requirements are enacted at the state or federal level, compliance would likely require additional expenditures and management time.

Changes in healthcare law and benefits may reduce our profitability.

Changes in applicable laws and regulations are continually being considered, and interpretations of existing laws and rules may also change from time to time. We are unable to predict what regulatory changes may occur or what effect any particular change may have on our business. For example, these changes could reduce the number of persons enrolled or eligible to enroll in Medicaid, reduce the reimbursement or payment levels for medical services or reduce benefits included in Medicaid coverage. We are also unable to predict whether new laws or proposals will favor or hinder the growth of managed healthcare in general.

Beginning in 2014, the ACA requires that policies of health insurance offered in individual and small group markets as well as Medicaid benchmark plans provide coverage of designated items and services known as essential health benefits. These must include at least 10 legally defined benefit categories. HHS has granted states significant flexibility in establishing what constitutes essential health benefits in their states. The diversity of essential health benefits across states will increase the complexity in managing health plans and may affect payments.

Initiatives have begun in at least 26 states to more efficiently care for people who are dually eligible for Medicare and Medicaid. As a result, hospitals are seeking higher Medicare reimbursement rates for these patients from insurers which could negatively impact profits.

The health care reform law and the implementation of that law could have a material adverse effect on our business, financial condition, cash flows, or results of operations.

The ACA provides comprehensive changes to the U.S. health care system, which are being phased in at various stages through 2018. The legislation imposes an annual insurance industry assessment of $8 billion starting in 2014, with increasing annual amounts thereafter. Such assessment may not be deductible for income tax purposes. The fee will be allocated based on health insurers premium revenues in the previous year. Each health insurer’s fee is calculated by multiplying its market share by the annual fee. Market share is based on commercial, Medicare, and Medicaid premium revenue. Not-for-profit insurers are expected to have a competitive advantage since they are exempt from paying the fee if they receive at least 80% of their premium revenue from Medicare, Medicaid, and SCHIP, and other not-for-profit insurers exclude 50% of their premium revenue from the fee calculation.

If this federal premium tax is imposed as enacted, and if the cost of the federal premium tax is not included in the calculation of our rates, or if we are unable to otherwise adjust our business model to address this new tax, our results of operations, financial position and liquidity may be materially adversely affected.
There are numerous outstanding steps required to implement the legislation, including the promulgation of a substantial number of new and potentially more onerous federal regulations. Further, various health insurance reform proposals are also emerging at the state level. Because of the unsettled nature of these reforms and numerous steps required to implement them, we cannot predict what additional health insurance requirements will be implemented at the federal or state level, or the effect that any future legislation or regulation will have on our business or our growth opportunities.

Although we believe the legislation may provide us with significant opportunities to grow our business, the enacted reforms, as well as future regulations and legislative changes, may in fact have a material adverse affect on our results of operations, financial position or liquidity. If we fail to effectively implement our operational and strategic initiatives with respect to the implementation of health care reform, or do not do so as effectively as our competitors, our business may be materially adversely affected.

*Our participation in health insurance exchanges, which are required to be established as part of the ACA, could adversely affect our results of operations, financial position and cash flows.*

The ACA requires the establishment of health insurance exchanges for individuals and small employers by 2014. There are a number of uncertainties with respect to the establishment of such health insurance exchanges. Among these uncertainties are the requirements for participation and operations for exchanges in each state, the impact of federal subsidies for premiums and cost-sharing reductions and the operation and funding of various mechanisms intended to manage and spread risk among insurers. Government officials have experienced delays in achieving certain milestones in setting up health insurance exchanges for small businesses and consumers, and there's a risk they won't operate as planned in October 2013. Approximately 7 million to 9 million people are projected to receive insurance through health insurance exchanges in 2014.

Depending on how these factors develop once the health insurance exchanges are established, the health insurance exchanges could ultimately have a negative impact on our results of operations, financial position or liquidity. In addition, the ACA also requires insurers participating on the health insurance exchanges to offer a minimum level of benefits while including guidelines on setting premium rates and coverage limitations. These factors, along with the limited information that we expect to have about the individuals who will have access to these newly established exchanges may cause our earnings to be affected negatively if our premiums are not adequate or do not appropriately reflect the acuity of these individuals.

*If a state fails to renew a required federal waiver for mandated Medicaid enrollment into managed care or such application is denied, our membership in that state will likely decrease.*

States may administer Medicaid managed care programs pursuant to demonstration programs or required waivers of federal Medicaid standards. Waivers and demonstration programs are generally approved for two year periods and can be renewed on an ongoing basis if the state applies. We have no control over this renewal process. If a state does not renew such a waiver or demonstration program or the Federal government denies a state’s application for renewal, membership in our health plan in the state could decrease and our business could suffer.

*Changes in federal funding mechanisms may reduce our profitability.*

Changes in funding for Medicaid may affect our business. For example, on May 29, 2007, CMS issued a final rule that would reduce states’ use of intergovernmental transfers for the states’ share of Medicaid program funding. By restricting the use of intergovernmental transfers, this rule may restrict some states’ funding for Medicaid, which could adversely affect our growth, operations and financial performance. On May 23, 2008, the United States District Court for the District of Columbia vacated the final rule as improperly promulgated. On November 30, 2010, CMS issued final regulations that remove these provisions and restore the regulatory language that was in place before the 2007 regulations were issued. While this rule has been removed, we cannot predict whether another similar rule or any other rule that changes funding mechanisms will be promulgated, and if any are, what impact they will have on our business.

Legislative changes in the Medicare program may also affect our business. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 revised cost-sharing requirements for some beneficiaries and required states to reimburse the federal Medicare program for costs of prescription drug coverage provided to beneficiaries who are enrolled simultaneously in both the Medicaid and Medicare programs.
Medicaid spending by the federal government could be decreased as part of the spending cuts associated with the debt ceiling.

The American Taxpayer Relief Act (ATRA) of 2012, known as the fiscal cliff deal, delayed the sequestration mandated under the Sequestration Transparency Act of 2012 until March 1, 2013. The mandated cuts for 2013 are approximately $85.3 billion. Although Medicaid is exempt from cuts under the ATRA, a 2% cut in payments to Medicare providers and suppliers in 2013, or approximately $11.3 billion, is included in ATRA.

We cannot predict whether Congress will take any action to change the automatic spending cuts. Further, we cannot predict how states will react to any changes that occur at the federal level.

If state regulatory agencies require a statutory capital level higher than the state regulations, we may be required to make additional capital contributions.

Our operations are conducted through our wholly owned subsidiaries, which include health maintenance organizations, or HMOs, and managed care organizations, or MCOs. HMOs and MCOs are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state. Additionally, state regulatory agencies may require, at their discretion, individual HMOs to maintain statutory capital levels higher than the state regulations. If this were to occur to one of our subsidiaries, we may be required to make additional capital contributions to the affected subsidiary. Any additional capital contribution made to one of the affected subsidiaries could have a material adverse effect on our liquidity and our ability to grow.

If state regulators do not approve payments of dividends and distributions by our subsidiaries to us, we may not have sufficient funds to implement our business strategy.

We principally operate through our health plan subsidiaries. If funds normally available to us become limited in the future, we may need to rely on dividends and distributions from our subsidiaries to fund our operations. These subsidiaries are subject to regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny our subsidiaries’ request to pay dividends to us, the funds available to us would be limited, which could harm our ability to implement our business strategy.

Risks Related to Our Business

Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.

Our health plans rely on other state-operated systems or sub-contractors to qualify, solicit, educate and assign eligible members into the health plans. The effectiveness of these state operations and sub-contractors can have a material effect on a health plan’s enrollment in a particular month or over an extended period. When a state implements new programs to determine eligibility, new processes to assign or enroll eligible members into health plans, or chooses new contractors, there is an increased potential for an unanticipated impact on the overall number of members assigned into the health plans.

Failure to accurately predict our medical expenses could negatively affect our financial position, results of operations or cash flows.

Our medical expense includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified.

While we utilize our predictive modeling technology and our executive dashboard, we still cannot be sure that our medical claims liability estimates are adequate or that adjustments to those estimates will not unfavorably impact our results of operations. For example, in the three months ended June 30, 2006 we adjusted medical expense by $9.7 million for adverse medical costs development from the first quarter of 2006.
Additionally, when we commence operations in a new state or region, we have limited information with which to estimate our medical claims liability. For example, we commenced operations in Kentucky in November 2011, in Louisiana in February 2012, in Missouri and Washington in July 2012 and expanded in Texas in March 2012. For a period of time after the inception of business in these states, we base our estimates on state-provided historical actuarial data and limited actual incurred and received claims. The addition of new categories of individuals who are eligible for Medicaid under new legislation may pose the same difficulty in estimating our medical claims liability and utilization patterns.

Assumptions and estimates are also utilized in establishing premium deficiency reserves. In October 2012, we notified the Kentucky Cabinet for Health and Family Services that we were exercising a contractual right that we believed allowed Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. As a result, we recorded a premium deficiency reserve included in Medical costs expense of $41.5 million for the Kentucky contract in the year ended December 31, 2012. The premium deficiency reserve encompassed the contract period from January 1, 2013 through July 5, 2013.

From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. The accuracy of our medical claims liability estimate may also affect our ability to take timely corrective actions, further harming our results.

**Receipt of inadequate or significantly delayed premiums would negatively affect our revenues, profitability or cash flows.**

Our premium revenues consist of fixed monthly payments per member and supplemental payments for other services such as maternity deliveries. These premiums are fixed by contract, and we are obligated during the contract periods to provide healthcare services as established by the state governments. We use a large portion of our revenues to pay the costs of healthcare services delivered to our members. If premiums do not increase when expenses related to medical services rise, our earnings will be affected negatively. In addition, our actual medical services costs may exceed our estimates, which would cause our health benefits ratio, or our expenses related to medical services as a percentage of premium revenue, to increase and our profits to decline. In addition, it is possible for a state to increase the rates payable to certain providers without granting a corresponding increase in premiums to us. If this were to occur in one or more of the states in which we operate, our profitability would be harmed. In addition, if there is a significant delay in our receipt of premiums to offset previously incurred health benefits costs, our cash flows or earnings could be negatively impacted.

In some instances, our base premiums are subject to an adjustment, or risk score, based on the acuity of our membership. Generally, the risk score is determined by the State analyzing encounter submissions of processed claims data to determine the acuity of our membership relative to the entire state’s Medicaid membership. The risk score is dependent on several factors including our providers’ completeness and quality of claims submission, our processing of the claim, submission of the processed claims in the form of encounters to the states’ encounter systems and the states’ acceptance and analysis of the encounter data. If the risk scores assigned to our premiums that are risk adjusted are not adequate or do not appropriately reflect the acuity of our membership, our earnings will be affected negatively.

**Failure to effectively manage our medical costs or related administrative costs or uncontrollable epidemic or pandemic costs would reduce our profitability.**

Our profitability depends, to a significant degree, on our ability to predict and effectively manage expenses related to health benefits. We have less control over the costs related to medical services than we do over our general and administrative expenses. Because of the narrow margins of our health plan business, relatively small changes in our health benefits ratio can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of use of healthcare services, hospital costs, pharmaceutical costs, major epidemics or pandemics, new medical technologies and other external factors, including general economic conditions such as inflation levels, are beyond our control and could reduce our ability to predict and effectively control the costs of providing health benefits. In 2009, the H1N1 influenza pandemic resulted in heightened costs due to increased physician visits and increased utilization of hospital emergency rooms and pharmaceutical costs. We cannot predict what impact an epidemic or pandemic will have on our costs in the future. Additionally, we may not be able to manage costs effectively in the future. If our costs related to health benefits increase, our profits could be reduced or we may not remain profitable.
Our investment portfolio may suffer losses from changes in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity.

As of June 30, 2013, we had $820.0 million in cash, cash equivalents and short-term investments and $809.2 million of long-term investments and restricted deposits. We maintain an investment portfolio of cash equivalents and short-term and long-term investments in a variety of securities which may include asset backed securities, bank deposits, commercial paper, certificates of deposit, money market funds, municipal bonds, corporate bonds, instruments of the U.S. Treasury and other government corporations and agencies, insurance contracts and equity securities. These investments are subject to general credit, liquidity, market and interest rate risks. Substantially all of these securities are subject to interest rate and credit risk and will decline in value if interest rates increase or one of the issuers’ credit ratings is reduced. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

Our investments in state, municipal and corporate securities are not guaranteed by the United States government which could materially and adversely affect our results of operation, liquidity or financial condition.

As of June 30, 2013, we had $540.1 million of investments in state, municipal and corporate securities. These securities are not guaranteed by the United States government. State and municipal securities are subject to additional credit risk based upon each local municipality’s tax revenues and financial stability. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

Difficulties in executing our acquisition strategy could adversely affect our business.

Historically, the acquisition of Medicaid and specialty services businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets has accounted for a significant amount of our growth. Many of the other potential purchasers have greater financial resources than we have. In addition, many of the sellers are interested either in (a) selling, along with their Medicaid assets, other assets in which we do not have an interest or (b) selling their companies, including their liabilities, as opposed to the assets of their ongoing businesses.

We generally are required to obtain regulatory approval from one or more state agencies when making acquisitions. In the case of an acquisition of a business located in a state in which we do not currently operate, we would be required to obtain the necessary licenses to operate in that state. In addition, even if we already operate in a state in which we acquire a new business, we would be required to obtain additional regulatory approval if the acquisition would result in our operating in an area of the state in which we did not operate previously, and we could be required to renegotiate provider contracts of the acquired business. We cannot provide any assurance that we would be able to comply with these regulatory requirements for an acquisition in a timely manner, or at all. In deciding whether to approve a proposed acquisition, state regulators may consider a number of factors outside our control, including giving preference to competing offers made by locally owned entities or by not-for-profit entities.

We also may be unable to obtain sufficient additional capital resources for future acquisitions. If we are unable to effectively execute our acquisition strategy, our future growth will suffer and our results of operations could be harmed.

Execution of our growth strategy may increase costs or liabilities, or create disruptions in our business.

We pursue acquisitions of other companies or businesses from time to time. Although we review the records of companies or businesses we plan to acquire, even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities or adverse operating conditions, or an acquisition may not perform as well as expected. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses, or the capital expenditures needed to develop such businesses. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively without substantial expense, delay or other operational or financial problems. Integration may be hindered by, among other things, differing procedures, including internal controls, business practices and technology systems. We may need to divert more management resources to integration than we planned, which may adversely affect our ability to pursue other profitable activities.
In addition to the difficulties we may face in identifying and consummating acquisitions, we will also be required to integrate and consolidate any acquired business or assets with our existing operations. This may include the integration of:

- additional personnel who are not familiar with our operations and corporate culture;
- provider networks that may operate on different terms than our existing networks;
- existing members, who may decide to switch to another healthcare plan; or
- disparate administrative, accounting and finance, and information systems.

Additionally, our growth strategy includes start-up operations in new markets or new products in existing markets. We may incur significant expenses prior to commencement of operations and the receipt of revenue. As a result, these start-up operations may decrease our profitability. We also face the risk that we will not be able to integrate start-up operations into our existing operations effectively without substantial expense, delay or other operational or financial problems. In the event we pursue any opportunity to diversify our business internationally, we would become subject to additional risks, including, but not limited to, political risk, an unfamiliar regulatory regime, currency exchange risk and exchange controls, cultural and language differences, foreign tax issues, and different labor laws and practices.

Accordingly, we may be unable to identify, consummate and integrate future acquisitions or start-up operations successfully or operate acquired or new businesses profitably.

**Acquisitions of unfamiliar new businesses could negatively impact our business.**

We are subject to the expenditures and risks associated with entering into any new line of business. Our failure to properly manage these expenditures and risks could have a negative impact on our overall business. For example, effective July 2008, we completed the previously announced acquisition of Celtic Group, Inc., the parent company of Celtic Insurance Company, or Celtic. Celtic is a national individual health insurance provider that provides health insurance to individual customers and their families. While we believed that the addition of Celtic would be complementary to our business, we had not previously operated in the individual health care industry.

If competing managed care programs are unwilling to purchase specialty services from us, we may not be able to successfully implement our strategy of diversifying our business lines.

We are seeking to diversify our business lines into areas that complement our Medicaid business in order to grow our revenue stream and balance our dependence on Medicaid risk reimbursement. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our Medicaid programs. Our inability to market specialty services to other programs may impair our ability to execute our business strategy.

**Failure to achieve timely profitability in any business would negatively affect our results of operations.**

Business expansion costs associated with a new business can be substantial. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place and demonstrate our ability to obtain a state contract and process claims. If we were unsuccessful in obtaining the necessary license, winning the bid to provide service or attracting members in numbers sufficient to cover our costs, any new business of ours would fail. We also could be obligated by the state to continue to provide services for some period of time without sufficient revenue to cover our ongoing costs or recover business expansion costs. The expenses associated with starting up a new business could have a significant impact on our results of operations if we are unable to achieve profitable operations in a timely fashion.

**Adverse credit market conditions may have a material adverse affect on our liquidity or our ability to obtain credit on acceptable terms.**

The securities and credit markets have been experiencing extreme volatility and disruption over the past several years. The availability of credit, from virtually all types of lenders, has been restricted. Such conditions may persist during 2013 and beyond. In the event we need access to additional capital to pay our operating expenses, make payments on our indebtedness, pay capital expenditures, or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant, particularly if we are unable to access our existing credit facility.
Our access to additional financing will depend on a variety of factors such as prevailing economic and credit market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, and perceptions of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms or at all. We believe that if credit could be obtained, the terms and costs of such credit could be significantly less favorable to us than what was obtained in our most recent financings.

**We derive a majority of our premium revenues from operations in a small number of states, and our financial position, results of operations or cash flows would be materially affected by a decrease in premium revenues or profitability in any one of those states.**

Operations in a few states have accounted for most of our premium revenues to date. If we were unable to continue to operate in any of our current states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative or other governmental or regulatory actions and decisions, economic conditions and similar factors in those states. For example, states we currently serve may bid out their Medicaid program through a Request for Proposal, or RFP, process. Our inability to continue to operate in any of the states in which we operate would harm our business.

**Competition may limit our ability to increase penetration of the markets that we serve.**

We compete for members principally on the basis of size and quality of provider network, benefits provided and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided. In addition, the impact of health care reform and potential growth in our segment may attract new competitors. Subject to limited exceptions by federally approved state applications, the federal government requires that there be choices for Medicaid recipients among managed care programs. Voluntary programs, increases in the number of competitors and mandated competition may limit our ability to increase our market share.

Some of the health plans with which we compete have greater financial and other resources and offer a broader scope of products than we do. In addition, significant merger and acquisition activity has occurred in the managed care industry, as well as in industries that act as suppliers to us, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

In addition, in order to increase our membership in the markets we currently serve, we believe that we must continue to develop and implement community-specific products, alliances with key providers and localized outreach and educational programs. If we are unable to develop and implement these initiatives, or if our competitors are more successful than we are in doing so, we may not be able to further penetrate our existing markets.

**If we are unable to maintain relationships with our provider networks, our profitability may be harmed.**

Our profitability depends, in large part, upon our ability to contract favorably with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians, specialists and hospitals generally may be canceled by either party without cause upon 90 to 120 days prior written notice. We cannot provide any assurance that we will be able to continue to renew our existing contracts or enter into new contracts enabling us to service our members profitably.

From time to time providers assert or threaten to assert claims seeking to terminate non-cancelable agreements due to alleged actions or inactions by us. Even if these allegations represent attempts to avoid or renegotiate contractual terms that have become economically disadvantageous to the providers, it is possible that in the future a provider may pursue such a claim successfully. In addition, we are aware that other managed care organizations have been subject to class action suits by physicians with respect to claim payment procedures, and we may be subject to similar claims. Regardless of whether any claims brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

We will be required to establish acceptable provider networks prior to entering new markets. We may be unable to enter into agreements with providers in new markets on a timely basis or under favorable terms. If we are unable to retain our current provider contracts or enter into new provider contracts timely or on favorable terms, our profitability will be harmed.
We may be unable to attract and retain key personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team, including our chief executive officer, Michael F. Neidorff, who has been instrumental in developing our business strategy and forging our business relationships, our business and financial position, results of operations or cash flows could be harmed. Our ability to replace any departed members of our senior management or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in the Medicaid managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel.

Negative publicity regarding the managed care industry may harm our business and financial position, results of operations or cash flows.

The managed care industry has received negative publicity. This publicity has led to increased legislation, regulation, review of industry practices and private litigation in the commercial sector. These factors may adversely affect our ability to market our services, require us to change our services, and increase the regulatory burdens under which we operate. Any of these factors may increase the costs of doing business and adversely affect our financial position, results of operations or cash flows.

Claims relating to medical malpractice could cause us to incur significant expenses.

Our providers and employees involved in medical care decisions may be subject to medical malpractice claims. In addition, some states have adopted legislation that permits managed care organizations to be held liable for negligent treatment decisions, credentialing or benefits coverage determinations. Claims of this nature, if successful, could result in substantial damage awards against us and our providers that could exceed the limits of any applicable insurance coverage. Therefore, successful malpractice or tort claims asserted against us, our providers or our employees could adversely affect our financial condition and profitability. Even if any claims brought against us are unsuccessful or without merit, they would still be time consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

Loss of providers due to increased insurance costs could adversely affect our business.

Our providers routinely purchase insurance to help protect themselves against medical malpractice claims. In recent years, the costs of maintaining commercially reasonable levels of such insurance have increased dramatically, and these costs are expected to increase to even greater levels in the future. As a result of the level of these costs, providers may decide to leave the practice of medicine or to limit their practice to certain areas, which may not address the needs of Medicaid participants. We rely on retaining a sufficient number of providers in order to maintain a certain level of service. If a significant number of our providers exit our provider networks or the practice of medicine generally, we may be unable to replace them in a timely manner, if at all, and our business could be adversely affected.

Growth in the number of Medicaid-eligible persons could cause our financial position, results of operations or cash flows to suffer if state and federal budgets decrease or do not increase.

Less favorable economic conditions may cause our membership to increase as more people become eligible to receive Medicaid benefits. During such economic downturns, however, state and federal budgets could decrease, causing states to attempt to cut healthcare programs, benefits and rates. Additionally, the number of individuals eligible for Medicaid managed care will likely increase as a result of the health care reform legislation. We cannot predict the impact of changes in the United States economic environment or other economic or political events, including acts of terrorism or related military action, on federal or state funding of healthcare programs or on the size of the population eligible for the programs we operate. If federal or state funding decreases or remains unchanged while our membership increases, our results of operations will suffer.

Growth in the number of Medicaid-eligible persons may be countercyclical, which could cause our financial position, results of operations or cash flows to suffer when general economic conditions are improving.

Historically, the number of persons eligible to receive Medicaid benefits has increased more rapidly during periods of rising unemployment, corresponding to less favorable general economic conditions. Conversely, this number may grow more slowly or even decline if economic conditions improve. Therefore, improvements in general economic conditions may cause
our membership levels to decrease, thereby causing our financial position, results of operations or cash flows to suffer, which could lead to decreases in our stock price during periods in which stock prices in general are increasing.

**If we are unable to integrate and manage our information systems effectively, our operations could be disrupted.**

Our operations depend significantly on effective information systems. The information gathered and processed by our information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our providers also depend upon our information systems for membership verifications, claims status and other information.

Our information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs and regulatory requirements. Moreover, our acquisition activity requires frequent transitions to or from, and the integration of, various information systems. We regularly upgrade and expand our information systems’ capabilities. If we experience difficulties with the transition to or from information systems or are unable to properly maintain or expand our information systems, we could suffer, among other things, from operational disruptions, loss of existing members and difficulty in attracting new members, regulatory problems and increases in administrative expenses. In addition, our ability to integrate and manage our information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists.

**We rely on the accuracy of eligibility lists provided by state governments. Inaccuracies in those lists would negatively affect our results of operations.**

Premium payments to us are based upon eligibility lists produced by state governments. From time to time, states require us to reimburse them for premiums paid to us based on an eligibility list that a state later discovers contains individuals who are not in fact eligible for a government sponsored program or are eligible for a different premium category or a different program. Alternatively, a state could fail to pay us for members for whom we are entitled to payment. Our results of operations would be adversely affected as a result of such reimbursement to the state if we had made related payments to providers and were unable to recoup such payments from the providers.

**We may not be able to obtain or maintain adequate insurance.**

We maintain liability insurance, subject to limits and deductibles, for claims that could result from providing or failing to provide managed care and related services. These claims could be substantial. We believe that our present insurance coverage and reserves are adequate to cover currently estimated exposures. We cannot provide any assurance that we will be able to obtain adequate insurance coverage in the future at acceptable costs or that we will not incur significant liabilities in excess of policy limits.

**From time to time, we may become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management.**

We are a defendant from time to time in lawsuits and regulatory actions relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business and financial position, results of operations or cash flows. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are costly and time consuming and require significant attention from our management. For example, in the future we may be subject to lawsuits for substantial damages, securities class action lawsuits, IRS examinations, audits by government agencies or similar regulatory actions. Any such matters could harm our business and financial position, results of operations or cash flows.

**An impairment charge with respect to our recorded goodwill and intangible assets could have a material impact on our results of operations.**

Goodwill and other intangible assets were $397.0 million as of June 30, 2013. We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may be impaired, in which case a charge to earnings may be necessary. Changes in business strategy, government regulations or economic or market conditions have resulted and may result in impairments of our goodwill and other intangible assets at any time in the future. Our judgments regarding the existence of impairment indicators are based on, among other things, legal factors, market conditions, and operational performance. For example, the non-renewal of our health plan contracts with the state in which they operate may be an indicator of impairment.
If an event or events occur that would cause us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets, such revision could result in a non-cash impairment charge that could have a material impact on our results of operations in the period in which the impairment occurs.

An unauthorized disclosure of sensitive or confidential member information could have an adverse effect on our business.

As part of our normal operations, we collect, process and retain confidential member information. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including HIPAA and the Gramm-Leach-Bliley Act. The American Recovery and Reinvestment Act of 2009 further expands the coverage of HIPAA by, among other things, extending the privacy and security provisions, requiring new disclosures if a data breach occurs, mandating new regulations around electronic medical records, expanding enforcement mechanisms, allowing the state Attorneys General to bring enforcement actions and increasing penalties for violations. Despite the security measures we have in place to ensure compliance with applicable laws and rules, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential member information, whether by us or a third party, could have a material adverse effect on our business, financial condition, cash flows, or results of operations.
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In April 2013, the Company acquired 100% of AcariaHealth, Inc. The transaction consideration was financed through a combination of $75.4 million of Centene common stock and $71.1 million of cash on hand and, in connection therewith, the Company issued an aggregate of 1,716,690 shares of our common stock to the selling stockholders of AcariaHealth, Inc. on April 1, 2013. The Company did so in reliance upon the exemption contained in Section 4(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering, and Rule 506 promulgated thereunder.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased</th>
<th>Average Price Paid per Share</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</th>
<th>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</th>
</tr>
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<tbody>
<tr>
<td>April 1 – April 30, 2013</td>
<td>5,132</td>
<td>$45.72</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>May 1 – May 31, 2013</td>
<td>3,445</td>
<td>49.76</td>
<td>—</td>
<td>1,667,724</td>
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<tr>
<td>June 1 – June 30, 2013</td>
<td>2,679</td>
<td>49.77</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>Total</td>
<td>11,256</td>
<td>$47.92</td>
<td>—</td>
<td>1,667,724</td>
</tr>
</tbody>
</table>

(1) Shares acquired represent shares relinquished to the Company by certain employees for payment of taxes or option cost upon vesting of restricted stock units or option exercise.

(2) Our Board of Directors adopted a stock repurchase program which allows for repurchases of up to a remaining amount of 1,667,724 shares. No duration has been placed on the repurchase program.
ITEM 6. Exhibits.

Exhibits.

<table>
<thead>
<tr>
<th>EXHIBIT NUMBER</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1</td>
<td>Amendment E (Version 2.5) to the contract between the Texas Health and Human Services Commission and Bankers Reserve Life Insurance Company of Wisconsin, Inc. d.b.a. Superior HealthPlan Network</td>
</tr>
<tr>
<td>10.2</td>
<td>Credit Agreement dated as of May 21, 2013 among Centene Corporation, the various financial institutions party hereto and Barclays Bank PLC, incorporated by reference to Exhibit 10.1 to Centene Corporation's Current Report on Form 8-K dated May 21, 2013.</td>
</tr>
<tr>
<td>10.3*</td>
<td>Amendment No. 4 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff, incorporated by reference to Exhibit 10.1 to Centene Corporation's Current Report on Form 8-K dated May 14, 2013.</td>
</tr>
<tr>
<td>12.1</td>
<td>Computation of ratio of earnings to fixed charges.</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>32.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>101.1</td>
<td>XBRL Taxonomy Instance Document.</td>
</tr>
<tr>
<td>101.2</td>
<td>XBRL Taxonomy Extension Schema Document.</td>
</tr>
<tr>
<td>101.3</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document.</td>
</tr>
<tr>
<td>101.4</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document.</td>
</tr>
<tr>
<td>101.5</td>
<td>XBRL Taxonomy Extension Label Linkbase Document.</td>
</tr>
<tr>
<td>101.6</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document.</td>
</tr>
</tbody>
</table>

1 The Company has requested confidential treatment of the redacted portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended, and has separately filed a complete copy of this exhibit with the Securities and Exchange Commission.

* Indicates a management contract or compensatory plan or arrangement.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of July 23, 2013.

CENTENE CORPORATION

By:  /s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)

By:  /s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)

By:  /s/ JEFFREY A. SCHWANEKE
Senior Vice President, Corporate Controller and Chief Accounting Officer
(principal accounting officer)
CERTIFICATION

I, Michael F. Neidorff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: July 23, 2013

/s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)
CERTIFICATION

I, William N. Scheffel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: July 23, 2013

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Centene Corporation (the Company) for the period ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Michael F. Neidorff, Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 23, 2013

Chairman, President and Chief Executive Officer
(principal executive officer)

/s/ MICHAEL F. NEIDORFF
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Centene Corporation (the Company) for the period ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, William N. Scheffel, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 23, 2013

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)
United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2013

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number: 001-31826

Centene Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

42-1406317
(I.R.S. Employer Identification Number)

7700 Forsyth Boulevard
St. Louis, Missouri
(Address of principal executive offices)

63105
(Zip Code)

Registrant’s telephone number, including area code:

(314) 725-4477

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act. Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 12, 2013, the registrant had 54,420,651 shares of common stock outstanding.
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<td>3.</td>
<td>Consolidated Statements of Comprehensive Earnings for the Three Months Ended March 31, 2013 and 2012 (unaudited)</td>
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<td>4.</td>
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### Part II

#### Other Information

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<td>Management’s Discussion and Analysis of Financial Condition and Results of Operations</td>
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<tr>
<td>3.</td>
<td>Quantitative and Qualitative Disclosures About Market Risk</td>
</tr>
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<td>4.</td>
<td>Controls and Procedures</td>
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### Legal Proceedings

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### Risk Factors

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### Unregistered Sales of Equity Securities and Use of Proceeds

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<th>Unregistered Sales of Equity Securities and Use of Proceeds</th>
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### Exhibits

<table>
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<tr>
<th>Item 6</th>
<th>Exhibits</th>
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### Signatures

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</thead>
</table>

<table>
<thead>
<tr>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
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<tr>
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<tr>
<td>6</td>
</tr>
<tr>
<td>12</td>
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<td>20</td>
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<tr>
<td>20</td>
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<tr>
<td>21</td>
</tr>
<tr>
<td>21</td>
</tr>
<tr>
<td>34</td>
</tr>
<tr>
<td>35</td>
</tr>
<tr>
<td>36</td>
</tr>
</tbody>
</table>
CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. We have attempted to identify these statements by terminology including “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “seek,” “target,” “goal,” “may,” “will,” “should,” “can,” “continue” and other similar words or expressions in connection with, among other things, any discussion of future operating or financial performance. In particular, these statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, including those entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 1A. “Risk Factors,” and Part I, Item 3 “Legal Proceedings.” Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

All forward-looking statements included in this filing are based on information available to us on the date of this filing and we undertake no obligation to update or revise the forward-looking statements included in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Actual results may differ from projections or estimates due to a variety of important factors, including:

- our ability to accurately predict and effectively manage health benefits and other operating expenses;
- competition;
- membership and revenue projections;
- timing of regulatory contract approval;
- changes in healthcare practices;
- changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder;
- changes in expected contract start dates;
- changes in expected closing dates for acquisitions;
- inflation;
- provider and state contract changes;
- new technologies;
- reduction in provider payments by governmental payors;
- major epidemics;
- disasters and numerous other factors affecting the delivery and cost of healthcare;
- the expiration, cancellation or suspension of our Medicare or Medicaid managed care contracts by federal or state governments;
- availability of debt and equity financing, on terms that are favorable to us; and
- general economic and market conditions.
## CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

### PART I
FINANCIAL INFORMATION

### ITEM 1. Financial Statements.

#### ASSETS

<table>
<thead>
<tr>
<th>Current assets:</th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$730,791</td>
<td>$843,952</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>320,371</td>
<td>263,452</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>146,107</td>
<td>139,118</td>
</tr>
<tr>
<td>Other current assets</td>
<td>178,002</td>
<td>127,080</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>1,375,271</strong></td>
<td><strong>1,373,602</strong></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>748,307</td>
<td>614,723</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>39,344</td>
<td>34,793</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>382,853</td>
<td>377,726</td>
</tr>
<tr>
<td>Goodwill</td>
<td>256,288</td>
<td>256,288</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>19,287</td>
<td>20,268</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>65,807</td>
<td>64,282</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$2,887,157</strong></td>
<td><strong>$2,741,682</strong></td>
</tr>
</tbody>
</table>

#### LIABILITIES AND STOCKHOLDERS’ EQUITY

<table>
<thead>
<tr>
<th>Current liabilities:</th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical claims liability</td>
<td>$1,067,032</td>
<td>$926,302</td>
</tr>
<tr>
<td>Premium deficiency reserve</td>
<td>18,130</td>
<td>41,475</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>180,338</td>
<td>191,343</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>38,175</td>
<td>34,597</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>3,419</td>
<td>3,373</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>1,307,094</strong></td>
<td><strong>1,197,090</strong></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>532,734</td>
<td>535,481</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>60,799</td>
<td>55,344</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>1,900,627</strong></td>
<td><strong>1,787,915</strong></td>
</tr>
</tbody>
</table>

Commitments and contingencies

Stockholders’ equity:

| Common stock, $.001 par value: authorized 100,000,000 shares; 55,432,271 issued and 52,410,000 outstanding at March 31, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012 | 55 | 55 |
|Additional paid-in capital     | 461,360        | 450,856            |

Accumulated other comprehensive income:

| Unrealized gain on investments, net of tax | 4,900 | 5,189 |
|Retained earnings                 | 589,822 | 566,820 |
|Treasury stock, at cost (3,022,271 and 3,009,912 shares, respectively) | (70,429) | (69,864) |
|**Total Centene stockholders’ equity** | **985,708** | **953,056** |

Noncontrolling interest | 822 | 711 |

**Total stockholders’ equity** | **986,530** | **953,767** |

**Total liabilities and stockholders’ equity** | **$2,887,157** | **$2,741,682** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.
### CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$2,509,049</td>
<td>$1,634,850</td>
</tr>
<tr>
<td>Service</td>
<td>33,194</td>
<td>28,618</td>
</tr>
<tr>
<td><strong>Premium and service revenues</strong></td>
<td>2,542,243</td>
<td>1,663,468</td>
</tr>
<tr>
<td>Premium tax</td>
<td>103,649</td>
<td>48,680</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,645,892</td>
<td>1,712,148</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,267,400</td>
<td>1,442,676</td>
</tr>
<tr>
<td>Cost of services</td>
<td>25,065</td>
<td>23,337</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>210,348</td>
<td>163,187</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>102,975</td>
<td>48,750</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>2,605,788</td>
<td>1,677,950</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>40,104</td>
<td>34,198</td>
</tr>
<tr>
<td>Other income (expense):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,471</td>
<td>5,291</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,625)</td>
<td>(4,799)</td>
</tr>
<tr>
<td><strong>Earnings before income tax expense</strong></td>
<td>37,950</td>
<td>34,690</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>15,039</td>
<td>12,087</td>
</tr>
<tr>
<td>Net earnings</td>
<td>22,911</td>
<td>22,603</td>
</tr>
<tr>
<td><strong>Net earnings attributable to Centene Corporation</strong></td>
<td>$23,002</td>
<td>$23,978</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(91)</td>
<td>(1,375)</td>
</tr>
<tr>
<td>Net earnings per common share attributable to Centene Corporation:</td>
<td>$0.44</td>
<td>$0.47</td>
</tr>
<tr>
<td>Basic</td>
<td>$0.42</td>
<td>$0.45</td>
</tr>
<tr>
<td>Diluted</td>
<td>52,357,119</td>
<td>51,125,674</td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding:</td>
<td>54,266,928</td>
<td>53,509,243</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of these statements.
### CENTENE CORPORATION AND SUBSIDIARIES
#### CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS
**(In thousands)**
**(Unaudited)**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$22,911</td>
</tr>
<tr>
<td>Reclassification adjustment, net of tax</td>
<td>(29)</td>
</tr>
<tr>
<td>Change in unrealized gains on investments, net of tax</td>
<td>(260)</td>
</tr>
<tr>
<td>Other comprehensive earnings (loss)</td>
<td>(289)</td>
</tr>
<tr>
<td>Comprehensive earnings</td>
<td>22,622</td>
</tr>
<tr>
<td>Comprehensive earnings (loss) attributable to the noncontrolling interest</td>
<td>(91)</td>
</tr>
<tr>
<td>Comprehensive earnings attributable to Centene Corporation</td>
<td>$22,713</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS’ EQUITY
(In thousands, except share data)
(Unaudited)

Three Months Ended March 31, 2013

<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Treasury Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.001 Par Value Shares</td>
<td>$0.001 Par Value Shares</td>
</tr>
<tr>
<td>Amt</td>
<td>Amt</td>
</tr>
<tr>
<td>Balance, December 31, 2012</td>
<td>55,339,160</td>
</tr>
<tr>
<td></td>
<td>$ 55</td>
</tr>
<tr>
<td></td>
<td>$ 450,856</td>
</tr>
<tr>
<td></td>
<td>$ 5,189</td>
</tr>
<tr>
<td>Comprehensive Earnings:</td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Change in unrealized investment gain, net of $(162) tax</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Total comprehensive earnings</td>
<td>—</td>
</tr>
<tr>
<td>Common stock issued for employee benefit plans</td>
<td>93,111</td>
</tr>
<tr>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Balance, March 31, 2013</td>
<td>55,432,271</td>
</tr>
<tr>
<td></td>
<td>$ 55</td>
</tr>
<tr>
<td></td>
<td>$ 461,360</td>
</tr>
<tr>
<td></td>
<td>$ 4,900</td>
</tr>
<tr>
<td></td>
<td>$ 589,822</td>
</tr>
<tr>
<td></td>
<td>$ 3,022,271</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
### CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF CASH FLOWS

*In thousands*
*(Unaudited)*

#### Three Months Ended March 31, 2013 2012

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>$22,911</td>
<td>$22,603</td>
</tr>
</tbody>
</table>

Adjustments to reconcile net earnings to net cash provided by operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>15,691</td>
<td>16,613</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>8,375</td>
<td>6,375</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>986</td>
<td>5,855</td>
</tr>
</tbody>
</table>

Changes in assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and related receivables</td>
<td>(56,734)</td>
<td>(120,784)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(50,537)</td>
<td>(10,723)</td>
</tr>
<tr>
<td>Other assets</td>
<td>5</td>
<td>524</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>117,385</td>
<td>100,769</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>3,578</td>
<td>8,576</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(22,745)</td>
<td>(60,826)</td>
</tr>
</tbody>
</table>

Net cash provided by (used in) operating activities

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>42,993</td>
<td>(32,096)</td>
</tr>
</tbody>
</table>

#### Cash flows from investing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>(10,654)</td>
<td>(14,980)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(358,131)</td>
<td>(255,212)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>212,508</td>
<td>149,341</td>
</tr>
</tbody>
</table>

Net cash used in investing activities

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(156,277)</td>
<td>(120,851)</td>
</tr>
</tbody>
</table>

#### Cash flows from financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>1,408</td>
<td>9,079</td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>(776)</td>
<td>(795)</td>
</tr>
<tr>
<td>Excess tax benefits from stock compensation</td>
<td>515</td>
<td>5,472</td>
</tr>
<tr>
<td>Common stock repurchases</td>
<td>(565)</td>
<td>(1,509)</td>
</tr>
<tr>
<td>Contribution from noncontrolling interest</td>
<td>202</td>
<td>—</td>
</tr>
<tr>
<td>Debt issue costs</td>
<td>(661)</td>
<td>—</td>
</tr>
</tbody>
</table>

Net cash provided by financing activities

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>123</td>
<td>12,247</td>
</tr>
</tbody>
</table>

Net decrease in cash and cash equivalents

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(113,161)</td>
<td>(140,700)</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents, beginning of period

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>843,952</td>
<td>573,698</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents, end of period

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$730,791</td>
<td>$432,998</td>
</tr>
</tbody>
</table>

Supplemental disclosures of cash flow information:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$1,410</td>
<td>$1,589</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>$2,205</td>
<td>$20,514</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of these statements.
1. Basis of Presentation

The accompanying interim financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited financial statements included in the Form 10-K for the fiscal year ended December 31, 2012. The unaudited interim financial statements herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, footnote disclosures, which would substantially duplicate the disclosures contained in the December 31, 2012 audited financial statements, have been omitted from these interim financial statements where appropriate. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of the interim periods presented.

Certain 2012 amounts in the notes to the consolidated financial statements have been reclassified to conform to the 2013 presentation. These reclassifications have no effect on net earnings or stockholders’ equity as previously reported.

2. Short-term and Long-term Investments and Restricted Deposits

Short-term and long-term investments and restricted deposits by investment type consist of the following:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>235,510</td>
<td>651</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>337,051</td>
<td>5,224</td>
</tr>
<tr>
<td>Restricted certificates of deposit</td>
<td>5,891</td>
<td>—</td>
</tr>
<tr>
<td>Restricted cash equivalents</td>
<td>18,992</td>
<td>—</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>83,054</td>
<td>1,074</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>4,508</td>
<td>61</td>
</tr>
<tr>
<td>Revenue</td>
<td>86,108</td>
<td>1,133</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>44,050</td>
<td>—</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>83,123</td>
<td>1,081</td>
</tr>
<tr>
<td>Cost and equity method investments</td>
<td>11,918</td>
<td>—</td>
</tr>
<tr>
<td>Life insurance contracts</td>
<td>15,105</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>925,310</td>
<td>9,224</td>
</tr>
</tbody>
</table>

The Company’s investments are classified as available-for-sale with the exception of life insurance contracts and certain cost and equity method investments. The Company’s investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets with the focus on high credit quality securities. The Company limits the size of investment in any single issuer other than U.S. treasury securities and obligations of U.S. government corporations and agencies. As of March 31, 2013, 45% of the Company’s investments in securities recorded at fair value that carry a rating by S&P or Moody's were rated AAA/Aaa, 65% were rated AA-/Aa3 or higher, and 95% were rated A-/A3 or higher. At March 31, 2013, the Company held certificates of deposit, life insurance contracts and cost and equity method investments which did not carry a credit rating.
The fair value of available-for-sale investments with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less Than 12 Months</td>
<td>12 Months or More</td>
</tr>
<tr>
<td><strong>U.S. Treasury securities and obligations of U.S. government corporations and agencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized Losses</td>
<td>(541)</td>
<td>115,648</td>
</tr>
<tr>
<td>Fair Value</td>
<td>(219)</td>
<td>56,033</td>
</tr>
<tr>
<td><strong>Corporate securities</strong></td>
<td>(157)</td>
<td>37,484</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Municipal securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>(31)</td>
<td>3,575</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>(8)</td>
<td>5,171</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>(15)</td>
<td>4,720</td>
</tr>
<tr>
<td>Total</td>
<td>(752)</td>
<td>166,598</td>
</tr>
<tr>
<td></td>
<td>(490)</td>
<td>121,901</td>
</tr>
</tbody>
</table>

As of March 31, 2013, the gross unrealized losses were generated from 35 positions out of a total of 368 positions. The decline in fair value of fixed income securities is a result of movement in interest rates subsequent to the purchase of the security.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If the security meets this criterion, the decline in fair value is other-than-temporary and is recorded in earnings. The Company does not intend to sell these securities prior to maturity and it is not likely that the Company will be required to sell these securities prior to maturity; therefore, there is no indication of other than temporary impairment for these securities.

The contractual maturities of short-term and long-term investments and restricted deposits are as follows:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investments</td>
<td>Restricted Deposits</td>
</tr>
<tr>
<td>One year or less</td>
<td>$145,078</td>
<td>$146,107</td>
</tr>
<tr>
<td>One year through five years</td>
<td>$558,216</td>
<td>$565,480</td>
</tr>
<tr>
<td>Five years through ten years</td>
<td>$144,985</td>
<td>$144,546</td>
</tr>
<tr>
<td>Greater than ten years</td>
<td>$37,708</td>
<td>$38,281</td>
</tr>
<tr>
<td>Total</td>
<td>$885,987</td>
<td>$894,414</td>
</tr>
</tbody>
</table>

The Company continuously monitors investments for other-than-temporary impairment. Certain investments have experienced a decline in fair value due to changes in credit quality, market interest rates and/or general economic conditions. The Company recognizes an impairment loss for cost and equity method investments when evidence demonstrates that it is other-than-temporarily impaired. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.
Investment amortization of $2,543 and $2,908 was recorded in the three months ended March 31, 2013 and 2012, respectively.

3. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the extent to which the fair value estimates are based upon observable or unobservable inputs. Level inputs are as follows:

<table>
<thead>
<tr>
<th>Level Input</th>
<th>Input Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.</td>
</tr>
<tr>
<td>Level II</td>
<td>Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.</td>
</tr>
<tr>
<td>Level III</td>
<td>Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.</td>
</tr>
</tbody>
</table>

The following table summarizes fair value measurements by level at March 31, 2013, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$730,791</td>
<td></td>
<td></td>
<td>$730,791</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$202,163</td>
<td>$18,993</td>
<td></td>
<td>$221,156</td>
</tr>
<tr>
<td>Corporate securities</td>
<td></td>
<td>342,118</td>
<td></td>
<td>342,118</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td></td>
<td>84,097</td>
<td></td>
<td>84,097</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td></td>
<td>4,569</td>
<td></td>
<td>4,569</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>87,212</td>
<td></td>
<td>87,212</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td></td>
<td>44,050</td>
<td></td>
<td>44,050</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td></td>
<td>84,189</td>
<td></td>
<td>84,189</td>
</tr>
<tr>
<td>Total investments</td>
<td>$202,163</td>
<td>$665,228</td>
<td></td>
<td>$867,391</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$18,992</td>
<td></td>
<td></td>
<td>18,992</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,891</td>
<td></td>
<td></td>
<td>5,891</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>14,461</td>
<td></td>
<td></td>
<td>14,461</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$39,344</td>
<td></td>
<td></td>
<td>39,344</td>
</tr>
<tr>
<td>Other long-term assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contract</td>
<td></td>
<td>$14,821</td>
<td></td>
<td>14,821</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$972,298</td>
<td>$680,049</td>
<td></td>
<td>$1,652,347</td>
</tr>
</tbody>
</table>

Table of Contents
The following table summarizes fair value measurements by level at December 31, 2012, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 843,952</td>
<td>—</td>
<td>—</td>
<td>$ 843,952</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$ 57,114</td>
<td>$ 46,250</td>
<td>—</td>
<td>$ 103,364</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>—</td>
<td>320,710</td>
<td>—</td>
<td>320,710</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>89,837</td>
<td>—</td>
<td>89,837</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>—</td>
<td>5,422</td>
<td>—</td>
<td>5,422</td>
</tr>
<tr>
<td>Revenue</td>
<td>—</td>
<td>86,027</td>
<td>—</td>
<td>86,027</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>—</td>
<td>37,685</td>
<td>—</td>
<td>37,685</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>84,475</td>
<td>—</td>
<td>84,475</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 57,114</td>
<td>$ 670,406</td>
<td>—</td>
<td>$ 727,520</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 14,460</td>
<td>—</td>
<td>—</td>
<td>$ 14,460</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,890</td>
<td>—</td>
<td>—</td>
<td>5,890</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>14,443</td>
<td>—</td>
<td>—</td>
<td>14,443</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$ 34,793</td>
<td>—</td>
<td>—</td>
<td>$ 34,793</td>
</tr>
<tr>
<td>Other long-term assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contract</td>
<td>—</td>
<td>$ 16,304</td>
<td>—</td>
<td>$ 16,304</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 935,859</td>
<td>$ 686,710</td>
<td>—</td>
<td>$ 1,622,569</td>
</tr>
</tbody>
</table>

The Company periodically transfers U.S. Treasury securities and obligations of U.S. government corporations and agencies between Level I and Level II fair value measurements dependent upon the level of trading activity for the specific securities at the measurement date. The Company’s policy regarding the timing of transfers between Level I and Level II is to measure and record the transfers at the end of the reporting period. At March 31, 2013, there were $2,783 of transfers from Level I to Level II and $26,089 of transfers from Level II to Level I. The Company utilizes matrix pricing services to estimate fair value for securities which are not actively traded on the measurement date. The Company designates these securities as Level II fair value measurements. The aggregate carrying amount of the Company’s life insurance contracts and other non-majority owned investments, which approximates fair value, was $27,023 and $26,321 as of March 31, 2013 and December 31, 2012, respectively.

4. Debt

Debt consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes, at par</td>
<td>$ 425,000</td>
<td>$ 425,000</td>
</tr>
<tr>
<td>Unamortized premium on Senior notes</td>
<td>7,381</td>
<td>7,823</td>
</tr>
<tr>
<td>Interest rate swap fair value</td>
<td>14,821</td>
<td>16,304</td>
</tr>
<tr>
<td>Senior notes</td>
<td>447,202</td>
<td>449,127</td>
</tr>
<tr>
<td>Revolving credit agreement</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage notes payable</td>
<td>83,345</td>
<td>84,081</td>
</tr>
<tr>
<td>Capital leases and other</td>
<td>5,606</td>
<td>5,646</td>
</tr>
<tr>
<td>Total debt</td>
<td>536,153</td>
<td>538,854</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(3,419)</td>
<td>(3,373)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$ 532,734</td>
<td>$ 535,481</td>
</tr>
</tbody>
</table>
**Senior Notes**

In May 2011, the Company issued $250,000 non-callable 5.75% Senior Notes due June 1, 2017 (the $250,000 Notes) at a discount to yield 6%. In connection with the May 2011 issuance, the Company entered into an interest rate swap for a notional amount of $250,000. Gains and losses due to changes in the fair value of the interest rate swap completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $250,000 Notes. At March 31, 2013, the fair value of the interest rate swap increased the fair value of the notes by $14,821 and the variable interest rate of the swap was 3.79%.

In November 2012, the Company issued an additional $175,000 non-callable 5.75% Senior Notes due June 1, 2017 ($175,000 Add-on Notes) at a premium to yield 4.29%. The indenture governing the $250,000 Notes and the $175,000 Add-on Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio. Interest is paid semi-annually in June and December. At March 31, 2013, the total net unamortized debt premium on the $250,000 Notes and $175,000 Add-on Notes was $7,381.

**Revolving Credit Agreement**

The Company has a $350,000 revolving credit facility due in January 2016. The revolver is unsecured and has non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio, a maximum debt to EBITDA ratio and minimum net worth. Borrowings under the revolver bear interest based upon LIBOR rates, the Federal funds rate, or the prime rate. As of March 31, 2013, the Company had no borrowings outstanding under the agreement.

In February 2013, the Company amended the $350,000 revolving credit facility to add an additional pricing tier and increased the maximum total debt to EBITDA ratio to 3.85 as of March 31, 2013, 3.50 as of June 30, 2013, 3.25 as of September 30, 2013 and 3.0 as of December 31, 2013 and thereafter.

The Company had outstanding letters of credit of $12,324 as of March 31, 2013, which were not part of the revolver. The letters of credit bore interest at 1.06% as of March 31, 2013.

**5. Earnings Per Share**

The following table sets forth the calculation of basic and diluted net earnings per common share:

<table>
<thead>
<tr>
<th>Net earnings attributable to Centene Corporation</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$23,002</td>
<td>$23,978</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shares used in computing per share amounts:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of common shares outstanding</td>
<td>52,357,119</td>
<td>51,125,674</td>
</tr>
<tr>
<td>Common stock equivalents (as determined by applying the treasury stock method)</td>
<td>1,909,809</td>
<td>2,383,569</td>
</tr>
<tr>
<td>Weighted average number of common shares and potential dilutive common shares outstanding</td>
<td>54,266,928</td>
<td>53,509,243</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net earnings per share attributable to Centene Corporation:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per common share</td>
<td>$0.44</td>
<td>$0.47</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$0.42</td>
<td>$0.45</td>
</tr>
</tbody>
</table>

The calculation of diluted earnings per common share for the three months ended March 31, 2013 and 2012 excludes the impact of 23,351 and 4,291 shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units.
6. Segment Information

Centene operates in two segments: Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment consists of Centene’s health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene’s specialty companies offering products for behavioral health, care management software, correctional systems healthcare, health insurance exchanges, individual health insurance, life and health management, managed vision, pharmacy benefits management and telehealth services. The health plan in Massachusetts, operated by our individual health insurance business, is included in the Specialty Services segment.

In January 2013, the Company reclassified the health plan in Arizona, operated by our long-term care company, to the Medicaid Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Medicaid Managed Care segment for all periods presented.

Segment information for the three months ended March 31, 2013, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues</td>
<td>$2,416,859</td>
<td>$125,384</td>
<td>$—</td>
<td>$2,542,243</td>
</tr>
<tr>
<td>from external customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>$10,463</td>
<td>$562,895</td>
<td>$(573,358)</td>
<td></td>
</tr>
<tr>
<td>from internal customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total premium and service</td>
<td>$2,427,322</td>
<td>$688,279</td>
<td>$(573,358)</td>
<td>$2,542,243</td>
</tr>
<tr>
<td>revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$7,498</td>
<td>$32,606</td>
<td>$—</td>
<td>$40,104</td>
</tr>
</tbody>
</table>

Segment information for the three months ended March 31, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues</td>
<td>$1,521,231</td>
<td>$142,237</td>
<td>$—</td>
<td>$1,663,468</td>
</tr>
<tr>
<td>from external customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>$14,852</td>
<td>$324,079</td>
<td>$(338,931)</td>
<td></td>
</tr>
<tr>
<td>from internal customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total premium and service</td>
<td>$1,536,083</td>
<td>$466,316</td>
<td>$(338,931)</td>
<td>$1,663,468</td>
</tr>
<tr>
<td>revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$13,492</td>
<td>$20,706</td>
<td>$(338,931)</td>
<td>$34,198</td>
</tr>
</tbody>
</table>

7. Contingencies

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet on March 14, 2013. In response, the Company filed a lawsuit on April 12, 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches.

The Company had previously filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking declaratory relief. On April 5, 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. The Franklin Circuit Court has issued a scheduling order setting the primary declaratory judgment claims for a hearing in May 2013. Those claims center on the Company's right to terminate the contract and the measure of liquidated damages, if any, associated with the termination.

The Company is routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position or results of operations.

8. Subsequent Events

In April 2013, the Company acquired AcariaHealth, a specialty pharmacy company, for approximately $146,200. The transaction consideration was financed through a combination of approximately 2.1 million shares of Centene common stock and approximately $55,400 of cash on hand.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing. The discussion contains forward-looking statements that involve both known and unknown risks and uncertainties, including those set forth under Part II, Item 1A. “Risk Factors” of this Form 10-Q.

OVERVIEW

Key financial metrics for the first quarter of 2013 are summarized as follows:

- Quarter-end at-risk managed care membership of 2,686,100, an increase of 536,600 members, or 25% year over year.
- Premium and service revenues of $2.5 billion, representing 53% growth year over year.
- Health Benefits Ratio of 90.4%, compared to 88.2% in 2012.
- General and Administrative expense ratio of 8.3%, compared to 9.8% in 2012.
- Operating cash flow of $43.0 million for the first quarter of 2013.

The following items contributed to our revenue and membership growth over the last year:

- **Kansas.** In January 2013, our subsidiary, Sunflower State Health Plan, began operating under a statewide contract to serve members in the state’s KanCare program, which includes TANF, ABD (dual and non-dual), foster care, LTC and CHIP beneficiaries.

- **Louisiana.** In February 2012, Louisiana Healthcare Connections (LHC), began operating under a new contract in Louisiana to provide healthcare services to Medicaid enrollees participating in the Bayou Health program. LHC completed its three-phase membership roll-out for the three geographical service areas during the second quarter of 2012. In November 2012, the covered services provided by LHC expanded to include pharmacy benefits.

- **Mississippi.** In December 2012, our subsidiary, Magnolia Health Plan, began operating under an expanded contract to provide managed care services statewide to certain Medicaid members as well as providing behavioral health services.

- **Missouri.** In July 2012, Home State Health Plan began operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.

- **Texas.** In March 2012, we began operating under contracts in Texas that expanded our operations through new service areas including the 10 county Hidalgo Service Area and the Medicaid Rural Service Areas of West Texas, Central Texas and North-East Texas, as well as the addition of STAR+PLUS in the Lubbock Service Area. The expansion also added the management of outpatient pharmacy benefits in all service areas and products, as well as inpatient facility services for the STAR+PLUS program.

- **Washington.** In July 2012, we began operating under a new contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state, operating as Coordinated Care.

We expect the following items to contribute to our future growth potential:

- We expect to realize the full year benefit in 2013 of business commenced during 2012 in Louisiana, Mississippi, Missouri, Texas and Washington as discussed above.

- In April 2013, we completed the acquisition of AcariaHealth, a specialty pharmacy company, for approximately $146.2 million. The transaction consideration was financed through a combination of approximately 2.1 million shares of Centene common stock and approximately $55.4 million of cash on hand.
• In March 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California Department of Health Care Services of its intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medicaid beneficiaries in 18 rural counties. Under the contract, California Health and Wellness Plan will serve members under the state's Medi-Cal Managed Care Rural Expansion program. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the second half of 2013.

• In March 2013, our joint venture subsidiary, Centurion, was notified by the Department of Corrections in Massachusetts that it had been awarded a contract to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. Centurion is a joint venture between Centene and MHM Services Inc., a national leader in providing healthcare services to correctional systems. Operations are expected to begin the third quarter of 2013.

• In January 2013, our Florida subsidiary, Sunshine State Health Plan, was notified by the Florida Agency for Health Care Administration that it has been recommended for a contract award in 10 of 11 regions of the Medicaid Managed Care Long Term Care program. Upon execution of a contract and regulatory approval, enrollment will be implemented by region, beginning in August 2013 and continuing through March 2014.

• In November 2012, our Illinois subsidiary, IlliniCare Health Plan, was selected to serve dual-eligible members in Cook, DuPage, Lake, Kane, Kankakee and Will counties (Greater Chicago region) as part of the Illinois Medicare-Medicaid Alignment Initiative. Enrollment is expected to begin in late 2013.

• In August 2012, we were notified by the Ohio Department of Job and Family Services (ODJFS) that Buckeye Community Health Plan (Buckeye), our Ohio subsidiary, was selected to serve Medicaid members in a dual-eligible demonstration program in three of Ohio's pre-determined seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton). This three-year program, which is part of the state of Ohio's Integrated Care Delivery System (ICDS) expansion, will serve those who have both Medicare and Medicaid eligibility. Enrollment is expected to begin in the second half of 2013.

• In June 2012, we were notified by the ODJFS that Buckeye was selected to be awarded a new and expanded contract to serve Medicaid members in Ohio. Under the new state contract, Buckeye will operate statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). The expansion is expected to begin in July 2013.

• In May 2012, we announced that the Governor and Executive Council of New Hampshire had given approval for the Department of Health and Human Services to contract with our subsidiary, Granite State Health Plan, to serve Medicaid beneficiaries in New Hampshire. Operations are currently expected to commence in the second half of 2013.

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet on March 14, 2013. In response, the Company filed a lawsuit on April 12, 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches.

The Company had previously filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking declaratory relief. On April 5, 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. The Franklin Circuit Court has issued a scheduling order setting the primary declaratory judgment claims for a hearing in May 2013. Those claims center on the Company's right to terminate the contract and the measure of liquidated damages, if any, associated with the termination.

In March 2013, we were notified by the Arizona Health Care Cost Containment System that our Arizona subsidiary, Bridgeway Health Solutions of Arizona, LLC (Bridgeway), was not awarded a contract to serve acute care members in Arizona for the five years beginning October 1, 2013. The current contract termination is effective September 30, 2013. Bridgeway currently serves 16,200 Medicaid acute care members in Yavapai County.
MEMBERSHIP

From March 31, 2012 to March 31, 2013, we increased our at-risk managed care membership by 536,600, or 25.0%. The following table sets forth our membership by state for our managed care organizations:

<table>
<thead>
<tr>
<th>State</th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>23,300</td>
<td>23,500</td>
<td>23,100</td>
</tr>
<tr>
<td>Florida</td>
<td>214,600</td>
<td>214,000</td>
<td>199,500</td>
</tr>
<tr>
<td>Georgia</td>
<td>314,000</td>
<td>313,700</td>
<td>306,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>18,000</td>
<td>18,000</td>
<td>17,400</td>
</tr>
<tr>
<td>Indiana</td>
<td>202,400</td>
<td>204,000</td>
<td>206,300</td>
</tr>
<tr>
<td>Kansas</td>
<td>133,700</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Kentucky</td>
<td>132,700</td>
<td>135,800</td>
<td>145,700</td>
</tr>
<tr>
<td>Louisiana</td>
<td>162,900</td>
<td>165,600</td>
<td>51,300</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>17,300</td>
<td>21,500</td>
<td>36,000</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,000</td>
<td>77,200</td>
<td>29,500</td>
</tr>
<tr>
<td>Missouri</td>
<td>57,900</td>
<td>59,600</td>
<td>—</td>
</tr>
<tr>
<td>Ohio</td>
<td>157,700</td>
<td>157,800</td>
<td>161,000</td>
</tr>
<tr>
<td>South Carolina</td>
<td>90,100</td>
<td>90,100</td>
<td>86,700</td>
</tr>
<tr>
<td>Texas</td>
<td>948,400</td>
<td>949,900</td>
<td>811,000</td>
</tr>
<tr>
<td>Washington</td>
<td>63,500</td>
<td>57,200</td>
<td>—</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>72,600</td>
<td>72,400</td>
<td>76,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,686,100</strong></td>
<td><strong>2,560,300</strong></td>
<td><strong>2,149,500</strong></td>
</tr>
</tbody>
</table>

The following table sets forth our membership by line of business:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>2,049,200</td>
<td>1,977,200</td>
<td>1,634,800</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>267,900</td>
<td>237,700</td>
<td>218,800</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>320,700</td>
<td>307,800</td>
<td>247,400</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>24,600</td>
<td>29,100</td>
<td>41,500</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>23,700</td>
<td>8,500</td>
<td>7,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,686,100</strong></td>
<td><strong>2,560,300</strong></td>
<td><strong>2,149,500</strong></td>
</tr>
</tbody>
</table>

The following table identifies the Company's dual eligible membership by line of business. The membership tables above include these members.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ABD</td>
<td>80,300</td>
<td>72,800</td>
<td>60,600</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>16,100</td>
<td>7,700</td>
<td>6,400</td>
</tr>
<tr>
<td>Medicare</td>
<td>5,300</td>
<td>5,100</td>
<td>3,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>101,700</strong></td>
<td><strong>85,600</strong></td>
<td><strong>70,100</strong></td>
</tr>
</tbody>
</table>
The following discussion and analysis is based on our consolidated statements of operations, which reflect our results of operations for the three months ended March 31, 2013 and 2012, prepared in accordance with generally accepted accounting principles in the United States.

Summarized comparative financial data for the three months ended March 31, 2013 and 2012 is as follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Premium</td>
<td>$2,509.0</td>
<td>$1,634.9</td>
</tr>
<tr>
<td>Service</td>
<td>33.2</td>
<td>28.6</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,542.2</td>
<td>1,663.5</td>
</tr>
<tr>
<td>Premium tax</td>
<td>103.7</td>
<td>48.7</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,645.9</td>
<td>1,712.2</td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,267.4</td>
<td>1,442.7</td>
</tr>
<tr>
<td>Cost of services</td>
<td>25.1</td>
<td>23.3</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>210.3</td>
<td>163.2</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>103.0</td>
<td>48.8</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>40.1</td>
<td>34.2</td>
</tr>
<tr>
<td>Investment and other income, net</td>
<td>(2.2)</td>
<td>0.5</td>
</tr>
<tr>
<td>Earnings before income tax expense</td>
<td>37.9</td>
<td>34.7</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>15.0</td>
<td>12.1</td>
</tr>
<tr>
<td>Net earnings</td>
<td>22.9</td>
<td>22.6</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(0.1)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Net earnings attributable to Centene Corporation</td>
<td>$23.0</td>
<td>$24.0</td>
</tr>
<tr>
<td>Diluted earnings per common share attributable to Centene Corporation</td>
<td>$0.42</td>
<td>$0.45</td>
</tr>
</tbody>
</table>

**Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012**

**Revenues and Revenue Recognition**

Premium and service revenues increased 52.8% in the three months ended March 31, 2013 over the corresponding period in 2012 primarily as a result of the Texas, Mississippi, and Louisiana expansions, pharmacy carve-in in Texas and Louisiana, and the additions of the Kansas, Missouri and Washington contracts. During the three months ended March 31, 2013, we received premium rate adjustments which yielded a net 0% composite change across all of our markets.

**Operating Expenses**

**Medical Costs**

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided. The table below depicts the HBR for our membership by member category for the three months ended March 31,:
The consolidated HBR for the three months ended March 31, 2013 was 90.4% compared to 88.2% in the same period in 2012. The increase compared to last year primarily reflects a higher level of flu costs during the first quarter of 2013 as well as a higher level of medical costs in new business.

**General & Administrative Expenses**

General and administrative expenses, or G&A, increased by $47.2 million in the three months ended March 31, 2013, compared to the corresponding period in 2012. This was primarily due to expenses for additional staff and facilities to support our membership growth as well as performance based compensation.

The consolidated G&A expense ratio for the three months ended March 31, 2013, and 2012 was 8.3%, and 9.8%, respectively. The year over year decrease reflects the leveraging of expenses over higher revenue.

**Other Income (Expense)**

The following table summarizes the components of other income (expense) for the three months ended March 31, ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$ 4.5</td>
<td>$ 5.3</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6.6)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(2.1)</td>
<td>$ 0.5</td>
</tr>
</tbody>
</table>

The decrease in investment income in 2013 reflects a decrease in investment returns over 2012. Interest expense increased in 2013 compared to 2012, reflecting the addition of $175 million of Senior Notes in the fourth quarter of 2012.

**Income Tax Expense**

Excluding the effects of noncontrolling interest, our effective tax rate for the three months ended March 31, 2013 was 39.5% compared to 33.5% in the corresponding period in 2012. The increase in the effective tax rate in 2013 reflects lower state taxes in 2012 as a result of certain discrete tax events and a decrease in disqualifying dispositions of incentive stock options which increased the federal effective rate in 2013.

**Segment Results**

In January 2013, the Company reclassified the health plan in Arizona, operated by our long-term care company, to the Medicaid Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Medicaid Managed Care segment for all periods presented. The following table summarizes our operating results by segment for the three months ended March 31, (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>% Change 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium and Service Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$ 2,427.3</td>
<td>$ 1,536.1</td>
<td>58.0 %</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>688.3</td>
<td>466.3</td>
<td>47.6 %</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(573.4)</td>
<td>(338.9)</td>
<td>69.2 %</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td>$ 2,542.2</td>
<td>$ 1,663.5</td>
<td>52.8 %</td>
</tr>
<tr>
<td><strong>Earnings from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$ 7.5</td>
<td>$ 13.5</td>
<td>(44.4)%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>32.6</td>
<td>20.7</td>
<td>57.5 %</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td>$ 40.1</td>
<td>$ 34.2</td>
<td>17.3 %</td>
</tr>
</tbody>
</table>

**Medicaid Managed Care**

Premium and service revenues increased 58.0% in the three months ended March 31, 2013, primarily as a result of the Texas, Mississippi, and Louisiana expansions, pharmacy carve-in in Texas and Louisiana, and the additions of the Kansas,
Missouri and Washington contracts. Earnings from operations decreased $6.0 million between years primarily due to a higher level of flu costs during the first quarter of 2013 as well as a higher level of medical costs in new business.

**Specialty Services**

Premium and service revenues increased 47.6% in the three months ended March 31, 2013, due to the carve-in of pharmacy services in Texas and Louisiana, as well as the associated specialty services provided to the increased membership in the Medicaid segment. Earnings from operations increased $11.9 million in the three months ended March 31, 2013, reflecting improvement in our individual health insurance business as well as growth in our pharmacy business and the associated specialty services provided to our increased Medicaid membership.

**LIQUIDITY AND CAPITAL RESOURCES**

Shown below is a condensed schedule of cash flows for the three months ended March 31, 2013 and 2012, used in the discussion of liquidity and capital resources ($ in millions).

<table>
<thead>
<tr>
<th>Three Months Ended March 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Net cash provided (used in) by</td>
<td>$43.0</td>
</tr>
<tr>
<td>operating activities</td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(156.3)</td>
</tr>
<tr>
<td>Net cash provided by financing</td>
<td>0.1</td>
</tr>
<tr>
<td>activities</td>
<td></td>
</tr>
<tr>
<td>Net decrease in cash and cash</td>
<td>$(113.2)</td>
</tr>
<tr>
<td>equivalents</td>
<td></td>
</tr>
</tbody>
</table>

**Cash Flows Provided by Operating Activities**

Normal operations are funded primarily through operating cash flows and borrowings under our revolving credit facility. Operating activities provided cash of $43.0 million in the three months ended March 31, 2013, compared to using $32.1 million in the comparable period in 2012. The cash provided by operations in 2013 was primarily related to an increase in medical claims liabilities including our new business in Kansas.

Cash flows from operations in each year were impacted by the timing of payments we receive from our states. States may prepay the following month premium payment, which we record as unearned revenue, or they may delay our premium payment, which we record as a receivable. We typically receive capitation payments monthly, however the states in which we operate may decide to adjust their payment schedules which could positively or negatively impact our reported cash flows from operating activities in any given period. The table below details the impact to cash flows from operations from the timing of payments from our states ($ in millions).

<table>
<thead>
<tr>
<th>Three Months Ended March 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>$</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>3.6</td>
</tr>
<tr>
<td>Net decrease in operating cash flow</td>
<td>$(53.1)</td>
</tr>
</tbody>
</table>

**Cash Flows Used in Investing Activities**

Investing activities used cash of $156.3 million in the three months ended March 31, 2013 and $120.8 million in the comparable period in 2012. Cash flows from investing activities in 2013 and 2012 primarily consisted of additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long-term investments, and capital expenditures. We spent $10.7 million and $15.0 million in the three months ended March 31, 2013 and 2012, respectively, on capital expenditures for system enhancements and market expansions.

As of March 31, 2013, our investment portfolio consisted primarily of fixed-income securities with an average duration of 2.9 years. We had unregulated cash and investments of $45.5 million at March 31, 2013, compared to $37.3 million at December 31, 2012.
**Cash Flows Provided by Financing Activities**

Our financing activities provided cash of $0.1 million in the three months ended March 31, 2013 compared to $12.2 million in the comparable period in 2012. During 2013, our financing activities primarily related to cash proceeds from the exercise of stock options.

**Liquidity Metrics**

In February 2013, we amended our $350.0 million revolving credit facility to add an additional pricing tier and increased the maximum total debt to EBITDA ratio to 3.85 as of March 31, 2013, 3.50 as of June 30, 2013, 3.25 as of September 30, 2013 and 3.0 as of December 31, 2013 and thereafter. As of March 31, 2013, we had no borrowings outstanding under our revolving credit facility, and we were in compliance with all covenants. As of March 31, 2013, the borrowing availability under our revolving credit facility was limited by the total debt to EBITDA ratio.

We had outstanding letters of credit of $12.3 million as of March 31, 2013, which were not part of our revolving credit facility. The letters of credit bore interest at 1.06% as of March 31, 2013.

At March 31, 2013, we had working capital, defined as current assets less current liabilities, of $68.2 million, as compared to $176.5 million at December 31, 2012. We manage our short-term and long-term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term requirements as needed.

At March 31, 2013, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 35.2%, compared to 36.1% at December 31, 2012. Excluding the $74.7 million non-recourse mortgage note, our debt to capital ratio is 31.9%, compared to 32.7% at December 31, 2012. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.

**2013 Expectations**

In April 2013, we completed the acquisition of AcariaHealth, a specialty pharmacy company for approximately $146.2 million. The transaction consideration was financed through a combination of approximately 2.1 million shares of Centene common stock and approximately $55.4 million of cash on hand.

In April 2013, we filed an equity shelf registration statement on Form S-3 with the Securities and Exchange Commission, or the SEC, covering the issuance of equity securities including common stock. In addition, we filed a prospectus supplement covering the issuance of up to $15.3 million in common stock related to funding the escrow account for the acquisition of AcariaHealth.

We expect to make additional capital contributions to our insurance subsidiaries of approximately $270 million during the remainder of 2013 associated with our growth and approximately $60 million in additional capital expenditures in 2013 primarily associated with system enhancements and market expansions. These capital contributions and capital expenditures are expected to be funded by unregulated cash flow generation and borrowings on our revolving credit facility.

Based on our operating plan, we expect that our available cash, cash equivalents and investments, cash from our operations and cash available under our credit facility, along with the issuance of shares of Centene common stock in connection with the acquisition of AcariaHealth discussed above will be sufficient to finance our general operations, acquisition of AcariaHealth and capital expenditures for at least 12 months from the date of this filing.
Our operations are conducted through our subsidiaries. As managed care organizations, these subsidiaries are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state, and restrict the timing, payment and amount of dividends and other distributions that may be paid to us. Generally, the amount of dividend distributions that may be paid by a regulated subsidiary without prior approval by state regulatory authorities is limited based on the entity’s level of statutory net income and statutory capital and surplus.

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of March 31, 2013, our subsidiaries had aggregate statutory capital and surplus of $1,115.9 million, compared with the required minimum aggregate statutory capital and surplus requirements of $661.2 million. Excluding our Kentucky health plan, we estimate our Risk Based Capital, or RBC, percentage to be in excess of 350% of the Authorized Control Level.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of March 31, 2013, each of our health plans was in compliance with the risk-based capital requirements enacted in those states.
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

INVESTMENTS AND DEBT

As of March 31, 2013, we had short-term investments of $146.1 million and long-term investments of $787.6 million, including restricted deposits of $39.3 million. The short-term investments generally consist of highly liquid securities with maturities between three and 12 months. The long-term investments consist of municipal, corporate and U.S. Treasury securities, government sponsored obligations, life insurance contracts, asset backed securities and equity securities and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states' requirements, these investments are classified as long-term regardless of the contractual maturity date. Our investments are subject to interest rate risk and will decrease in value if market rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at March 31, 2013, the fair value of our fixed income investments would decrease by approximately $23.6 million. Declines in interest rates over time will reduce our investment income.

We entered into interest rate swap agreements with creditworthy financial institutions to manage the impact of market interest rates on interest expense. Our swap agreements convert a portion of our interest expense from fixed to variable rates to better match the impact of changes in market rates on our variable rate cash equivalent investments. As a result, the fair value of our $250 million Senior Note debt varies with market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at March 31, 2013, the fair value of our debt would decrease by approximately $10.6 million. An increase in interest rates decreases the fair value of the debt and conversely, a decrease in interest rates increases the value.

For a discussion of the interest rate risk that our investments are subject to, see "Risk Factors–Risks Related to Our Business–Our investment portfolio may suffer losses from reductions in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity."

INFLATION

The inflation rate for medical care costs has been higher than the inflation rate for all items. We use various strategies to mitigate the negative effects of healthcare cost inflation. Specifically, our health plans try to control medical and hospital costs through our state savings initiatives and contracts with independent providers of healthcare services. Through these contracted care providers, our health plans emphasize preventive healthcare and appropriate use of specialty and hospital services. Additionally, our contracts with states require actuarially sound premiums that include health care cost trend.

While we currently believe our strategies to mitigate healthcare cost inflation will continue to be successful, competitive pressures, new healthcare and pharmaceutical product introductions, demands from healthcare providers and customers, applicable regulations or other factors may affect our ability to control the impact of healthcare cost increases.


Evaluation of Disclosure Controls and Procedures - We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the filing of this Form 10-Q, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2013. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2013.

Changes in Internal Control Over Financial Reporting - No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
ITEM 1. Legal Proceedings.

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. The Company also filed a formal dispute with the Cabinet for damages incurred under the contract, which was later appealed to and denied by the Finance and Administration Cabinet on March 14, 2013. In response, the Company filed a lawsuit on April 12, 2013, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches.

The Company had previously filed a lawsuit in Franklin Circuit Court against the Commonwealth seeking declaratory relief. On April 5, 2013, the Commonwealth answered that lawsuit and filed counterclaims against the Company seeking declaratory relief and damages. The Franklin Circuit Court has issued a scheduling order setting the primary declaratory judgment claims for a hearing in May 2013. Those claims center on the Company's right to terminate the contract and the measure of liquidated damages, if any, associated with the termination.

The Company is routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position or results of operations.

ITEM 1A. Risk Factors.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND THE TRADING PRICE OF OUR COMMON STOCK

You should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. You should also refer to the other information in this filing, including our consolidated financial statements and related notes. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our Company.

Risks Related to Being a Regulated Entity

Reduction in Medicaid, CHIP and ABD funding could substantially reduce our profitability.

Most of our revenues come from Medicaid, CHIP and ABD premiums. The base premium rate paid by each state differs, depending on a combination of factors such as defined upper payment limits, a member’s health status, age, gender, county or region, benefit mix and member eligibility categories. Since Medicaid was created in 1965, the federal government and the states have shared the costs, with the federal share currently averaging around 57%. Future levels of Medicaid, CHIP and ABD funding and premium rates may be affected by continuing government efforts to contain healthcare costs and may further be affected by state and federal budgetary constraints.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act collectively referred to as the Affordable Care Act (ACA), were enacted. While the constitutionality of the ACA was subsequently challenged in a number of legal actions, in June 2012, the Supreme Court upheld the constitutionality of the ACA, with one limited exception relating to the Medicaid expansion provision. The Court held that states could not be required to expand Medicaid and risk losing all federal money for their existing Medicaid programs. Under the ACA, Medicaid coverage will be expanded to all individuals under age 65 with incomes up to 133% of the federal poverty level beginning January 1, 2014, subject to the states' elections. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for 3 years, from 2014 through 2016. In 2017, the federal share declines to 95%; in 2018 it is 94%; in 2019 it is 93%; and it will be 90% in 2020 and subsequent years. States may delay Medicaid expansion after 2014 but the federal payment rates will be less. Currently 25 States remain undecided about expanding Medicaid eligibility, although most are involved in a variety of legislative proposals within their States. The U.S. Department of Health and Human Services (HHS) has stated that it will consider a limited number of premium assistance demonstration proposals from States
that want to privatize Medicaid expansion. States must provide a choice between at least two qualified health plans and offer very similar benefits as those available in the newly created insurance exchanges.

States periodically consider reducing or reallocating the amount of money they spend for Medicaid, CHIP, LTC, Foster Care and ABD. The current adverse economic conditions have, and are expected to continue to, put pressures on state budgets as tax and other state revenues decrease while these eligible populations increase, creating more need for funding. We anticipate this will require government agencies with whom we contract to find funding alternatives, which may result in reductions in funding for current programs and program expansions, contraction of covered benefits, limited or no premium rate increases or premium decreases. In recent years, the majority of states have implemented measures to restrict Medicaid, CHIP, LTC, Foster Care and ABD costs and eligibility. If any state in which we operate were to decrease premiums paid to us, or pay us less than the amount necessary to keep pace with our cost trends, it could have a material adverse effect on our revenues and operating results.

Changes to Medicaid, CHIP, LTC, Foster Care and ABD programs could reduce the number of persons enrolled in or eligible for these programs, reduce the amount of reimbursement or payment levels, or increase our administrative or healthcare costs under these programs, all of which could have a negative impact on our business. Recent legislation generally requires that eligibility levels be maintained, but this could cause states to reduce reimbursement or reduce benefits in order to afford to maintain eligibility levels. A number of states have requested waivers to the requirements to maintain eligibility levels and legislation has been introduced that would eliminate the requirement that eligibility levels be maintained. We believe that reductions in Medicaid, CHIP, LTC, Foster Care and ABD payments could substantially reduce our profitability. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds.

If we are unable to participate in CHIP programs, our growth rate may be limited.

CHIP is a federal initiative designed to provide coverage for low-income children not otherwise covered by Medicaid or other insurance programs. It is funded jointly by the federal government and States through a formula based on the Medicaid Federal Medical Assistance Percentage (FMAP). As an incentive for States to expand their coverage programs for children, Congress created an enhanced federal matching rate for CHIP that is about 15 percentage points higher than the Medicaid rate. Every fiscal year the Centers for Medicare & Medicaid Services (CMS) determines the federal share of program funding. The programs vary significantly from state to state. Participation in CHIP programs is an important part of our growth strategy. If states do not allow us to participate or if we fail to win bids to participate, our growth strategy may be materially and adversely affected.

If CHIP is not reauthorized or states face shortfalls, our business could suffer.

The Affordable Care Act extends CHIP through September 30, 2019. Beginning October 1, 2015, the enhanced CHIP federal matching rate will increase by 23 percentage points, bringing the average federal matching rate for CHIP to 93%. This rate continues until September 30, 2019.

The federal allotment for CHIP for fiscal year 2012 was $14.982 billion.

States receive matching funds from the federal government to pay for their CHIP programs which have a per state annual cap. Because of funding caps, there is a risk that states could experience shortfalls in future years, which could have an impact on our ability to receive amounts owed to us from states in which we have CHIP contracts.

If any of our state contracts are terminated or are not renewed, our business will suffer.

We provide managed care programs and selected services to individuals receiving benefits under federal assistance programs, including Medicaid, CHIP and ABD. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. Our contracts with various states are generally intended to run for one or two years and may be extended for one or two additional years if the state or its agent elects to do so. Our current contracts are set to expire or renew between June 30, 2013 and December 31, 2016. When our contracts expire, they may be opened for bidding by competing healthcare providers. There is no guarantee that our contracts will be renewed or extended. For example, on April 12, 2010, the Wisconsin Department of Health Services notified us that our Wisconsin subsidiary was not awarded a Southeast Wisconsin BadgerCare Plus Managed Care contract. While we will continue to serve other regions of the state, we transitioned the affected members to other plans by November 1, 2010. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds. For example, the Indiana contract under which we operate can be terminated by the State without cause. Our contracts could also be terminated if we fail to perform in
accordance with the standards set by state regulatory agencies. If any of our contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, our business will suffer, and our financial position, results of operations or cash flows may be materially affected.

**Changes in government regulations designed to protect the financial interests of providers and members rather than our investors could force us to change how we operate and could harm our business.**

Our business is extensively regulated by the states in which we operate and by the federal government. The applicable laws and regulations are subject to frequent change and generally are intended to benefit and protect the financial interests of health plan providers and members rather than investors. The enactment of new laws and rules or changes to existing laws and rules or the interpretation of such laws and rules could, among other things:

- force us to restructure our relationships with providers within our network;
- require us to implement additional or different programs and systems;
- mandate minimum medical expense levels as a percentage of premium revenues;
- restrict revenue and enrollment growth;
- require us to develop plans to guard against the financial insolvency of our providers;
- increase our healthcare and administrative costs;
- impose additional capital and reserve requirements; and
- increase or change our liability to members in the event of malpractice by our providers.

The ACA also requires that proposed increases of 10% or more of premiums for most individual and small group insurance health insurance plans must be approved by state or federal officials (Rate Review Program).

**Regulations may decrease the profitability of our health plans.**

Certain states have enacted regulations which require us to maintain a minimum health benefits ratio, or establish limits on our profitability. Other states require us to meet certain performance and quality metrics in order to receive our full contractual revenue. In certain circumstances, our plans may be required to pay a rebate to the state in the event profits exceed established levels. These regulatory requirements, changes in these requirements or the adoption of similar requirements by other regulators may limit our ability to increase our overall profits as a percentage of revenues. Most states, including but not limited to Georgia, Indiana, Texas and Wisconsin have implemented prompt-payment laws and many states are enforcing penalty provisions for failure to pay claims in a timely manner. Failure to meet these requirements can result in financial fines and penalties. In addition, states may attempt to reduce their contract premium rates if regulators perceive our health benefits ratio as too low. Any of these regulatory actions could harm our financial position, results of operations or cash flows. Certain states also impose marketing restrictions on us which may constrain our membership growth and our ability to increase our revenues.

**If we fail to comply with Medicare laws and regulation, our growth rate could be limited.**

We feel there are potential growth opportunities in dual eligible markets to fully integrate care for dual eligible beneficiaries who are enrolled in both Medicaid and Medicare. The dual eligible population represents a disproportionate amount of state and federal health care spending yet less than 15 percent of dual eligibles are in comprehensive, managed care. As a result, states and the federal government have put dual eligibles on the fast track to managed care and dual eligibles are an important part of our growth strategy.

Although we strive to comply with all existing Medicare statutes and regulations applicable to our business, different interpretations and enforcement policies of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make significant changes to our operations. If we fail to comply with existing or future applicable Medicare laws and regulations, states may not allow us to continue to participate in dual eligible demonstration programs or we may fail to win bids to participate in such programs, and our growth strategy may be materially and adversely affected.
We face periodic reviews, audits and investigations under our contracts with state and federal government agencies, and these audits could have adverse findings, which may negatively impact our business.

We contract with various state and federal governmental agencies to provide managed healthcare services. Pursuant to these contracts, we are subject to various reviews, audits and investigations to verify our compliance with the contracts and applicable laws and regulations. Any adverse review, audit or investigation could result in:

- cancellation of our contracts;
- refunding of amounts we have been paid pursuant to our contracts;
- imposition of fines, penalties and other sanctions on us;
- loss of our right to participate in various markets;
- increased difficulty in selling our products and services; or
- loss of one or more of our licenses.

Failure to comply with government regulations could subject us to civil and criminal penalties.

Federal and state governments have enacted fraud and abuse laws and other laws to protect patients’ privacy and access to healthcare. In some states, we may be subject to regulation by more than one governmental authority, which may impose overlapping or inconsistent regulations. Violation of these and other laws or regulations governing our operations or the operations of our providers could result in the imposition of civil or criminal penalties, the cancellation of our contracts to provide services, the suspension or revocation of our licenses or our exclusion from participating in the Medicaid, CHIP, LTC, Foster Care and ABD programs. If we were to become subject to these penalties or exclusions as the result of our actions or omissions or our inability to monitor the compliance of our providers, it would negatively affect our ability to operate our business.

HIPAA broadened the scope of fraud and abuse laws applicable to healthcare companies. HIPAA created civil penalties for, among other things, billing for medically unnecessary goods or services. HIPAA established new enforcement mechanisms to combat fraud and abuse, including civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of protected health information. The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states’ Attorneys General in addition to the HHS Office of Civil Rights. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules.

We may incur significant costs as a result of compliance with government regulations, and our management will be required to devote time to compliance.

Many aspects of our business are affected by government laws and regulations. The issuance of new regulations, or judicial or regulatory guidance regarding existing regulations, could require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover from the states our costs of complying with these new regulations. The costs of any such future compliance efforts could have a material adverse effect on our business. We have already expended significant time, effort and financial resources to comply with the privacy and security requirements of HIPAA and HITECH, and will have to expend additional time and financial resources to comply with the American Recovery and Reinvestment Act of 2009, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act. We cannot predict whether states will enact stricter laws governing the privacy and security of electronic health information. If any new requirements are enacted at the state or federal level, compliance would likely require additional expenditures and management time.

Changes in healthcare law and benefits may reduce our profitability.

Changes in applicable laws and regulations are continually being considered, and interpretations of existing laws and rules may also change from time to time. We are unable to predict what regulatory changes may occur or what effect any particular change may have on our business. For example, these changes could reduce the number of persons enrolled or eligible to enroll in Medicaid, reduce the reimbursement or payment levels for medical services or reduce benefits included in Medicaid coverage. We are also unable to predict whether new laws or proposals will favor or hinder the growth of managed healthcare in general.
Beginning in 2014, the ACA requires that policies of health insurance offered in individual and small group markets as well as Medicaid benchmark plans provide coverage of designated items and services known as essential health benefits. These must include at least 10 legally defined benefit categories. HHS has granted states significant flexibility in establishing what constitutes essential health benefits in their states. The diversity of essential health benefits across states will increase the complexity in managing health plans and may affect payments.

Initiatives have begun in at least 26 states to more efficiently care for people who are dually eligible for Medicare and Medicaid. As a result, hospitals are seeking higher Medicare reimbursement rates for these patients from insurers which could negatively impact profits.

The health care reform law and the implementation of that law could have a material adverse effect on our business, financial condition, cash flows, or results of operations.

The ACA provides comprehensive changes to the U.S. health care system, which are being phased in at various stages through 2018. The legislation imposes an annual insurance industry assessment of $8 billion starting in 2014, with increasing annual amounts thereafter. Such assessment may not be deductible for income tax purposes. If this federal premium tax is imposed as enacted, and if the cost of the federal premium tax is not included in the calculation of our rates, or if we are unable to otherwise adjust our business model to address this new tax, our results of operations, financial position and liquidity may be materially adversely affected.

There are numerous outstanding steps required to implement the legislation, including the promulgation of a substantial number of new and potentially more onerous federal regulations. Further, various health insurance reform proposals are also emerging at the state level. Because of the unsettled nature of these reforms and numerous steps required to implement them, we cannot predict what additional health insurance requirements will be implemented at the federal or state level, or the effect that any future legislation or regulation will have on our business or our growth opportunities.

Although we believe the legislation may provide us with significant opportunities to grow our business, the enacted reforms, as well as future regulations and legislative changes, may in fact have a material adverse affect on our results of operations, financial position or liquidity. If we fail to effectively implement our operational and strategic initiatives with respect to the implementation of health care reform, or do not do so as effectively as our competitors, our business may be materially adversely affected.

Our participation in health insurance exchanges, which are required to be established as part of the ACA, could adversely affect our results of operations, financial position and cash flows.

The ACA requires the establishment of health insurance exchanges for individuals and small employers by 2014. There are a number of uncertainties with respect to the establishment of such insurance exchanges, including, but not limited to, the requirements for participation and operations for exchanges in each state, the impact of federal subsidies for premiums and cost-sharing reductions and the operation and funding of various mechanisms intended to manage and spread risk among insurers. Depending on how these factors develop once the health insurance exchanges are established, the health insurance exchanges could ultimately have a negative impact on our results of operations, financial position or liquidity. In addition, the ACA also requires insurers participating on the health insurance exchanges to offer a minimum level of benefits while including guidelines on setting premium rates and coverage limitations. These factors, along with the limited information that we expect to have about the individuals who will have access to these newly established exchanges may cause our earnings to be affected negatively if our premiums are not adequate or do not appropriately reflect the acuity of these individuals.

If a state fails to renew a required federal waiver for mandated Medicaid enrollment into managed care or such application is denied, our membership in that state will likely decrease.

States may administer Medicaid managed care programs pursuant to demonstration programs or required waivers of federal Medicaid standards. Waivers and demonstration programs are generally approved for two year periods and can be renewed on an ongoing basis if the state applies. We have no control over this renewal process. If a state does not renew such a waiver or demonstration program or the Federal government denies a state’s application for renewal, membership in our health plan in the state could decrease and our business could suffer.

Changes in federal funding mechanisms may reduce our profitability.

Changes in funding for Medicaid may affect our business. For example, on May 29, 2007, CMS issued a final rule that would reduce states’ use of intergovernmental transfers for the states’ share of Medicaid program funding. By restricting the
use of intergovernmental transfers, this rule may restrict some states’ funding for Medicaid, which could adversely affect our growth, operations and financial performance. On May 23, 2008, the United States District Court for the District of Columbia vacated the final rule as improperly promulgated. On November 30, 2010, CMS issued final regulations that remove these provisions and restore the regulatory language that was in place before the 2007 regulations were issued. While this rule has been removed, we cannot predict whether another similar rule or any other rule that changes funding mechanisms will be promulgated, and if any are, what impact they will have on our business.

Legislative changes in the Medicare program may also affect our business. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 revised cost-sharing requirements for some beneficiaries and required states to reimburse the federal Medicare program for costs of prescription drug coverage provided to beneficiaries who are enrolled simultaneously in both the Medicaid and Medicare programs.

Medicaid spending by the federal government could be decreased as part of the spending cuts associated with the debt ceiling.

The American Taxpayer Relief Act (ATRA) of 2012, known as the fiscal cliff deal, delayed the sequestration mandated under the Sequestration Transparency Act of 2012 until March 1, 2013. Although Medicaid is exempt from cuts under the ATRA, there will be a 2% cut in payments to Medicare providers and suppliers.

We cannot predict whether Congress will take any action to change the automatic spending cuts. Further, we cannot predict how states will react to any changes that occur at the federal level.

If state regulatory agencies require a statutory capital level higher than the state regulations, we may be required to make additional capital contributions.

Our operations are conducted through our wholly owned subsidiaries, which include health maintenance organizations, or HMOs, and managed care organizations, or MCOs. HMOs and MCOs are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state. Additionally, state regulatory agencies may require, at their discretion, individual HMOs to maintain statutory capital levels higher than the state regulations. If this were to occur to one of our subsidiaries, we may be required to make additional capital contributions to the affected subsidiary. Any additional capital contribution made to one of the affected subsidiaries could have a material adverse effect on our liquidity and our ability to grow.

If state regulators do not approve payments of dividends and distributions by our subsidiaries to us, we may not have sufficient funds to implement our business strategy.

We principally operate through our health plan subsidiaries. If funds normally available to us become limited in the future, we may need to rely on dividends and distributions from our subsidiaries to fund our operations. These subsidiaries are subject to regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny our subsidiaries’ request to pay dividends to us, the funds available to us would be limited, which could harm our ability to implement our business strategy.

Risks Related to Our Business

Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.

Our health plans rely on other state-operated systems or sub-contractors to qualify, solicit, educate and assign eligible members into the health plans. The effectiveness of these state operations and sub-contractors can have a material effect on a health plan’s enrollment in a particular month or over an extended period. When a state implements new programs to determine eligibility, new processes to assign or enroll eligible members into health plans, or chooses new contractors, there is an increased potential for an unanticipated impact on the overall number of members assigned into the health plans.

Failure to accurately predict our medical expenses could negatively affect our financial position, results of operations or cash flows.

Our medical expense includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and
payment information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified.

While we utilize our predictive modeling technology and our executive dashboard, we still cannot be sure that our medical claims liability estimates are adequate or that adjustments to those estimates will not unfavorably impact our results of operations. For example, in the three months ended June 30, 2006 we adjusted medical expense by $9.7 million for adverse medical costs development from the first quarter of 2006.

Additionally, when we commence operations in a new state or region, we have limited information with which to estimate our medical claims liability. For example, we commenced operations in Kentucky in November 2011, in Louisiana in February 2012, in Missouri and Washington in July 2012 and expanded in Texas in March 2012. For a period of time after the inception of business in these states, we base our estimates on state-provided historical actuarial data and limited actual incurred and received claims. The addition of new categories of individuals who are eligible for Medicaid under new legislation may pose the same difficulty in estimating our medical claims liability and utilization patterns.

From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. The accuracy of our medical claims liability estimate may also affect our ability to take timely corrective actions, further harming our results.

Assumptions and estimates are utilized in establishing premium deficiency reserves. In October 2012, we notified the Kentucky Cabinet for Health and Family Services that we were exercising a contractual right that we believe allows Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. As a result, we recorded a premium deficiency reserve included in Medical costs expense of $41.5 million for the Kentucky contract in the year ended December 31, 2012. The premium deficiency reserve encompasses the contract period from January 1, 2013 through July 5, 2013. If our assumptions are inaccurate, our reserves may be inadequate to pay medical costs and there could be a material adverse effect on the results of operations and financial condition. In addition, if the contract is not terminated effective July 5, 2013, we may be required to increase our premium deficiency reserve and there could be a material adverse effect on the results of operations and financial condition.

Receipt of inadequate or significantly delayed premiums would negatively affect our revenues, profitability or cash flows.

Our premium revenues consist of fixed monthly payments per member and supplemental payments for other services such as maternity deliveries. These premiums are fixed by contract, and we are obligated during the contract periods to provide healthcare services as established by the state governments. We use a large portion of our revenues to pay the costs of healthcare services delivered to our members. If premiums do not increase when expenses related to medical services rise, our earnings will be affected negatively. In addition, our actual medical services costs may exceed our estimates, which would cause our health benefits ratio, or our expenses related to medical services as a percentage of premium revenue, to increase and our profits to decline. In addition, it is possible for a state to increase the rates payable to certain providers without granting a corresponding increase in premiums to us. If this were to occur in one or more of the states in which we operate, our profitability would be harmed. In addition, if there is a significant delay in our receipt of premiums to offset previously incurred health benefits costs, our cash flows or earnings could be negatively impacted.

In some instances, our base premiums are subject to an adjustment, or risk score, based on the acuity of our membership. Generally, the risk score is determined by the State analyzing encounter submissions of processed claims data to determine the acuity of our membership relative to the entire state’s Medicaid membership. The risk score is dependent on several factors including our providers’ completeness and quality of claims submission, our processing of the claim, submission of the processed claims in the form of encounters to the states’ encounter systems and the states’ acceptance and analysis of the encounter data. If the risk scores assigned to our premiums that are risk adjusted are not adequate or do not appropriately reflect the acuity of our membership, our earnings will be affected negatively.

Failure to effectively manage our medical costs or related administrative costs or uncontrollable epidemic or pandemic costs would reduce our profitability.

Our profitability depends, to a significant degree, on our ability to predict and effectively manage expenses related to health benefits. We have less control over the costs related to medical services than we do over our general and administrative expenses. Because of the narrow margins of our health plan business, relatively small changes in our health benefits ratio can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of use of healthcare services, hospital costs, pharmaceutical costs, major epidemics or pandemics, new medical technologies and other
external factors, including general economic conditions such as inflation levels, are beyond our control and could reduce our ability to predict and effectively control the costs of providing health benefits. In 2009, the H1N1 influenza pandemic resulted in heightened costs due to increased physician visits and increased utilization of hospital emergency rooms and pharmaceutical costs. We cannot predict what impact an epidemic or pandemic will have on our costs in the future. Additionally, we may not be able to manage costs effectively in the future. If our costs related to health benefits increase, our profits could be reduced or we may not remain profitable.

**Our investment portfolio may suffer losses from changes in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity.**

As of March 31, 2013, we had $876.9 million in cash, cash equivalents and short-term investments and $787.6 million of long-term investments and restricted deposits. We maintain an investment portfolio of cash equivalents and short-term and long-term investments in a variety of securities which may include asset backed securities, bank deposits, commercial paper, certificates of deposit, money market funds, municipal bonds, corporate bonds, instruments of the U.S. Treasury and other government corporations and agencies, insurance contracts and equity securities. These investments are subject to general credit, liquidity, market and interest rate risks. Substantially all of these securities are subject to interest rate and credit risk and will decline in value if interest rates increase or one of the issuers’ credit ratings is reduced. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

**Our investments in state, municipal and corporate securities are not guaranteed by the United States government which could materially and adversely affect our results of operation, liquidity or financial condition.**

As of March 31, 2013, we had $562.0 million of investments in state, municipal and corporate securities. These securities are not guaranteed by the United States government. State and municipal securities are subject to additional credit risk based upon each local municipality’s tax revenues and financial stability. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

**Difficulties in executing our acquisition strategy could adversely affect our business.**

Historically, the acquisition of Medicaid and specialty services businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets has accounted for a significant amount of our growth. Many of the other potential purchasers have greater financial resources than we have. In addition, many of the sellers are interested either in (a) selling, along with their Medicaid assets, other assets in which we do not have an interest or (b) selling their companies, including their liabilities, as opposed to the assets of their ongoing businesses.

We generally are required to obtain regulatory approval from one or more state agencies when making acquisitions. In the case of an acquisition of a business located in a state in which we do not currently operate, we would be required to obtain the necessary licenses to operate in that state. In addition, even if we already operate in a state in which we acquire a new business, we would be required to obtain additional regulatory approval if the acquisition would result in our operating in an area of the state in which we did not operate previously, and we could be required to renegotiate provider contracts of the acquired business. We cannot provide any assurance that we would be able to comply with these regulatory requirements for an acquisition in a timely manner, or at all. In deciding whether to approve a proposed acquisition, state regulators may consider a number of factors outside our control, including giving preference to competing offers made by locally owned entities or by not-for-profit entities.

We also may be unable to obtain sufficient additional capital resources for future acquisitions. If we are unable to effectively execute our acquisition strategy, our future growth will suffer and our results of operations could be harmed.

**Execution of our growth strategy may increase costs or liabilities, or create disruptions in our business.**

We pursue acquisitions of other companies or businesses from time to time. Although we review the records of companies or businesses we plan to acquire, even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities or adverse operating conditions, or an acquisition may not perform as well as expected. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses, or the capital expenditures needed to develop such businesses. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively without substantial expense, delay or other operational or financial
problems. Integration may be hindered by, among other things, differing procedures, including internal controls, business practices and technology systems. We may need to divert more management resources to integration than we planned, which may adversely affect our ability to pursue other profitable activities.

In addition to the difficulties we may face in identifying and consummating acquisitions, we will also be required to integrate and consolidate any acquired business or assets with our existing operations. This may include the integration of:

- additional personnel who are not familiar with our operations and corporate culture;
- provider networks that may operate on different terms than our existing networks;
- existing members, who may decide to switch to another healthcare plan; or
- disparate administrative, accounting and finance, and information systems.

Additionally, our growth strategy includes start-up operations in new markets or new products in existing markets. We may incur significant expenses prior to commencement of operations and the receipt of revenue. As a result, these start-up operations may decrease our profitability. We also face the risk that we will not be able to integrate start-up operations into our existing operations effectively without substantial expense, delay or other operational or financial problems. In the event we pursue any opportunity to diversify our business internationally, we would become subject to additional risks, including, but not limited to, political risk, an unfamiliar regulatory regime, currency exchange risk and exchange controls, cultural and language differences, foreign tax issues, and different labor laws and practices.

Accordingly, we may be unable to identify, consummate and integrate future acquisitions or start-up operations successfully or operate acquired or new businesses profitably.

Acquisitions of unfamiliar new businesses could negatively impact our business.

We are subject to the expenditures and risks associated with entering into any new line of business. Our failure to properly manage these expenditures and risks could have a negative impact on our overall business. For example, effective July 2008, we completed the previously announced acquisition of Celtic Group, Inc., the parent company of Celtic Insurance Company, or Celtic. Celtic is a national individual health insurance provider that provides health insurance to individual customers and their families. While we believed that the addition of Celtic would be complementary to our business, we had not previously operated in the individual health care industry.

If competing managed care programs are unwilling to purchase specialty services from us, we may not be able to successfully implement our strategy of diversifying our business lines.

We are seeking to diversify our business lines into areas that complement our Medicaid business in order to grow our revenue stream and balance our dependence on Medicaid risk reimbursement. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our Medicaid programs. Our inability to market specialty services to other programs may impair our ability to execute our business strategy.

Failure to achieve timely profitability in any business would negatively affect our results of operations.

Business expansion costs associated with a new business can be substantial. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place and demonstrate our ability to obtain a state contract and process claims. If we were unsuccessful in obtaining the necessary license, winning the bid to provide service or attracting members in numbers sufficient to cover our costs, any new business of ours would fail. We also could be obligated by the state to continue to provide services for some period of time without sufficient revenue to cover our ongoing costs or recover business expansion costs. The expenses associated with starting up a new business could have a significant impact on our results of operations if we are unable to achieve profitable operations in a timely fashion.

Adverse credit market conditions may have a material adverse affect on our liquidity or our ability to obtain credit on acceptable terms.

The securities and credit markets have been experiencing extreme volatility and disruption over the past several years. The availability of credit, from virtually all types of lenders, has been restricted. Such conditions may persist during 2013 and beyond. In the event we need access to additional capital to pay our operating expenses, make payments on our indebtedness,
pay capital expenditures, or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant, particularly if we are unable to access our existing credit facility.

Our access to additional financing will depend on a variety of factors such as prevailing economic and credit market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, and perceptions of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms or at all. We believe that if credit could be obtained, the terms and costs of such credit could be significantly less favorable to us than what was obtained in our most recent financings.

We derive a majority of our premium revenues from operations in a small number of states, and our financial position, results of operations or cash flows would be materially affected by a decrease in premium revenues or profitability in any one of those states.

Operations in a few states have accounted for most of our premium revenues to date. If we were unable to continue to operate in any of our current states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative or other governmental or regulatory actions and decisions, economic conditions and similar factors in those states. For example, states we currently serve may bid out their Medicaid program through a Request for Proposal, or RFP, process. Our inability to continue to operate in any of the states in which we operate would harm our business.

Competition may limit our ability to increase penetration of the markets that we serve.

We compete for members principally on the basis of size and quality of provider network, benefits provided and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided. In addition, the impact of health care reform and potential growth in our segment may attract new competitors. Subject to limited exceptions by federally approved state applications, the federal government requires that there be choices for Medicaid recipients among managed care programs. Voluntary programs, increases in the number of competitors and mandated competition may limit our ability to increase our market share.

Some of the health plans with which we compete have greater financial and other resources and offer a broader scope of products than we do. In addition, significant merger and acquisition activity has occurred in the managed care industry, as well as in industries that act as suppliers to us, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

In addition, in order to increase our membership in the markets we currently serve, we believe that we must continue to develop and implement community-specific products, alliances with key providers and localized outreach and educational programs. If we are unable to develop and implement these initiatives, or if our competitors are more successful than we are in doing so, we may not be able to further penetrate our existing markets.

If we are unable to maintain relationships with our provider networks, our profitability may be harmed.

Our profitability depends, in large part, upon our ability to contract favorably with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians, specialists and hospitals generally may be canceled by either party without cause upon 90 to 120 days prior written notice. We cannot provide any assurance that we will be able to continue to renew our existing contracts or enter into new contracts enabling us to service our members profitably.

From time to time providers assert or threaten to assert claims seeking to terminate non-cancelable agreements due to alleged actions or inactions by us. Even if these allegations represent attempts to avoid or renegotiate contractual terms that have become economically disadvantageous to the providers, it is possible that in the future a provider may pursue such a claim successfully. In addition, we are aware that other managed care organizations have been subject to class action suits by physicians with respect to claim payment procedures, and we may be subject to similar claims. Regardless of whether any claims brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.
We will be required to establish acceptable provider networks prior to entering new markets. We may be unable to enter into agreements with providers in new markets on a timely basis or under favorable terms. If we are unable to retain our current provider contracts or enter into new provider contracts timely or on favorable terms, our profitability will be harmed.

We may be unable to attract and retain key personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team, including our chief executive officer, Michael F. Neidorff, who has been instrumental in developing our business strategy and forging our business relationships, our business and financial position, results of operations or cash flows could be harmed. Our ability to replace any departed members of our senior management or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in the Medicaid managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel.

Negative publicity regarding the managed care industry may harm our business and financial position, results of operations or cash flows.

The managed care industry has received negative publicity. This publicity has led to increased legislation, regulation, review of industry practices and private litigation in the commercial sector. These factors may adversely affect our ability to market our services, require us to change our services, and increase the regulatory burdens under which we operate. Any of these factors may increase the costs of doing business and adversely affect our financial position, results of operations or cash flows.

Claims relating to medical malpractice could cause us to incur significant expenses.

Our providers and employees involved in medical care decisions may be subject to medical malpractice claims. In addition, some states have adopted legislation that permits managed care organizations to be held liable for negligent treatment decisions, credentialing or benefits coverage determinations. Claims of this nature, if successful, could result in substantial damage awards against us and our providers that could exceed the limits of any applicable insurance coverage. Therefore, successful malpractice or tort claims asserted against us, our providers or our employees could adversely affect our financial condition and profitability. Even if any claims brought against us are unsuccessful or without merit, they would still be time consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

Loss of providers due to increased insurance costs could adversely affect our business.

Our providers routinely purchase insurance to help protect themselves against medical malpractice claims. In recent years, the costs of maintaining commercially reasonable levels of such insurance have increased dramatically, and these costs are expected to increase to even greater levels in the future. As a result of the level of these costs, providers may decide to leave the practice of medicine or to limit their practice to certain areas, which may not address the needs of Medicaid participants. We rely on retaining a sufficient number of providers in order to maintain a certain level of service. If a significant number of our providers exit our provider networks or the practice of medicine generally, we may be unable to replace them in a timely manner, if at all, and our business could be adversely affected.

Growth in the number of Medicaid-eligible persons could cause our financial position, results of operations or cash flows to suffer if state and federal budgets decrease or do not increase.

Less favorable economic conditions may cause our membership to increase as more people become eligible to receive Medicaid benefits. During such economic downturns, however, state and federal budgets could decrease, causing states to attempt to cut healthcare programs, benefits and rates. Additionally, the number of individuals eligible for Medicaid managed care will likely increase as a result of the health care reform legislation. We cannot predict the impact of changes in the United States economic environment or other economic or political events, including acts of terrorism or related military action, on federal or state funding of healthcare programs or on the size of the population eligible for the programs we operate. If federal or state funding decreases or remains unchanged while our membership increases, our results of operations will suffer.
Growth in the number of Medicaid-eligible persons may be countercyclical, which could cause our financial position, results of operations or cash flows to suffer when general economic conditions are improving.

Historically, the number of persons eligible to receive Medicaid benefits has increased more rapidly during periods of rising unemployment, corresponding to less favorable general economic conditions. Conversely, this number may grow more slowly or even decline if economic conditions improve. Therefore, improvements in general economic conditions may cause our membership levels to decrease, thereby causing our financial position, results of operations or cash flows to suffer, which could lead to decreases in our stock price during periods in which stock prices in general are increasing.

If we are unable to integrate and manage our information systems effectively, our operations could be disrupted.

Our operations depend significantly on effective information systems. The information gathered and processed by our information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our providers also depend upon our information systems for membership verifications, claims status and other information.

Our information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs and regulatory requirements. Moreover, our acquisition activity requires frequent transitions to or from, and the integration of, various information systems. We regularly upgrade and expand our information systems' capabilities. If we experience difficulties with the transition to or from information systems or are unable to properly maintain or expand our information systems, we could suffer, among other things, from operational disruptions, loss of existing members and difficulty in attracting new members, regulatory problems and increases in administrative expenses. In addition, our ability to integrate and manage our information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists.

We rely on the accuracy of eligibility lists provided by state governments. Inaccuracies in those lists would negatively affect our results of operations.

Premium payments to us are based upon eligibility lists produced by state governments. From time to time, states require us to reimburse them for premiums paid to us based on an eligibility list that a state later discovers contains individuals who are not in fact eligible for a government sponsored program or are eligible for a different premium category or a different program. Alternatively, a state could fail to pay us for members for whom we are entitled to payment. Our results of operations would be adversely affected as a result of such reimbursement to the state if we had made related payments to providers and were unable to recoup such payments from the providers.

We may not be able to obtain or maintain adequate insurance.

We maintain liability insurance, subject to limits and deductibles, for claims that could result from providing or failing to provide managed care and related services. These claims could be substantial. We believe that our present insurance coverage and reserves are adequate to cover currently estimated exposures. We cannot provide any assurance that we will be able to obtain adequate insurance coverage in the future at acceptable costs or that we will not incur significant liabilities in excess of policy limits.

From time to time, we may become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management.

We are a defendant from time to time in lawsuits and regulatory actions relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business and financial position, results of operations or cash flows. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are costly and time consuming and require significant attention from our management. For example, we have been named in a recently-filed securities lawsuit seeking class action and we have in the past, or may be subject to in the future, IRS examinations, securities class action lawsuits or similar regulatory actions. Any such matters could harm our business and financial position, results of operations or cash flows.
An impairment charge with respect to our recorded goodwill and intangible assets could have a material impact on our results of operations.

Goodwill and other intangible assets were $275.6 million as of March 31, 2013. We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may be impaired, in which case a charge to earnings may be necessary. Changes in business strategy, government regulations or economic or market conditions have resulted and may result in impairments of our goodwill and other intangible assets at any time in the future. Our judgments regarding the existence of impairment indicators are based on, among other things, legal factors, market conditions, and operational performance. For example, the non-renewal of our health plan contracts with the state in which they operate may be an indicator of impairment.

If an event or events occur that would cause us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets, such revision could result in a non-cash impairment charge that could have a material impact on our results of operations in the period in which the impairment occurs.

An unauthorized disclosure of sensitive or confidential member information could have an adverse effect on our business.

As part of our normal operations, we collect, process and retain confidential member information. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including HIPAA and the Gramm-Leach-Bliley Act. The American Recovery and Reinvestment Act of 2009 further expands the coverage of HIPAA by, among other things, extending the privacy and security provisions, requiring new disclosures if a data breach occurs, mandating new regulations around electronic medical records, expanding enforcement mechanisms, allowing the state Attorneys General to bring enforcement actions and increasing penalties for violations. Despite the security measures we have in place to ensure compliance with applicable laws and rules, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential member information, whether by us or a third party, could have a material adverse effect on our business, financial condition, cash flows, or results of operations.
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities
First Quarter 2013

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased 1</th>
<th>Average Price Paid per Share</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</th>
<th>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1 – January 31, 2013</td>
<td>1,866</td>
<td>$ 42.88</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>February 1 – February 28, 2013</td>
<td>4,137</td>
<td>45.11</td>
<td>—</td>
<td>1,667,724</td>
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<tr>
<td>March 1 – March 31, 2013</td>
<td>6,356</td>
<td>46.97</td>
<td>—</td>
<td>1,667,724</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>12,359</strong></td>
<td><strong>$ 45.73</strong></td>
<td><strong>—</strong></td>
<td><strong>1,667,724</strong></td>
</tr>
</tbody>
</table>

1 Shares acquired represent shares relinquished to the Company by certain employees for payment of taxes or option cost upon vesting of restricted stock units or option exercise.

2 Our Board of Directors adopted a stock repurchase program which allows for repurchases of up to a remaining amount of 1,667,724 shares. No duration has been placed on the repurchase program.
ITEM 6. Exhibits.

Exhibits.

<table>
<thead>
<tr>
<th>EXHIBIT NUMBER</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1¹</td>
<td>Amendment D (Version 2.4) to the contract between the Texas Health and Human Services Commission and Bankers Reserve Life Insurance Company of Wisconsin, Inc. d.b.a. Superior HealthPlan Network</td>
</tr>
<tr>
<td>12.1</td>
<td>Computation of ratio of earnings to fixed charges.</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>32.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>101.1</td>
<td>XBRL Taxonomy Instance Document.</td>
</tr>
<tr>
<td>101.2</td>
<td>XBRL Taxonomy Extension Schema Document.</td>
</tr>
<tr>
<td>101.3</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document.</td>
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<tr>
<td>101.4</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document.</td>
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<tr>
<td>101.5</td>
<td>XBRL Taxonomy Extension Label Linkbase Document.</td>
</tr>
<tr>
<td>101.6</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document.</td>
</tr>
</tbody>
</table>

¹ The Company has requested confidential treatment of the redacted portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended, and has separately filed a complete copy of this exhibit with the Securities and Exchange Commission.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of April 23, 2013.

CENTENE CORPORATION

By:  /s/ MICHAEL F. NEIDORFF
    Chairman, President and Chief Executive Officer
    (principal executive officer)

By:  /s/ WILLIAM N. SCHEFFEL
    Executive Vice President and Chief Financial Officer
    (principal financial officer)

By:  /s/ JEFFREY A. SCHWANEKE
    Senior Vice President, Corporate Controller and Chief Accounting Officer
    (principal accounting officer)
(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-31826

CENTENE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 42-1406317
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

7700 Forsyth Boulevard 63105
St. Louis, Missouri (Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code:

(314) 725-4477

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.  See the definitions of “large accelerated filer”, “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act. Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of October 12, 2012, the registrant had 51,633,824 shares of common stock outstanding.

As of October 12, 2012, the registrant had 51,633,824 shares of common stock outstanding.
## PART I
### Financial Information

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<td>Financial Statements</td>
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<td>Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011 (unaudited)</td>
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<td></td>
<td>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2012 and 2011 (unaudited)</td>
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<td>Consolidated Statements of Comprehensive Earnings for the Three and Nine Months Ended September 30, 2012 and 2011 (unaudited)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Consolidated Statement of Stockholders’ Equity for the Nine Months Ended September 30, 2012 (unaudited)</td>
<td>3</td>
</tr>
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<td></td>
<td>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011 (unaudited)</td>
<td>4</td>
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<td></td>
<td>Notes to the Consolidated Financial Statements (unaudited)</td>
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### Part II
#### Other Information

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<td>Unregistered Sales of Equity Securities and Use of Proceeds</td>
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<tr>
<td>Item 6</td>
<td>Exhibits</td>
<td>39</td>
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<tr>
<td></td>
<td>Signatures</td>
<td>40</td>
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</tbody>
</table>
CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. We have attempted to identify these statements by terminology including “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “seek,” “target,” “goal,” “may,” “will,” “should,” “can,” “continue” and other similar words or expressions in connection with, among other things, any discussion of future operating or financial performance. In particular, these statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, including those entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Part II, Item 1A. “Risk Factors.” Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

All forward-looking statements included in this filing are based on information available to us on the date of this filing and we undertake no obligation to update or revise the forward-looking statements included in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Actual results may differ from projections or estimates due to a variety of important factors, including:

- our ability to accurately predict and effectively manage health benefits and other operating expenses;
- competition;
- membership and revenue projections;
- timing of regulatory contract approval;
- changes in healthcare practices;
- changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder;
- changes in expected contract start dates;
- inflation;
- provider and state contract changes;
- new technologies;
- reduction in provider payments by governmental payors;
- major epidemics;
- disasters and numerous other factors affecting the delivery and cost of healthcare;
- the expiration, cancellation or suspension of our Medicaid managed care contracts by state governments;
- availability of debt and equity financing, on terms that are favorable to us; and
- general economic and market conditions.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this release as the Company believes that these figures are helpful in allowing individuals to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently. The Company uses the presented non-GAAP financial measures such as internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.
ITEM 1. Financial Statements.

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$796,621</td>
<td>$573,698</td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>316,123</td>
<td>157,450</td>
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<tr>
<td>Short-term investments</td>
<td>139,920</td>
<td>130,499</td>
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<tr>
<td>Other current assets</td>
<td>123,841</td>
<td>78,363</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,376,505</td>
<td>940,010</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>559,714</td>
<td>506,140</td>
</tr>
<tr>
<td>Restricted deposits</td>
<td>33,509</td>
<td>26,818</td>
</tr>
<tr>
<td>Property, software and equipment, net</td>
<td>381,781</td>
<td>349,622</td>
</tr>
<tr>
<td>Goodwill</td>
<td>256,288</td>
<td>281,981</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>21,375</td>
<td>27,430</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>61,764</td>
<td>58,335</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$2,690,936</strong></td>
<td><strong>$2,190,336</strong></td>
</tr>
</tbody>
</table>

| **LIABILITIES AND STOCKHOLDERS’ EQUITY** |                    |                   |
| Current liabilities:                  |                    |                   |
| Medical claims liability              | $919,032 | $607,985 |
| Premium deficiency reserve            | 63,000 | — |
| Accounts payable and accrued expenses | 162,778 | 216,504 |
| Unearned revenue                     | 131,967 | 9,890 |
| Current portion of long-term debt     | 3,337 | 3,234 |
| **Total current liabilities**         | **1,280,114** | **837,613** |
| Long-term debt                       | 391,973 | 348,344 |
| Other long-term liabilities           | 61,785 | 67,960 |
| **Total liabilities**                 | **1,733,872** | **1,253,917** |

| Commitments and contingencies        |                    |                   |
| Stockholders’ equity:                |                    |                   |
| Common stock, $.001 par value; authorized 100,000,000 shares; 54,405,296 issued and 51,632,704 outstanding at September 30, 2012, and 53,586,726 issued and 50,864,618 outstanding at December 31, 2011 | 54 | 54 |
| Additional paid-in capital           | 458,741 | 421,981 |
| Accumulated other comprehensive income: |                    |                   |
| Unrealized gain on investments, net of tax | 6,702 | 5,761 |
| Retained earnings                   | 557,759 | 564,961 |
| Treasury stock, at cost (2,772,592 and 2,722,108 shares, respectively) | (59,277) | (57,123) |
| **Total Centene stockholders’ equity** | 963,979 | 935,634 |
| Noncontrolling interest             | (6,915) | 785 |
| **Total stockholders’ equity**       | **957,064** | **936,419** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.
## CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(UNAUDITED)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$2,184,061</td>
<td>$1,239,464</td>
</tr>
<tr>
<td>Service</td>
<td>28,403</td>
<td>25,817</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,212,464</td>
<td>1,265,281</td>
</tr>
<tr>
<td>Premium tax</td>
<td>235,657</td>
<td>36,754</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>2,448,121</td>
<td>1,302,035</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,036,999</td>
<td>1,053,320</td>
</tr>
<tr>
<td>Cost of services</td>
<td>21,744</td>
<td>20,229</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>181,073</td>
<td>142,934</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>235,946</td>
<td>37,005</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>2,475,762</td>
<td>1,253,488</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>(27,641)</td>
<td>48,547</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and other income</td>
<td>23,244</td>
<td>2,697</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(4,855)</td>
<td>(4,572)</td>
</tr>
<tr>
<td>Earnings (loss) from operations, before income tax expense</td>
<td>(9,252)</td>
<td>46,672</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>(9,547)</td>
<td>18,459</td>
</tr>
<tr>
<td><strong>Net earnings (loss)</strong></td>
<td>295</td>
<td>28,213</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(3,524)</td>
<td>(774)</td>
</tr>
<tr>
<td><strong>Net earnings (loss) attributable to Centene Corporation</strong></td>
<td>$3,819</td>
<td>$28,987</td>
</tr>
<tr>
<td><strong>Net earnings (loss) per common share attributable to Centene Corporation:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings (loss) per common share</td>
<td>$0.07</td>
<td>$0.58</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share</td>
<td>$0.07</td>
<td>$0.55</td>
</tr>
<tr>
<td><strong>Weighted average number of common shares outstanding:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>51,584,860</td>
<td>50,345,512</td>
</tr>
<tr>
<td>Diluted</td>
<td>53,806,197</td>
<td>52,620,350</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of these statements.
CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$295</td>
<td>$28,213</td>
</tr>
<tr>
<td>Reclassification adjustment, net of tax</td>
<td>1,023</td>
<td>195</td>
</tr>
<tr>
<td>Change in unrealized gains on investments, net of tax</td>
<td>(163)</td>
<td>(900)</td>
</tr>
<tr>
<td>Other comprehensive earnings (loss)</td>
<td>860</td>
<td>(705)</td>
</tr>
<tr>
<td>Comprehensive earnings (loss)</td>
<td>1,155</td>
<td>27,508</td>
</tr>
<tr>
<td>Comprehensive earnings (loss) attributable to the noncontrolling interest</td>
<td>(3,524)</td>
<td>(774)</td>
</tr>
<tr>
<td>Comprehensive earnings (loss) attributable to Centene Corporation</td>
<td>$4,679</td>
<td>$28,282</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of this statement.
### Table of Contents

**CENTENE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS’ EQUITY**  
(In thousands, except share data)  
(Unaudited)

**Nine Months Ended September 30, 2012**

<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Treasury Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.001 Par Value</td>
<td>Additional Paid-in Capital</td>
</tr>
<tr>
<td>Shares</td>
<td>Shares</td>
</tr>
</tbody>
</table>

**Comprehensive Earnings:**

- **Net earnings (loss)**: 
  - $7,202
  - $(8,732)
  - $(15,934)

- **Change in unrealized investment gain, net of $623 tax**: 
  - $941

- **Total comprehensive earnings (loss)**: 
  - $(14,993)

**Common stock issued for employee benefit plans**: 
- $818,570
- $12,297

**Common stock repurchases**: 
- $50,484
- $(2,154)

**Stock compensation expense**: 
- $18,417

**Excess tax benefits from stock compensation**: 
- $6,046

**Contribution from noncontrolling interest**: 
- $1,032

**Balance, September 30, 2012**: 
- $54,405,296
- $458,741
- $6,702
- $557,759
- $2,772,592
- $(59,277)
- $6,915
- $957,064

The accompanying notes to the consolidated financial statements are an integral part of this statement.
### CENTENE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF CASH FLOWS
### (In thousands)
### (Unaudited)

<table>
<thead>
<tr>
<th>Nine Months Ended September 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss)</td>
<td>$(15,934)</td>
<td>$79,099</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings (loss) to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>49,892</td>
<td>43,055</td>
</tr>
<tr>
<td>Stock compensation expense</td>
<td>18,417</td>
<td>13,263</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>28,033</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>(17,880)</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale of investments, net</td>
<td>(1,460)</td>
<td>(213)</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>8,488</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(19,318)</td>
<td>(223)</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium and related receivables</td>
<td>(139,414)</td>
<td>(13,306)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(23,487)</td>
<td>(6,667)</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,918</td>
<td>(1,230)</td>
</tr>
<tr>
<td>Medical claims liabilities</td>
<td>374,046</td>
<td>40,476</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>122,077</td>
<td>(65,183)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(59,872)</td>
<td>(11,414)</td>
</tr>
<tr>
<td><strong>Other operating activities</strong></td>
<td>(9,736)</td>
<td>3,528</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>307,282</td>
<td>89,673</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |     |
| Capital expenditures               | (70,601) | (56,938) |
| Purchases of investments           | (501,958) | (201,145) |
| Sales and maturities of investments | 434,009 | 180,124 |
| Investments in acquisitions, net of cash acquired | — | (3,192) |
| **Net cash used in investing activities** | (138,550) | (81,151) |

| **Cash flows from financing activities:** |     |
| Proceeds from exercise of stock options | 11,686 | 13,582 |
| Proceeds from borrowings               | 215,000 | 419,183 |
| Payment of long-term debt              | (177,422) | (415,475) |
| Excess tax benefits from stock compensation | 6,049 | 1,632 |
| Common stock repurchases               | (2,154) | (1,280) |
| Contribution from noncontrolling interest | 1,032 | 569 |
| Debt issue costs                       | —    | (9,242) |
| **Net cash provided by financing activities** | 54,191 | 8,969 |
| **Net increase in cash and cash equivalents** | 222,923 | 17,491 |

| **Cash and cash equivalents,** beginning of period | 573,698 | 434,166 |
| **Cash and cash equivalents,** end of period      | $796,621 | $451,657 |

**Supplemental disclosures of cash flow information:**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$12,127</td>
<td>$16,097</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>$34,001</td>
<td>$49,996</td>
</tr>
</tbody>
</table>

The accompanying notes to the consolidated financial statements are an integral part of these statements.
1. Basis of Presentation

The accompanying interim financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited financial statements included in the Form 10-K for the fiscal year ended December 31, 2011. The unaudited interim financial statements herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, footnote disclosures, which would substantially duplicate the disclosures contained in the December 31, 2011 audited financial statements, have been omitted from these interim financial statements where appropriate. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of the interim periods presented.

Certain 2011 amounts in the consolidated financial statements have been reclassified to conform to the 2012 presentation. These reclassifications have no effect on net earnings or stockholders’ equity as previously reported.

The Company reclassified certain Medical Costs and General & Administrative Expenses beginning with its financial results for the year ended December 31, 2011, as well as prior periods to conform to the current presentation, to more closely align to the National Association of Insurance Commissioners definition. For the three months ended September 30, 2011, the net impact of the reclassification increased Medical Costs and decreased General & Administrative Expense by $24,734. For the nine months ended September 30, 2011, the net impact of the reclassification increased Medical Costs and decreased General & Administrative Expense by $69,607.

2. Short-term and Long-term Investments and Restricted Deposits

Short-term and long-term investments and restricted deposits by investment type consist of the following:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>September 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$60,177</td>
<td>$760</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>257,161</td>
<td>5,844</td>
</tr>
<tr>
<td>Restricted certificates of deposit</td>
<td>5,891</td>
<td>—</td>
</tr>
<tr>
<td>Restricted cash equivalents</td>
<td>13,150</td>
<td>—</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>91,259</td>
<td>1,649</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>16,529</td>
<td>130</td>
</tr>
<tr>
<td>Revenue</td>
<td>85,281</td>
<td>1,804</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>92,225</td>
<td>—</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>74,126</td>
<td>1,294</td>
</tr>
<tr>
<td>Cost and equity method investments</td>
<td>10,958</td>
<td>—</td>
</tr>
<tr>
<td>Life insurance contracts</td>
<td>14,942</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$721,699</td>
<td>$11,481</td>
</tr>
</tbody>
</table>
The Company’s investments are classified as available-for-sale with the exception of life insurance contracts and certain cost and equity method investments. The Company’s investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets with the focus on high credit quality securities. The Company limits the size of investment in any single issuer other than U.S. treasury securities and obligations of U.S. government corporations and agencies. As of September 30, 2012, 38% of the Company’s investments in securities recorded at fair value that carry a rating by Moody’s or S&P were rated AAA, 68% were rated AA- or higher, and 99% were rated A- or higher. At September 30, 2012, the Company held certificates of deposit, life insurance contracts and cost and equity method investments which did not carry a credit rating.

The fair value of available-for-sale investments with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less Than 12 Months</td>
<td>12 Months or More</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>Unrealized Losses</td>
<td>Fair Value</td>
</tr>
<tr>
<td>obligations of U.S. government corporations and agencies</td>
<td>$ (4)</td>
<td>$ 1,196</td>
</tr>
<tr>
<td></td>
<td>$ (13)</td>
<td>$ 2,184</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>(6)</td>
<td>5,295</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Revenue</td>
<td>(25)</td>
<td>1,825</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$ (35)</td>
<td>$ 8,316</td>
</tr>
<tr>
<td></td>
<td>$ (841)</td>
<td>$ 61,948</td>
</tr>
</tbody>
</table>

As of September 30, 2012, the gross unrealized losses were generated from 8 positions out of a total of 376 positions. The decline in fair value of fixed income securities is a result of movement in interest rates subsequent to the purchase of the security.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If the security meets this criterion, the decline in fair value is other-than-temporary and is recorded in earnings. The Company does not intend to sell these securities prior to maturity and it is not likely that the Company will be required to sell these securities prior to maturity; therefore, there is no indication of other than temporary impairment for these securities.

The contractual maturities of short-term and long-term investments and restricted deposits are as follows:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investments</td>
<td>Restricted Deposits</td>
</tr>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>One year or less</td>
<td>$ 138,508</td>
<td>$ 139,920</td>
</tr>
<tr>
<td>One year through five years</td>
<td>423,533</td>
<td>432,717</td>
</tr>
<tr>
<td>Five years through ten years</td>
<td>37,331</td>
<td>37,444</td>
</tr>
<tr>
<td>Greater than ten years</td>
<td>88,860</td>
<td>89,553</td>
</tr>
<tr>
<td>Total</td>
<td>$ 688,232</td>
<td>$ 699,634</td>
</tr>
</tbody>
</table>

Actual maturities may differ from contractual maturities due to call or prepayment options. Asset backed securities are included in the one year through five years category, while equity securities and life insurance contracts are included in the five years through ten years category. The Company has an option to redeem at amortized cost substantially all of the securities included in the Greater than ten years category listed above.
Realized gains and losses are determined on the basis of specific identification or a first-in, first-out methodology, if specific identification is not practicable. The Company’s gross recorded realized gains and losses were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Gains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1,475</td>
<td>$107</td>
<td></td>
</tr>
<tr>
<td>Losses</td>
<td>(12)</td>
<td>(1)</td>
</tr>
<tr>
<td>Net realized gains</td>
<td>$1,463</td>
<td>$106</td>
</tr>
</tbody>
</table>

During the third quarter of 2012, the company recognized $1,463 in net gains primarily as a result of the liquidation of $75,468 of investments held by the Georgia health plan in order to meet short-term liquidity needs due to the delays in premium receipts.

The Company continuously monitors investments for other-than-temporary impairment. Certain investments have experienced a decline in fair value due to changes in credit quality, market interest rates and/or general economic conditions. The Company recognizes an impairment loss for cost and equity method investments when evidence demonstrates that it is other-than-temporarily impaired. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.

Investment amortization of $8,676 and $7,545 was recorded in the nine months ended September 30, 2012 and 2011, respectively.

3. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the extent to which the fair value estimates are based upon observable or unobservable inputs. Level inputs are as follows:

<table>
<thead>
<tr>
<th>Level Input:</th>
<th>Input Definition:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I</td>
<td>Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.</td>
</tr>
<tr>
<td>Level II</td>
<td>Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.</td>
</tr>
<tr>
<td>Level III</td>
<td>Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.</td>
</tr>
</tbody>
</table>
The following table summarizes fair value measurements by level at September 30, 2012, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th></th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 796,621</td>
<td>—</td>
<td>—</td>
<td>$ 796,621</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$ 34,409</td>
<td>$ 12,054</td>
<td>—</td>
<td>$ 46,463</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>—</td>
<td>262,999</td>
<td>—</td>
<td>262,999</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>92,908</td>
<td>—</td>
<td>92,908</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>—</td>
<td>16,659</td>
<td>—</td>
<td>16,659</td>
</tr>
<tr>
<td>Revenue</td>
<td>—</td>
<td>87,060</td>
<td>—</td>
<td>87,060</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>—</td>
<td>92,225</td>
<td>—</td>
<td>92,225</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>75,420</td>
<td>—</td>
<td>75,420</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 34,409</td>
<td>$ 639,325</td>
<td>—</td>
<td>$ 673,734</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 13,150</td>
<td>—</td>
<td>—</td>
<td>$ 13,150</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,891</td>
<td>—</td>
<td>—</td>
<td>5,891</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>13,958</td>
<td>$ 510</td>
<td>—</td>
<td>14,468</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$ 32,999</td>
<td>$ 510</td>
<td>—</td>
<td>$ 33,509</td>
</tr>
<tr>
<td>Other long-term assets: Interest rate swap contract</td>
<td>—</td>
<td>$ 17,196</td>
<td>—</td>
<td>$ 17,196</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 864,029</td>
<td>$ 657,031</td>
<td>—</td>
<td>$ 1,521,060</td>
</tr>
</tbody>
</table>

The following table summarizes fair value measurements by level at December 31, 2011, for assets and liabilities measured at fair value on a recurring basis:

<table>
<thead>
<tr>
<th></th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 573,698</td>
<td>—</td>
<td>—</td>
<td>$ 573,698</td>
</tr>
<tr>
<td>Investments available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>$ 17,091</td>
<td>$ 5,395</td>
<td>—</td>
<td>$ 22,486</td>
</tr>
<tr>
<td>Corporate securities</td>
<td>—</td>
<td>189,029</td>
<td>—</td>
<td>189,029</td>
</tr>
<tr>
<td>Municipal securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>—</td>
<td>129,608</td>
<td>—</td>
<td>129,608</td>
</tr>
<tr>
<td>Pre-refunded</td>
<td>—</td>
<td>33,712</td>
<td>—</td>
<td>33,712</td>
</tr>
<tr>
<td>Revenue</td>
<td>—</td>
<td>120,860</td>
<td>—</td>
<td>120,860</td>
</tr>
<tr>
<td>Variable rate demand notes</td>
<td>—</td>
<td>64,658</td>
<td>—</td>
<td>64,658</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>—</td>
<td>52,192</td>
<td>—</td>
<td>52,192</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 17,091</td>
<td>$ 595,454</td>
<td>—</td>
<td>$ 612,545</td>
</tr>
<tr>
<td>Restricted deposits available for sale:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 13,775</td>
<td>—</td>
<td>—</td>
<td>$ 13,775</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5,890</td>
<td>—</td>
<td>—</td>
<td>5,890</td>
</tr>
<tr>
<td>U.S. Treasury securities and obligations of U.S. government corporations and agencies</td>
<td>7,153</td>
<td>—</td>
<td>—</td>
<td>7,153</td>
</tr>
<tr>
<td>Total restricted deposits</td>
<td>$ 26,818</td>
<td>—</td>
<td>—</td>
<td>$ 26,818</td>
</tr>
<tr>
<td>Other long-term assets: Interest rate swap contract</td>
<td>—</td>
<td>$ 11,431</td>
<td>—</td>
<td>$ 11,431</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 617,607</td>
<td>$ 606,885</td>
<td>—</td>
<td>$ 1,224,492</td>
</tr>
</tbody>
</table>
The Company periodically transfers U.S. Treasury securities and obligations of U.S. government corporations and agencies between Level I and Level II fair value measurements dependent upon the level of trading activity for the specific securities at the measurement date. The Company’s policy regarding the timing of transfers between Level I and Level II is to measure and record the transfers at the end of the reporting period. At September 30, 2012, there were $1,818 of transfers from Level I to Level II and $3,612 of transfers from Level II to Level I. The Company utilizes matrix pricing services to estimate fair value for securities which are not actively traded on the measurement date. The Company designates these securities as Level II fair value measurements. The aggregate carrying amount of the Company’s life insurance contracts and other non-majority owned investments, which approximates fair value, was $25,900 and $24,094 as of September 30, 2012 and December 31, 2011, respectively.

4. Notes Receivable

Between July 2008 and October 2011, the Company made an investment of $30,000 in secured notes receivable to a third party as part of an investment in certain Medicaid and Medicare related businesses. The notes included a feature to convert the note balance into an equity ownership in the underlying businesses.

In September 2012, the Company executed an agreement with the borrower whereby the borrower agreed to pay the Company total consideration of $50,000 for retirement of the outstanding notes and equity ownership conversion feature. Under the terms of the agreement, the borrower agreed to pay the Company $30,000 by December 1, 2012, $10,000 by September 30, 2013 and $10,000 by September 30, 2014. All outstanding balances are secured by liens on certain underlying businesses as well as guaranteed personally by the principal owner of the businesses. The $10,000 notes to be paid on or before September 30, 2013 and September 30, 2014 are non-interest bearing and, as a result, total consideration has been discounted by $2,120 to reflect imputation of interest. As a result, during the third quarter of 2012, the Company recorded a pre-tax gain of $17,880 in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the Company’s balance sheet.

5. Premium Deficiency Reserve

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish medical costs. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs.

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services that it is exercising a contractual right that it believes allows Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. As a result, the Company recorded a premium deficiency reserve included in Medical costs expense of $63,000 for its Kentucky contract in the quarter ended September 30, 2012. The premium deficiency reserve encompasses the contract period from October 1, 2012 through July 5, 2013.

6. Debt

Debt consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes, at par</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Unamortized discount on Senior notes</td>
<td>(2,425)</td>
<td>(2,814)</td>
</tr>
<tr>
<td>Interest rate swap fair value</td>
<td>17,196</td>
<td>11,431</td>
</tr>
<tr>
<td>Senior notes, net</td>
<td>264,771</td>
<td>258,617</td>
</tr>
<tr>
<td>Revolving credit agreement</td>
<td>40,000</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage notes payable</td>
<td>84,810</td>
<td>86,948</td>
</tr>
<tr>
<td>Capital leases and other</td>
<td>5,729</td>
<td>6,013</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td><strong>395,310</strong></td>
<td><strong>351,578</strong></td>
</tr>
<tr>
<td>Less current portion</td>
<td>(3,337)</td>
<td>(3,234)</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td><strong>391,973</strong></td>
<td><strong>348,344</strong></td>
</tr>
</tbody>
</table>
In May 2011, the Company issued non-callable $250,000 5.75% Senior Notes due June 1, 2017 ($250,000 Notes) at a discount to yield 6%. At September 30, 2012, the unamortized debt discount was $2,425. In connection with the issuance, the Company entered into an interest rate swap. Gains and losses due to changes in the fair value of the interest rate swap completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $250,000 Notes. At September 30, 2012, the fair value of the interest rate swap increased the fair value of the notes by $17,196. At September 30, 2012, the variable interest rate of the swap was 3.92%.

Revolving Credit Agreement

The Company has a $350,000 revolving credit facility due in January 2016. The revolver is unsecured and has non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt to EBITDA ratios and minimum net worth. Borrowings under the revolver bear interest based upon LIBOR rates, the Federal funds rate, or the prime rate. As of September 30, 2012, the Company had $40,000 in borrowings outstanding under the agreement, leaving availability of $310,000.

The Company has outstanding letters of credit of $35,631 as of September 30, 2012, which are not part of the revolver. The letters of credit bore interest at 1.03% as of September 30, 2012.

7. Impairment Loss

During the second quarter of 2012, the Company's subsidiary, Celtic Insurance Company, experienced a high level of medical costs for individual health policies, especially for recently issued policies related to members converted from another insurer throughout the first quarter of 2012. Additionally, in June 2012, the U.S. Supreme Court upheld the constitutionality of the Patient Protection and Affordable Care Act. The Affordable Care Act, among other things, limits the profitability of the individual health insurance business because of minimum medical loss ratios, guaranteed issue policies, and increased competition in the exchange market. As a result of these factors, the Company's expectations for future growth and profitability are lower than previous estimates. The Company conducted an impairment analysis of the identifiable intangible assets and goodwill of the Celtic reporting unit, which encompasses Celtic Insurance Company, CeltiCare Health Plan of Massachusetts, Inc., and Novasys Health, Inc. For the purpose of testing goodwill, the fair value of the Celtic reporting unit was determined using discounted expected cash flows. For the purpose of testing the customer relationship intangible, the fair value was determined using the discounted expected cash flows. The impairment analysis resulted in goodwill and intangible asset impairments of $28,033, recorded as impairment loss in the consolidated statement of operations. The impaired identifiable intangible assets of $2,340 and goodwill of $25,693 were reported under the Specialty Services segment, of which $26,589 of the impairment loss is not deductible for income tax purposes.

8. Income Tax

During the third quarter of 2012, the Company recorded a tax benefit resulting from the clarification by a state taxing authority regarding a state income tax calculation. Accordingly, during the third quarter of 2012, the Company reversed the reserve associated with the uncertain tax position and recognized a net tax benefit of $4,569.
9. Earnings (Loss) Per Share

The following table sets forth the calculation of basic and diluted net earnings (loss) per common share:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings (loss) attributable to Centene Corporation</td>
<td>$3,819</td>
<td>$28,987</td>
</tr>
</tbody>
</table>

Shares used in computing per share amounts:

<table>
<thead>
<tr>
<th>Shares used in computing per share amounts</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of common shares outstanding</td>
<td>51,584,860</td>
<td>50,345,512</td>
<td>51,393,345</td>
<td>50,089,845</td>
</tr>
<tr>
<td>Common stock equivalents (as determined by applying the treasury stock method)</td>
<td>2,221,337</td>
<td>2,274,838</td>
<td>—</td>
<td>2,231,061</td>
</tr>
<tr>
<td>Weighted average number of common shares and potential dilutive common shares outstanding</td>
<td>53,806,197</td>
<td>52,620,350</td>
<td>51,393,345</td>
<td>52,320,906</td>
</tr>
</tbody>
</table>

Net earnings (loss) per share attributable to Centene Corporation:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings (loss) per common share</td>
<td>$0.07</td>
<td>$0.58</td>
<td>$(0.14)</td>
<td>$1.62</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share</td>
<td>$0.07</td>
<td>$0.55</td>
<td>$(0.14)</td>
<td>$1.55</td>
</tr>
</tbody>
</table>

The calculation of diluted earnings (loss) per common share for the three and nine months ended September 30, 2012 excludes the impact of 44,642 and 4,638,757 shares (before application of the treasury stock method), respectively, related to anti-dilutive stock options, restricted stock and restricted stock units. The calculation of diluted earnings per common share for the three and nine months ended September 30, 2011 excludes the impact of 69,359 and 97,004 shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units.

10. Segment Information

Centene operates in two segments: Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment consists of Centene’s health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene’s specialty companies offering products for behavioral health, care management software, health insurance exchanges, individual health insurance, life and health management, managed vision, telehealth services, and pharmacy benefits management. The health plans in Arizona, operated by our long-term care company, and Massachusetts, operated by our individual health insurance provider, are also included in the Specialty Services segment.

Segment information for the three months ended September 30, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$1,994,867</td>
<td>$217,597</td>
<td>—</td>
<td>$2,212,464</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>25,138</td>
<td>442,387</td>
<td>(467,525)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$2,020,005</td>
<td>$659,984</td>
<td>(467,525)</td>
<td>$2,212,464</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>$(55,363)</td>
<td>$27,722</td>
<td>—</td>
<td>$(27,641)</td>
</tr>
</tbody>
</table>

Segment information for the three months ended September 30, 2011, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$1,080,038</td>
<td>$185,243</td>
<td>—</td>
<td>$1,265,281</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>16,976</td>
<td>171,358</td>
<td>(188,334)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$1,097,014</td>
<td>$356,601</td>
<td>(188,334)</td>
<td>$1,265,281</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$38,837</td>
<td>$10,160</td>
<td>—</td>
<td>$48,547</td>
</tr>
</tbody>
</table>
Segment information for the nine months ended September 30, 2012, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$5,293,736</td>
<td>$643,795</td>
<td>—</td>
<td>$5,937,531</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>62,751</td>
<td>1,206,293</td>
<td>(1,269,044)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$5,356,487</td>
<td>$1,850,088</td>
<td>(1,269,044)</td>
<td>$5,937,531</td>
</tr>
<tr>
<td>Earnings (loss) from operations</td>
<td>$(69,846)</td>
<td>$29,657</td>
<td>—</td>
<td>$(40,189)</td>
</tr>
</tbody>
</table>

Segment information for the nine months ended September 30, 2011, follows:

<table>
<thead>
<tr>
<th></th>
<th>Medicaid Managed Care</th>
<th>Specialty Services</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and service revenues from external customers</td>
<td>$3,179,601</td>
<td>$542,857</td>
<td>—</td>
<td>$3,722,458</td>
</tr>
<tr>
<td>Premium and service revenues from internal customers</td>
<td>50,020</td>
<td>495,829</td>
<td>(545,849)</td>
<td>—</td>
</tr>
<tr>
<td>Total premium and service revenues</td>
<td>$3,229,621</td>
<td>$1,038,686</td>
<td>(545,849)</td>
<td>$3,722,458</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>$109,004</td>
<td>$33,943</td>
<td>—</td>
<td>$142,947</td>
</tr>
</tbody>
</table>

11. Contingencies

In June 2012, a class action lawsuit was filed against the Company and certain of its officers in the United States District Court for the Eastern District of Missouri. The lawsuit alleged, on behalf of purchasers of the Company's securities from February 7, 2012 through June 8, 2012, that the Company and certain of its officers violated federal securities laws by making false or misleading statements principally concerning the Company's fiscal 2012 earnings guidance. The Company believed the case was without merit. In September 2012, the plaintiff voluntarily dismissed the action without prejudice as to all claims and defendants.

In June 2012, the Company was notified by the Ohio Department of Job and Family Services (ODJFS) that Buckeye, its Ohio subsidiary, was awarded a contract to serve Medicaid members in Ohio. The award remains subject to an ongoing legal proceeding from another managed care organization that was not awarded a contract. At September 30, 2012, the Company continued to carry goodwill and intangible assets of $42,734 associated with Buckeye pending final resolution of the award.

In addition, the Company is routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters is uncertain, the Company does not expect the results of any of these matters discussed above individually, or in the aggregate, to have a material effect on its financial position or results of operations.

12. Kentucky Contract Termination

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services that it is exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. The Company has also filed a formal dispute with the Cabinet for damages incurred under the contract. In addition, the Company has filed a lawsuit in Franklin Circuit Court against the Commonwealth of Kentucky seeking declaratory relief as a result of the Commonwealth's failure to completely and accurately disclose material information.

During the fourth quarter of 2012 and during 2013, the Company expects to incur exit costs of approximately $5,000 to $7,000, consisting primarily of lease termination fees and employee retention and severance accruals. The exit costs will be recorded during the remaining period of the contract and subsequent wind down period and are not reflected in the financial results as of September 30, 2012.
ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing. The discussion contains forward-looking statements that involve both known and unknown risks and uncertainties, including those set forth under Part II, Item 1A. “Risk Factors” of this Form 10-Q.

OVERVIEW

During the third quarter of 2012, we recorded net earnings of $0.07 per diluted share reflecting the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings excluding Kentucky operations</td>
<td>$0.78</td>
</tr>
<tr>
<td>Loss from Kentucky operations</td>
<td>(0.31)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>0.47</td>
</tr>
<tr>
<td>Kentucky premium deficiency reserve</td>
<td>(0.69)</td>
</tr>
<tr>
<td>Gains on sales of investments</td>
<td>0.21</td>
</tr>
<tr>
<td>Tax benefit</td>
<td>0.08</td>
</tr>
<tr>
<td>Net earnings per diluted share</td>
<td>$0.07</td>
</tr>
</tbody>
</table>

During the third quarter of 2012, we recorded a $63.0 million pre-tax premium deficiency reserve for our Kentucky health plan contract covering the period from October 1, 2012 through July 5, 2013, or $0.69 per diluted share. We recorded a $17.9 million pre-tax gain on the sale of investment in a convertible note and $1.5 million in gains on the sale of investments in our Georgia health plan, or $0.21 per diluted share during the third quarter of 2012. We also recorded a $4.6 million tax benefit, or $0.08 per diluted share, associated with the clarification by a state regarding the items included in the state income tax calculation. These items are discussed below under the captions "Medical Costs," "Other Income (Expense)," and "Income Tax Expense."

Key financial metrics for the third quarter of 2012 are summarized as follows:

- Quarter-end at-risk managed care membership of 2,503,000, an increase of 887,300 members, or 55% year over year.
- Premium and service revenues of $2.2 billion, representing 75% growth year over year.
- Health Benefits Ratio of 93.3%, compared to 85.0% in 2011. Excluding the impact of our Kentucky operations, the HBR was 88.7% for the third quarter of 2012.
- General and Administrative expense ratio of 8.2%, compared to 11.3% in 2011.
- Operating cash flow of $317.2 million for the third quarter of 2012.

The following items contributed to our revenue and membership growth over the last year:

- **Arizona.** In October 2011, Bridgeway Health Solutions began operating under an expanded contract to deliver long-term care services in three geographic service areas of Arizona.
- **Illinois.** In May 2011, our subsidiary, IlliniCare Health Plan, began providing managed care services for older adults and adults with disabilities under the Integrated Care Program in six counties.
- **Kentucky.** In November 2011, our subsidiary, Kentucky Spirit Health Plan, began providing managed care services under a contract with the Kentucky Finance and Administration Cabinet to serve Medicaid beneficiaries.
- **Louisiana.** In February 2012, our joint venture subsidiary, Louisiana Healthcare Connections (LHC), began operating under a new contract in Louisiana to provide healthcare services to Medicaid enrollees participating in the Bayou Health program. LHC completed its three-phase membership roll-out for the three geographical service areas during the second quarter of 2012. In addition, Nurtur, our subsidiary which provides life, health and wellness programs, contracted to provide disease management services for state employees in Louisiana for the 2012 calendar year.
- **Missouri.** In July 2012, our subsidiary, Home State Health Plan, began operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in the Eastern, Central, and Western Managed Care Regions of the state.
- **Ohio.** In October 2011, Buckeye Community Health Plan, or Buckeye, began operating under an amended contract with the Ohio Department of Job and Family Services which includes the management of the pharmacy benefits for Buckeye’s members.
• **Texas.** In March 2012, the Company began operating under contracts in Texas that expanded its operations through new service areas including the 10 county Hidalgo Service Area and the Medicaid Rural Service Areas of West Texas, Central Texas and North-East Texas, as well as the addition of STAR+PLUS in the Lubbock Service Area. The expansion also added the management of outpatient pharmacy benefits in all service areas and products, as well as inpatient facility services for the STAR+PLUS program.

• **Washington.** In July 2012, we began operating under a new contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state, initially operating as Coordinated Care.

We expect the following items to contribute to our future growth potential:

• We expect to realize the continued benefit of business commenced during 2011 in Arizona, Illinois, Louisiana, Texas and Ohio as discussed above.

• In August 2012, we were notified by the Ohio Department of Job and Family Services (ODJFS) that Buckeye Community Health Plan (Buckeye), our Ohio subsidiary, was selected to serve Medicaid members in a dual-eligible demonstration program in three of Ohio's pre-determined seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton). This three-year program, which is part of the state of Ohio's Integrated Care Delivery System (ICDS) expansion, will serve those who have both Medicare and Medicaid eligibility. Enrollment is expected to begin in the second half of 2013.

• In June 2012, we were notified by the ODJFS that Buckeye, our Ohio subsidiary, was selected to be awarded a new and expanded contract to serve Medicaid members in Ohio. Under the new state contract, Buckeye will operate statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). The award remains subject to an ongoing legal proceeding from another managed care organization that was not awarded a contract. At September 30, 2012, we continued to carry goodwill and intangible assets of $42.7 million associated with Buckeye pending final resolution of the award. Enrollment is expected to begin in July 2013.

• In June 2012, our Kansas subsidiary, Sunflower State Health Plan, was awarded a statewide contract to serve members in the state's KanCare program, which includes TANF, ABD non-duals, long-term care and CHIP beneficiaries. Operations are expected to commence in the first quarter of 2013.

• In May 2012, we announced the Governor and Executive Council of New Hampshire had given approval for the Department of Health and Human Services to contract with our subsidiary, Granite State Health Plan, to serve Medicaid beneficiaries in New Hampshire. Operations are currently expected to commence in the first half of 2013.

In October 2012, we announced that our subsidiary, Kentucky Spirit Health Plan (Kentucky Spirit), notified the Cabinet for Health and Family Services that it is exercising a contractual right that it believes allows Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. Kentucky Spirit has also filed a formal dispute with the Cabinet for damages incurred under the contract. In addition, we have filed a lawsuit in Franklin Circuit Court against the Commonwealth of Kentucky seeking declaratory relief as a result of the Commonwealth's failure to completely and accurately disclose material information.

**MEMBERSHIP**

From September 30, 2011 to September 30, 2012, we increased our at-risk managed care membership by 887,300, or 54.9%. The following table sets forth our membership by state for our managed care organizations:
The following table sets forth our membership by line of business:

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>September 30,</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Medicaid</td>
<td>1,939,400</td>
<td>1,189,900</td>
</tr>
<tr>
<td>CHIP &amp; Foster Care</td>
<td>229,600</td>
<td>210,600</td>
</tr>
<tr>
<td>ABD &amp; Medicare</td>
<td>289,800</td>
<td>171,700</td>
</tr>
<tr>
<td>Hybrid Programs</td>
<td>35,700</td>
<td>38,400</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>8,500</td>
<td>5,100</td>
</tr>
<tr>
<td>Total at-risk membership</td>
<td>2,503,000</td>
<td>1,615,700</td>
</tr>
<tr>
<td>Non-risk membership</td>
<td>—</td>
<td>10,600</td>
</tr>
<tr>
<td>Total</td>
<td>2,503,000</td>
<td>1,626,300</td>
</tr>
</tbody>
</table>

The following table identifies the Company's dual eligible membership by line of business. The membership tables above include these members.

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>September 30,</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>ABD</td>
<td>76,900</td>
<td>34,000</td>
</tr>
<tr>
<td>Long-term Care</td>
<td>7,800</td>
<td>4,700</td>
</tr>
<tr>
<td>Medicare</td>
<td>4,000</td>
<td>3,100</td>
</tr>
<tr>
<td>Total</td>
<td>88,700</td>
<td>41,800</td>
</tr>
</tbody>
</table>

The following table provides supplemental information of other membership categories:

<table>
<thead>
<tr>
<th>Cenpatico Behavioral Health:</th>
<th>September 30,</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Arizona</td>
<td>162,000</td>
<td>175,500</td>
</tr>
<tr>
<td>Kansas</td>
<td>48,500</td>
<td>45,600</td>
</tr>
</tbody>
</table>

Cenpatico Behavioral Health members in Kansas will begin receiving benefits under the previously announced statewide contract to serve members in the state's KanCare program, estimated to commence in the first quarter of 2013.
RESULTS OF OPERATIONS

The following discussion and analysis is based on our consolidated statements of operations, which reflect our results of operations for the three and nine months ended September 30, 2012 and 2011, prepared in accordance with generally accepted accounting principles in the United States.

Summarized comparative financial data for the three and nine months ended September 30, 2012 and 2011 is as follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 2,184.1</td>
<td>$ 1,239.5</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>28.4</td>
<td>25.8</td>
</tr>
<tr>
<td>Premium and service revenues</td>
<td>2,212.5</td>
<td>1,265.3</td>
</tr>
<tr>
<td>Premium tax</td>
<td>235.6</td>
<td>36.8</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,448.1</td>
<td>1,302.1</td>
</tr>
<tr>
<td>Medical costs</td>
<td>2,037.0</td>
<td>1,053.3</td>
</tr>
<tr>
<td>Cost of services</td>
<td>21.7</td>
<td>20.2</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>181.1</td>
<td>143.0</td>
</tr>
<tr>
<td>Premium tax expense</td>
<td>235.9</td>
<td>37.0</td>
</tr>
<tr>
<td>Impairment loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>(27.6)</td>
<td>48.6</td>
</tr>
<tr>
<td>Investment and other income, net</td>
<td>18.4</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Earnings (loss) from operations, before income tax expense</td>
<td>(9.2)</td>
<td>46.6</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>(9.5)</td>
<td>18.4</td>
</tr>
<tr>
<td>Net earnings</td>
<td>0.3</td>
<td>28.2</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>(3.5)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Net earnings (loss) attributable to Centene Corporation</td>
<td>$ 3.8</td>
<td>$ 29.0</td>
</tr>
<tr>
<td>Diluted earnings (loss) per common share attributable to Centene Corporation</td>
<td>$ 0.07</td>
<td>$ 0.55</td>
</tr>
</tbody>
</table>


Revenues and Revenue Recognition

Premium and service revenues increased 74.9% in the three months ended September 30, 2012 over the corresponding period in 2011 primarily as a result of the additions between years of the Texas and Arizona expansions, pharmacy carve-ins in Texas and Ohio, Kentucky, Louisiana, Missouri and Washington contracts, and membership growth.

One of our states maintains a reconciliation process associated with membership eligibility and has continued to reconcile membership from previous periods. The amount of any reduction to revenue related to this review is subject to consideration of rate adequacy calculations, as part of actuarially soundness standards, for the appropriate periods. We have estimated the revenue impact related to reconciliation adjustments to the retroactive eligibility reductions due to the state and have adjusted our accrual in our consolidated financial statements. There can be no assurance that future adjustment of amounts related to membership reconciliations will not have a material adverse effect on the Company.

Operating Expenses

Medical Costs

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided. The table below depicts the HBR for our membership by member category for the three months ended September 30:
The consolidated HBR for the three months ended September 30, 2012 was 93.3% compared to 85.0% in the same period in 2011. The increase compared to last year primarily reflects the recognition of a $63.0 million premium deficiency reserve for our Kentucky contract as well as increased medical costs in Kentucky. Excluding our Kentucky health plan operations, the third quarter 2012 HBR was 88.7%.

In October 2012, we notified the Kentucky Cabinet for Health and Family Services that we are exercising a contractual right that we believe allows our Kentucky Spirit Health Plan to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. As a result, we recorded a premium deficiency reserve included in Medical costs expense of $63.0 million for the Kentucky Spirit Health Plan contract in the quarter ended September 30, 2012. This premium deficiency reserve encompasses the contract period from October 1, 2012 through July 5, 2013.

**General & Administrative Expenses**

General and administrative expenses, or G&A, increased by $38.1 million in the three months ended September 30, 2012, compared to the corresponding period in 2011. This was primarily due to expenses for additional staff and facilities to support our membership growth, partially offset by a reduction in performance based compensation expense in 2012.

The consolidated G&A expense ratio for the three months ended September 30, 2012, and 2011 was 8.2%, and 11.3%, respectively. The year over year decrease reflects the leveraging of expenses over higher revenues and a reduction in performance based compensation expense which lowered the ratio by 50 basis points.

**Other Income (Expense)**

The following table summarizes the components of other income (expense) for the three months ended September 30, ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$3.9</td>
<td>$2.5</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>1.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>17.9</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(4.9)</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$18.4</td>
<td>$(2.0)</td>
</tr>
</tbody>
</table>

**Investment income.** The increase in investment income in 2012 reflects an increase in investment balances over 2011.

**Gain on sale of investments.** During the third quarter of 2012, we recognized $1.5 million in net gains primarily as a result of the liquidation of $75.5 million of investments held by the Georgia health plan in order to meet short-term liquidity needs due to the delays in premium receipts.

**Gain on sale of investment in convertible note.** Between July 2008 and October 2011, we made an investment of $30.0 million in secured notes receivable to a third party as part of an investment in certain Medicaid and Medicare related businesses. The notes included a feature to convert the note balance into an equity ownership in the underlying businesses. In September 2012, we executed an agreement with the borrower whereby the borrower agreed to pay us total consideration of $50.0 million for retirement of the outstanding notes and equity ownership conversion feature. As a result, during the third quarter of 2012, we recorded a pre-tax gain of $17.9 million in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the balance sheet.

**Interest expense.** Interest expense was relatively flat in 2012 compared to 2011, reflecting a consistent interest rate on our Senior Notes.

**Income Tax Expense**

During the three months ended September 30, 2012, we recognized a tax benefit of $9.5 million compared to tax expense of $18.5 million in the corresponding period in 2011. During the third quarter of 2012, we recorded a tax benefit resulting from the clarification by a state taxing authority regarding a state income tax calculation. Accordingly, during the third quarter of 2012, we reversed the reserve associated with the uncertain tax position and recognized a net tax benefit of $4.6 million, or $0.08 per share. We expect the state income tax determination to have a favorable impact of approximately $2.5 million in 2013.
Table of Contents
Segment Results

The following table summarizes our operating results by segment for the three months ended September 30, (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>% Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium and Service Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$2,020.0</td>
<td>$1,097.0</td>
<td>84.1%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>660.0</td>
<td>356.6</td>
<td>85.1%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(467.5)</td>
<td>(188.3)</td>
<td>148.2%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$2,212.5</td>
<td>$1,265.3</td>
<td>74.9%</td>
</tr>
<tr>
<td><strong>Earnings (Loss) from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$(55.3)</td>
<td>$38.4</td>
<td>(244.2)%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>27.7</td>
<td>10.1</td>
<td>172.9%</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>$(27.6)</td>
<td>$48.5</td>
<td>(156.9)%</td>
</tr>
</tbody>
</table>

Medicaid Managed Care

Premium and service revenues increased 84.1% in the three months ended September 30, 2012, due to the addition of our Kentucky, Louisiana, Missouri and Washington contracts, Texas expansion, pharmacy carve-ins in Texas and Ohio, and membership growth. Earnings from operations decreased $93.7 million in the three months ended September 30, 2012, primarily due to the $63.0 million premium deficiency reserve recorded for our Kentucky health plan contract as well as an operating loss of $28.5 million in our Kentucky health plan.

Specialty Services

Premium and service revenues increased 85.1% in the three months ended September 30, 2012, due to the carve-in of pharmacy services in Texas and Ohio, growth in our Medicaid segment and the associated specialty services provided to this increased membership as well as the Arizona expansion. Earnings from operations increased $17.6 million in the three months ended September 30, 2012, reflecting growth in our pharmacy business and the associated specialty services provided to our increased Medicaid membership.


Premium and Service Revenues

Premium and service revenues increased 59.5% in the nine months ended September 30, 2012 over the corresponding period in 2011 as a result of the additions between years of our Illinois, Kentucky, Louisiana, Missouri and Washington contracts, Texas and Arizona expansions, pharmacy carve-ins in Texas and Ohio, and membership growth. During the nine months ended September 30, 2012, we received premium rate adjustments which yielded a net 2.0% composite change across all of our markets.

Operating Expenses

Medical Costs

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding premium taxes) and reflects the direct relationship between the premium received and the medical services provided. The table below depicts the HBR for our membership by member category for the nine months ended September 30:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid and CHIP</td>
<td>90.8%</td>
<td>82.3%</td>
</tr>
<tr>
<td>ABD and Medicare</td>
<td>93.4</td>
<td>90.3</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>92.5</td>
<td>87.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>91.7</td>
<td>84.9</td>
</tr>
</tbody>
</table>
The consolidated HBR for the nine months ended September 30, 2012, of 91.7% was an increase of 680 basis points over the comparable period in 2011. The increase compared to last year primarily reflects (1) the recognition of a $63.0 million premium deficiency reserve for our Kentucky contract as well as increased medical costs in Kentucky, (2) increased medical costs in the March 1, 2012 expansion areas in Texas during the second quarter of 2012, and (3) a high level of medical costs during the second quarter of 2012 in the individual health business, especially for recently issued policies related to members converted in the first quarter of 2012. Excluding our Kentucky operations, the HBR for the nine months ended September 30, 2012, was 89.1%.

**General & Administrative Expenses**

General and administrative expenses, or G&A, increased by $85.3 million in the nine months ended September 30, 2012, compared to the corresponding period in 2011. This was primarily due to expenses for additional staff and facilities to support our membership growth, partially offset by a reduction in performance based compensation expense in 2012.

The consolidated G&A expense ratio for the nine months ended September 30, 2012, was 89.1%. Excluding our Kentucky operations, the HBR for the nine months ended September 30, 2012, was 89.1%.

**Other Income (Expense)**

The following table summarizes the components of other income (expense) for the nine months ended September 30, ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$13.2</td>
<td>$9.2</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>1.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Gain on sale of investment in convertible note</td>
<td>17.9</td>
<td>—</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>—</td>
<td>(8.5)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(14.4)</td>
<td>(15.5)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$18.2</td>
<td>$(14.6)</td>
</tr>
</tbody>
</table>

*Investment income.* The increase in investment income in 2012 reflects an increase in investment balances over 2011.

*Gain on sale of investments.* During the third quarter of 2012, we recognized $1.5 million in net gains primarily as a result of the liquidation of $75.5 million of investments held by the Georgia health plan in order to meet short-term liquidity needs due to the delays in premium receipts.

*Gain on sale of investment in convertible note.* Between July 2008 and October 2011, we made an investment of $30.0 million in secured notes receivable to a third party as part of an investment in certain Medicaid and Medicare related businesses. The notes included a feature to convert the note balance into an equity ownership in the underlying businesses. In September 2012, we executed an agreement with the borrower whereby the borrower agreed to pay us total consideration of $50.0 million for retirement of the outstanding notes and equity ownership conversion feature. As a result, during the third quarter of 2012, we recorded a pre-tax gain of $17.9 million in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the balance sheet.

*Interest expense.* Interest expense decreased during the nine months ended September 30, 2012 by $1.1 million reflecting the refinancing of our Senior Notes and execution of the associated interest rate swap agreement in 2011, as well as a reduction in borrowings on our revolver over the prior period.

**Income Tax Expense**

Excluding the effects of noncontrolling interests, our effective tax rate for the nine months ended September 30, 2012 was a tax benefit of 45.7% compared to tax expense of 37.8% in the corresponding period in 2011. The tax benefit for the nine months ended September 30, 2012 primarily resulted from decreased earnings in 2012 and a tax benefit resulting from the clarification by a state taxing authority regarding a state income tax calculation. Accordingly, during the third quarter of 2012, we reversed the reserve associated with the uncertain tax position and recognized a net tax benefit of $4.6 million. These tax benefits were partially offset by Celtic's non-deductible goodwill impairment recorded in the second quarter of 2012.
Impairment Loss

During the second quarter of 2012, our subsidiary, Celtic Insurance Company, experienced a high level of medical costs for individual health policies, especially for recently issued policies related to members converted from another insurer throughout the first quarter of 2012. Additionally, in June 2012, the U.S. Supreme Court upheld the constitutionality of the Patient Protection and Affordable Care Act. The Affordable Care Act, among other things, limits the profitability of the individual health insurance business because of minimum medical loss ratios, guaranteed issue policies, and increased competition in the exchange market. As a result of these factors, our expectations for future growth and profitability are lower than previous estimates. We conducted an impairment analysis of the identifiable intangible assets and goodwill of the Celtic reporting unit, which encompasses Celtic Insurance Company, CeltiCare Health Plan of Massachusetts, Inc., and Novasys Health, Inc. The impairment analysis resulted in goodwill and intangible asset impairments of $28.0 million, recorded as impairment loss in the consolidated statement of operations. The impaired identifiable intangible assets of $2.3 million and goodwill of $25.7 million were reported under the Specialty Services segment, of which $26.6 million of the impairment loss is not deductible for income tax purposes.

Segment Results

The following table summarizes our operating results by segment for the nine months ended September 30, (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>% Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium and Service Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>$ 5,356.4</td>
<td>$ 3,229.6</td>
<td>65.9%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>1,850.1</td>
<td>1,038.7</td>
<td>78.1%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(1,269.0)</td>
<td>(545.8)</td>
<td>132.5%</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td>$ 5,937.5</td>
<td>$ 3,722.5</td>
<td>59.5%</td>
</tr>
<tr>
<td><strong>Earnings (Loss) from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Managed Care</td>
<td>(69.8)</td>
<td>109.0</td>
<td>(164.1)%</td>
</tr>
<tr>
<td>Specialty Services</td>
<td>29.6</td>
<td>33.9</td>
<td>(12.6)%</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td>(40.2)</td>
<td>142.9</td>
<td>(128.1)%</td>
</tr>
</tbody>
</table>

Medicaid Managed Care

Premium and service revenues increased 65.9% in the nine months ended September 30, 2012, due to the addition of our Illinois, Kentucky, Louisiana, Missouri and Washington contracts, Texas expansion, pharmacy carve-ins in Texas and Ohio, and membership growth. Earnings from operations decreased $178.8 million in the nine months ended September 30, 2012, primarily due to higher medical costs in our Texas health plan, a premium deficiency reserve of $63.0 million recorded for our Kentucky health plan contract and an operating loss of $65.9 million in our Kentucky health plan.

Specialty Services

Premium and service revenues increased 78.1% in the nine months ended September 30, 2012, due to the carve-in of pharmacy services in Texas and Ohio, growth in our Medicaid segment and the associated Specialty Services provided to this increased membership as well as the Arizona expansion. Earnings from operations decreased $4.3 million in the nine months ended September 30, 2012, reflecting the impairment loss of $28.0 million recorded in the second quarter of 2012 and a high level of medical costs in Celtic Insurance Company, especially for recently issued policies related to members converted in the first quarter of 2012, partially offset by growth in our pharmacy business and the associated Specialty Services provided to our increased Medicaid membership.

Earnings (Loss) Per Share and Shares Outstanding

Our earnings (loss) per share calculation for the nine months ended September 30, 2012 reflects lower diluted weighted average shares outstanding resulting from the exclusion of the effect of outstanding stock awards which would be anti-dilutive to earnings per share.
LIQUIDITY AND CAPITAL RESOURCES

Shown below is a condensed schedule of cash flows for the nine months ended September 30, 2012 and 2011, used in the discussion of liquidity and capital resources ($ in millions).

<table>
<thead>
<tr>
<th>Nine Months Ended September 30,</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$307.3</td>
<td>$89.7</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(138.6)</td>
<td>(81.2)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>54.2</td>
<td>9.0</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>$222.9</td>
<td>$17.5</td>
</tr>
</tbody>
</table>

**Cash Flows Provided by Operating Activities**

Normal operations are funded primarily through operating cash flows and borrowings under our revolving credit facility. Operating activities provided cash of $307.3 million in the nine months ended September 30, 2012, compared to $89.7 million in the comparable period in 2011. The cash provided by operations was primarily related to an increase in medical claims liabilities related to the start up of our Louisiana, Missouri and Washington plans and the expansion of our Texas health plan as well as pre-payment of premiums in two of our states.

Cash flows from operations in each year were impacted by the timing of payments we receive from our states. States may prepay the following month premium payment, which we record as unearned revenue, or they may delay our premium payment, which we record as a receivable. We typically receive capitation payments monthly, however the states in which we operate may decide to adjust their payment schedules which could positively or negatively impact our reported cash flows from operating activities in any given period. At June 30, 2012, receivables from the State of Georgia totaled approximately $221 million. As a result of capitation payments made during the third quarter 2012, receivables from the State of Georgia were reduced to approximately $106 million at September 30, 2012. The table below details the impact to cash flows from operations from the timing of payments from our states ($ in millions).

<table>
<thead>
<tr>
<th>Nine Months Ended September 30,</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and related receivables</td>
<td>$ (139.4)</td>
<td>$ (13.3)</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>122.1</td>
<td>(65.2)</td>
</tr>
<tr>
<td>Net decrease in operating cash flow</td>
<td>$ (17.3)</td>
<td>$ (78.5)</td>
</tr>
</tbody>
</table>

**Cash Flows Used in Investing Activities**

Investing activities used cash of $138.6 million in the nine months ended September 30, 2012 and $81.2 million in the comparable period in 2011. Cash flows from investing activities in 2012 and 2011 primarily consisted of additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long-term investments, and capital expenditures. As of September 30, 2012, our investment portfolio consisted primarily of fixed-income securities with an average duration of 2.2 years. We had unregulated cash and investments of $36.0 million at September 30, 2012, compared to $38.3 million at December 31, 2011.

We spent $70.6 million and $56.9 million in the nine months ended September 30, 2012 and 2011, respectively, on capital expenditures for system enhancements, a new datacenter and market expansions including $20.9 million for land in close proximity to our corporate headquarters to support future growth. We anticipate spending approximately $15 million additional on capital expenditures in 2012 primarily associated with system enhancements and market expansions.

**Cash Flows Provided by Financing Activities**

Our financing activities provided cash of $54.2 million in the nine months ended September 30, 2012 compared to $9.0 million in the comparable period in 2011. During 2012, our financing activities primarily related to borrowings under our revolving credit facility.

We had outstanding letters of credit of $35.6 million as of September 30, 2012, which are not part of our revolving credit facility. The letters of credit bore interest at 1.03% as of September 30, 2012. We expect the letters of credit to be reduced by $23.3 million during the fourth quarter 2012.
We expect to make capital contributions of approximately $200 million during the fourth quarter of 2012 associated with our growth. These capital contributions are expected to be funded by unregulated cash flow generation in the fourth quarter of 2012 and borrowings on our revolving credit facility.

At September 30, 2012, we had working capital, defined as current assets less current liabilities, of $96.4 million, as compared to $102.4 million at December 31, 2011. We manage our short-term and long-term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term requirements as needed.

At September 30, 2012, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 29.2%, compared to 27.3% at December 31, 2011. Excluding the $76.0 million non-recourse mortgage note, our debt to capital ratio is 25.0%, compared to 22.6% at December 31, 2011. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.

Based on our operating plan, we expect that our available cash, cash equivalents and investments, cash from our operations and cash available under our credit facility will be sufficient to finance our general operations and capital expenditures for at least 12 months from the date of this filing.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our operations are conducted through our subsidiaries. As managed care organizations, these subsidiaries are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state, and restrict the timing, payment and amount of dividends and other distributions that may be paid to us. Generally, the amount of dividend distributions that may be paid by a regulated subsidiary without prior approval by state regulatory authorities is limited based on the entity’s level of statutory net income and statutory capital and surplus.

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of September 30, 2012, our subsidiaries had aggregate statutory capital and surplus of $865.5 million, compared with the required minimum aggregate statutory capital and surplus requirements of $552.4 million. Excluding our Kentucky health plan, we estimate our Risk Based Capital, or RBC, percentage to be in excess of 350% of the Authorized Control Level.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of September 30, 2012, each of our health plans was in compliance with the risk-based capital requirements enacted in those states.
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

INVESTMENTS AND DEBT

As of September 30, 2012, we had short-term investments of $139.9 million and long-term investments of $593.2 million, including restricted deposits of $33.5 million. The short-term investments generally consist of highly liquid securities with maturities between three and 12 months. The long-term investments consist of municipal, corporate and U.S. Treasury securities, government sponsored obligations, life insurance contracts, asset backed securities and equity securities and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states’ requirements, these investments are classified as long-term regardless of the contractual maturity date. Our investments are subject to interest rate risk and will decrease in value if market rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at September 30, 2012, the fair value of our fixed income investments would decrease by approximately $13.0 million. Declines in interest rates over time will reduce our investment income.

We entered into interest rate swap agreements with creditworthy financial institutions to manage the impact of market interest rates on interest expense. Our swap agreements convert a portion of our interest expense from fixed to variable rates to better match the impact of changes in market rates on our variable rate cash equivalent investments. As a result, the fair value of our $250 million Senior Note debt varies with market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at September 30, 2012, the fair value of our debt would decrease by approximately $11.9 million. An increase in interest rates decreases the fair value of the debt and conversely, a decrease in interest rates increases the value.

For a discussion of the interest rate risk that our investments are subject to, see "Risk Factors–Risks Related to Our Business–Our investment portfolio may suffer losses from reductions in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity.”

INFLATION

The inflation rate for medical care costs has been higher than the inflation rate for all items. We use various strategies to mitigate the negative effects of healthcare cost inflation. Specifically, our health plans try to control medical and hospital costs through our state savings initiatives and contracts with independent providers of healthcare services. Through these contracted care providers, our health plans emphasize preventive healthcare and appropriate use of specialty and hospital services. Additionally, our contracts with states require actuarially sound premiums that include health care cost trend.

While we currently believe our strategies to mitigate healthcare cost inflation will continue to be successful, competitive pressures, new healthcare and pharmaceutical product introductions, demands from healthcare providers and customers, applicable regulations or other factors may affect our ability to control the impact of healthcare cost increases.


Evaluation of Disclosure Controls and Procedures - We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the filing of this Form 10-Q, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2012. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2012.

Changes in Internal Control Over Financial Reporting - No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
ITEM 1. Legal Proceedings.

In June 2012, a class action lawsuit was filed against the Company and certain of its officers in the United States District Court for the Eastern District of Missouri. The lawsuit alleged, on behalf of purchasers of the Company's securities from February 7, 2012 through June 8, 2012, that the Company and certain of its officers violated federal securities laws by making false or misleading statements principally concerning the Company's fiscal 2012 earnings guidance. The Company believed the case was without merit. In September 2012, the plaintiff voluntarily dismissed the action without prejudice as to all claims and defendants.

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services that it is exercising a contractual right that it believes allows the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. The Company has also filed a formal dispute with the Cabinet for damages incurred under the contract. In addition, the Company has filed a lawsuit in Franklin Circuit Court against the Commonwealth of Kentucky seeking declaratory relief as a result of the Commonwealth's failure to completely and accurately disclose material information.

ITEM 1A. Risk Factors.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND THE TRADING PRICE OF OUR COMMON STOCK

You should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. You should also refer to the other information in this filing, including our consolidated financial statements and related notes. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our Company.

Risks Related to Being a Regulated Entity

Reduction in Medicaid, CHIP and ABD funding could substantially reduce our profitability.

Most of our revenues come from Medicaid, CHIP and ABD premiums. The base premium rate paid by each state differs, depending on a combination of factors such as defined upper payment limits, a member’s health status, age, gender, county or region, benefit mix and member eligibility categories. Since Medicaid was created in 1965, the federal government and the states have shared the costs, with the federal share currently averaging around 57%. Future levels of Medicaid, CHIP and ABD funding and premium rates may be affected by continuing government efforts to contain healthcare costs and may further be affected by state and federal budgetary constraints.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act collectively referred to as the Affordable Care Act (ACA), were enacted. While the constitutionality of the ACA was subsequently challenged in a number of legal actions, in June 2012, the Supreme Court upheld the constitutionality of the ACA, with one limited exception relating to the Medicaid expansion provision. The Court held that states could not be required to expand Medicaid or risk losing all federal money for their existing Medicaid programs. Under the ACA, Medicaid coverage will be expanded to all individuals under age 65 with incomes up to 133% of the federal poverty level beginning January 1, 2014. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for 3 years, from 2014 through 2016. In 2017, the federal share declines to 95%; in 2018 it is 94%; in 2019 it is 93%; and it will be 90% in 2020 and subsequent years. States may delay Medicaid expansion after 2014 but the federal payment rates will be less. It is unknown as to what states will expand their Medicaid programs although certain states, including Florida, Louisiana, and Texas, have indicated that they will not do so.

Although states are currently required by law to maintain current Medicaid eligibility standards until at least 2014, at least one state has filed a lawsuit challenging the constitutionality of the “maintenance of effort” (MOE) provision based on the Supreme Court’s decision. States may also seek to reduce reimbursement or benefits to enable them to afford to maintain their eligibility levels.
States periodically consider reducing or reallocating the amount of money they spend for Medicaid, CHIP, Foster Care and ABD. The current adverse economic conditions have, and are expected to continue to, put pressures on state budgets as tax and other state revenues decrease while these eligible populations increase, creating more need for funding. We anticipate this will require government agencies with whom we contract to find funding alternatives, which may result in reductions in funding for current programs and program expansions, contraction of covered benefits, limited or no premium rate increases or premium decreases. In recent years, the majority of states have implemented measures to restrict Medicaid, CHIP, Foster Care and ABD costs and eligibility. If any state in which we operate were to decrease premiums paid to us, or pay us less than the amount necessary to keep pace with our cost trends, it could have a material adverse effect on our revenues and operating results.

Changes to Medicaid, CHIP, Foster Care and ABD programs could reduce the number of persons enrolled in or eligible for these programs, reduce the amount of reimbursement or payment levels, or increase our administrative or healthcare costs under these programs, all of which could have a negative impact on our business. Recent legislation generally requires that eligibility levels be maintained, but this could cause states to reduce reimbursement or reduce benefits in order to afford to maintain eligibility levels. A number of states have requested waivers to the requirements to maintain eligibility levels and legislation has been introduced that would eliminate the requirement that eligibility levels be maintained. We believe that reductions in Medicaid, CHIP, Foster Care and ABD payments could substantially reduce our profitability. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds.

If we are unable to participate in CHIP programs, our growth rate may be limited.

CHIP is a federal initiative designed to provide coverage for low-income children not otherwise covered by Medicaid or other insurance programs. The programs vary significantly from state to state. Participation in CHIP programs is an important part of our growth strategy. If states do not allow us to participate or if we fail to win bids to participate, our growth strategy may be materially and adversely affected.

If CHIP is not reauthorized or states face shortfalls, our business could suffer.

Federal support for CHIP has been authorized through 2019, with funding authorized through 2015. We cannot be certain that funding for CHIP will be reauthorized when current funding expires in 2015. Thus, we cannot predict the impact that reauthorization will have on our business.

States receive matching funds from the federal government to pay for their CHIP programs which have a per state annual cap. Because of funding caps, there is a risk that states could experience shortfalls in future years, which could have an impact on our ability to receive amounts owed to us from states in which we have CHIP contracts.

If any of our state contracts are terminated or are not renewed, our business will suffer.

We provide managed care programs and selected services to individuals receiving benefits under federal assistance programs, including Medicaid, CHIP and ABD. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. Our contracts with various states are generally intended to run for one or two years and may be extended for one or two additional years if the state or its agent elects to do so. Our current contracts are set to expire or renew between December 31, 2012 and December 31, 2016. When our contracts expire, they may be opened for bidding by competing healthcare providers. There is no guarantee that our contracts will be renewed or extended. For example, on April 12, 2010, the Wisconsin Department of Health Services notified us that our Wisconsin subsidiary was not awarded a Southeast Wisconsin BadgerCare Plus Managed Care contract. While we will continue to serve other regions of the state, we transitioned the affected members to other plans by November 1, 2010. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds. For example, the Indiana contract under which we operate can be terminated by the State without cause. Our contracts could also be terminated if we fail to perform in accordance with the standards set by state regulatory agencies. If any of our contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, our business will suffer, and our financial position, results of operations or cash flows may be materially affected.
Changes in government regulations designed to protect the financial interests of providers and members rather than our investors could force us to change how we operate and could harm our business.

Our business is extensively regulated by the states in which we operate and by the federal government. The applicable laws and regulations are subject to frequent change and generally are intended to benefit and protect the financial interests of health plan providers and members rather than investors. The enactment of new laws and rules or changes to existing laws and rules or the interpretation of such laws and rules could, among other things:

- force us to restructure our relationships with providers within our network;
- require us to implement additional or different programs and systems;
- mandate minimum medical expense levels as a percentage of premium revenues;
- restrict revenue and enrollment growth;
- require us to develop plans to guard against the financial insolvency of our providers;
- increase our healthcare and administrative costs;
- mandate minimum medical expense levels as a percentage of premium revenues;
- restrict revenue and enrollment growth;
- require us to develop plans to guard against the financial insolvency of our providers;
- increase our healthcare and administrative costs;
- impose additional capital and reserve requirements; and
- increase or change our liability to members in the event of malpractice by our providers.

The ACA also requires that proposed increases of 10% or more of premiums for most individual and small group insurance health insurance plans must be approved by state or federal officials (Rate Review Program).

Regulations may decrease the profitability of our health plans.

Certain states have enacted regulations which require us to maintain a minimum health benefits ratio, or establish limits on our profitability. Other states require us to meet certain performance and quality metrics in order to receive our full contractual revenue. In certain circumstances, our plans may be required to pay a rebate to the state in the event profits exceed established levels. These regulatory requirements, changes in these requirements or the adoption of similar requirements by other regulators may limit our ability to increase our overall profits as a percentage of revenues. Most states, including but not limited to Georgia, Indiana, Texas and Wisconsin have implemented prompt-payment laws and many states are enforcing penalty provisions for failure to pay claims in a timely manner. Failure to meet these requirements can result in financial fines and penalties. In addition, states may attempt to reduce their contract premium rates if regulators perceive our health benefits ratio as too low. Any of these regulatory actions could harm our financial position, results of operations or cash flows. Certain states also impose marketing restrictions on us which may constrain our membership growth and our ability to increase our revenues.

If we fail to comply with Medicare laws and regulation, our growth rate could be limited.

We feel there are potential growth opportunities in dual eligible markets to fully integrate care for dual eligible beneficiaries who are enrolled in both Medicaid and Medicare. The dual eligible population represents a disproportionate amount of state and federal health care spending yet less than 15 percent of dual eligibles are in comprehensive, managed care. As a result, states and the federal government have put dual eligibles on the fast track to managed care and dual eligibles are an important part of our growth strategy.

Although we believe that we substantially comply with all existing Medicare statutes and regulations applicable to our business, different interpretations and enforcement policies of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make significant changes to our operations. If we fail to comply with existing or future applicable Medicare laws and regulations, states may not allow us to continue to participate in dual eligible demonstration programs or we may fail to win bids to participate in such programs, and our growth strategy may be materially and adversely affected.

We face periodic reviews, audits and investigations under our contracts with state and federal government agencies, and these audits could have adverse findings, which may negatively impact our business.

We contract with various state and federal governmental agencies to provide managed healthcare services. Pursuant to these contracts, we are subject to various reviews, audits and investigations to verify our compliance with the contracts and applicable laws and regulations. Any adverse review, audit or investigation could result in:

- cancellation of our contracts;
- refunding of amounts we have been paid pursuant to our contracts;
- imposition of fines, penalties and other sanctions on us;
• loss of our right to participate in various markets;
• increased difficulty in selling our products and services; or
• loss of one or more of our licenses.

**Failure to comply with government regulations could subject us to civil and criminal penalties.**

Federal and state governments have enacted fraud and abuse laws and other laws to protect patients’ privacy and access to healthcare. In some states, we may be subject to regulation by more than one governmental authority, which may impose overlapping or inconsistent regulations. Violation of these and other laws or regulations governing our operations or the operations of our providers could result in the imposition of civil or criminal penalties, the cancellation of our contracts to provide services, the suspension or revocation of our licenses or our exclusion from participating in the Medicaid, CHIP, Foster Care and ABD programs. If we were to become subject to these penalties or exclusions as the result of our actions or omissions or our inability to monitor the compliance of our providers, it would negatively affect our ability to operate our business.

HIPAA broadened the scope of fraud and abuse laws applicable to healthcare companies. HIPAA created civil penalties for, among other things, billing for medically unnecessary goods or services. HIPAA established new enforcement mechanisms to combat fraud and abuse, including civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of protected health information. The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states’ Attorneys General in addition to the HHS Office of Civil Rights. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules.

We may incur significant costs as a result of compliance with government regulations, and our management will be required to devote time to compliance.

Many aspects of our business are affected by government laws and regulations. The issuance of new regulations, or judicial or regulatory guidance regarding existing regulations, could require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover from the states our costs of complying with these new regulations. The costs of any such future compliance efforts could have a material adverse effect on our business. We have already expended significant time, effort and financial resources to comply with the privacy and security requirements of HIPAA and will have to expend additional time and financial resources to comply with the HIPAA provisions contained in the American Recovery and Reinvestment Act of 2009 and the Patient Protection and Affordable Care Act and Health Care and Education Affordability Reconciliation Act. We cannot predict whether states will enact stricter laws governing the privacy and security of electronic health information. If any new requirements are enacted at the state or federal level, compliance would likely require additional expenditures and management time.

**Changes in healthcare law and benefits may reduce our profitability.**

Changes in applicable laws and regulations are continually being considered, and interpretations of existing laws and rules may also change from time to time. We are unable to predict what regulatory changes may occur or what effect any particular change may have on our business. For example, these changes could reduce the number of persons enrolled or eligible to enroll in Medicaid, reduce the reimbursement or payment levels for medical services or reduce benefits included in Medicaid coverage. We are also unable to predict whether new laws or proposals will favor or hinder the growth of managed healthcare in general.

Beginning in 2014, the ACA requires that policies of health insurance offered in individual and small group markets as well as Medicaid benchmark plans provide coverage of designated items and services known as essential health benefits. These must include at least 10 legally defined benefit categories. HHS has granted states significant flexibility in establishing what constitutes essential health benefits in their states. The diversity of essential health benefits across states will increase the complexity in managing health plans and may affect payments.

Initiatives have begun in at least 26 states to more efficiently care for people who are dually eligible for Medicare and Medicaid. As a result, hospitals are seeking higher Medicare reimbursement rates for these patients from insurers which could negatively impact profits.
The health care reform law and the implementation of that law could have a material adverse effect on our business, financial condition, cash flows, or results of operations.

The ACA provides comprehensive changes to the U.S. health care system, which are being phased in at various stages through 2018. The legislation imposes an annual insurance industry assessment of $8 billion starting in 2014, with increasing annual amounts thereafter. Such assessment may not be deductible for income tax purposes. If this federal premium tax is imposed as enacted, and if the cost of the federal premium tax is not included in the calculation of our rates, or if we are unable to otherwise adjust our business model to address this new tax, our results of operations, financial position and liquidity may be materially adversely affected.

There are numerous outstanding steps required to implement the legislation, including the promulgation of a substantial number of new and potentially more onerous federal regulations. Further, various health insurance reform proposals are also emerging at the state level. Because of the unsettled nature of these reforms and numerous steps required to implement them, we cannot predict what additional health insurance requirements will be implemented at the federal or state level, or the effect that any future legislation or regulation will have on our business or our growth opportunities.

Although we believe the legislation may provide us with significant opportunities to grow our business, the enacted reforms, as well as future regulations and legislative changes, may in fact have a material adverse affect on our results of operations, financial position or liquidity. If we fail to effectively implement our operational and strategic initiatives with respect to the implementation of health care reform, or do not do so as effectively as our competitors, our business may be materially adversely affected.

If a state fails to renew a required federal waiver for mandated Medicaid enrollment into managed care or such application is denied, our membership in that state will likely decrease.

States may administer Medicaid managed care programs pursuant to demonstration programs or required waivers of federal Medicaid standards. Waivers and demonstration programs are generally approved for two year periods and can be renewed on an ongoing basis if the state applies. We have no control over this renewal process. If a state does not renew such a waiver or demonstration program or the Federal government denies a state’s application for renewal, membership in our health plan in the state could decrease and our business could suffer.

Changes in federal funding mechanisms may reduce our profitability.

Changes in funding for Medicaid may affect our business. For example, on May 29, 2007, CMS issued a final rule that would reduce states’ use of intergovernmental transfers for the states’ share of Medicaid program funding. By restricting the use of intergovernmental transfers, this rule may restrict some states’ funding for Medicaid, which could adversely affect our growth, operations and financial performance. On May 23, 2008, the United States District Court for the District of Columbia vacated the final rule as improperly promulgated. On November 30, 2010, CMS issued final regulations that remove these provisions and restore the regulatory language that was in place before the 2007 regulations were issued. While this rule has been removed, we cannot predict whether another similar rule or any other rule that changes funding mechanisms will be promulgated, and if any are, what impact they will have on our business.

Legislative changes in the Medicare program may also affect our business. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 revised cost-sharing requirements for some beneficiaries and required states to reimburse the federal Medicare program for costs of prescription drug coverage provided to beneficiaries who are enrolled simultaneously in both the Medicaid and Medicare programs.

Medicaid spending by the federal government could be decreased as part of the spending cuts associated with the recent increase of the debt ceiling.

The Sequestration Transparency Act of 2012 (P.L. 112-155) requires President Obama to submit to Congress a report on the potential sequestration triggered by the failure of the Joint Selective Committee on Deficit Reduction to propose, and Congress to enact, a plan to reduce the deficit by $1.2 trillion, as required by the Budget Control Act of 2011. Under the sequestration, automatic spending cuts would become effective beginning January 2, 2013. This would result in cuts of 2% ($11.1 billion) to Medicare. However, Medicaid is exempt from the automatic spending cuts.
We cannot predict whether Congress will take any action to change the automatic spending cuts. Further, we cannot predict how states will react to any changes that occur at the federal level.

**If state regulatory agencies require a statutory capital level higher than the state regulations, we may be required to make additional capital contributions.**

Our operations are conducted through our wholly owned subsidiaries, which include health maintenance organizations, or HMOs, and managed care organizations, or MCOs. HMOs and MCOs are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state. Additionally, state regulatory agencies may require, at their discretion, individual HMOs to maintain statutory capital levels higher than the state regulations. If this were to occur to one of our subsidiaries, we may be required to make additional capital contributions to the affected subsidiary. Any additional capital contribution made to one of the affected subsidiaries could have a material adverse effect on our liquidity and our ability to grow.

**If state regulators do not approve payments of dividends and distributions by our subsidiaries to us, we may not have sufficient funds to implement our business strategy.**

We principally operate through our health plan subsidiaries. If funds normally available to us become limited in the future, we may need to rely on dividends and distributions from our subsidiaries to fund our operations. These subsidiaries are subject to regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny our subsidiaries’ request to pay dividends to us, the funds available to us would be limited, which could harm our ability to implement our business strategy.

**Risks Related to Our Business**

*Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.*

Our health plans rely on other state-operated systems or sub-contractors to qualify, solicit, educate and assign eligible members into the health plans. The effectiveness of these state operations and sub-contractors can have a material effect on a health plan’s enrollment in a particular month or over an extended period. When a state implements new programs to determine eligibility, new processes to assign or enroll eligible members into health plans, or chooses new contractors, there is an increased potential for an unanticipated impact on the overall number of members assigned into the health plans.

*Failure to accurately predict our medical expenses could negatively affect our financial position, results of operations or cash flows.*

Our medical expense includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified.

While we utilize our predictive modeling technology and our executive dashboard, we still cannot be sure that our medical claims liability estimates are adequate or that adjustments to those estimates will not unfavorably impact our results of operations. For example, in the three months ended June 30, 2006 we adjusted medical expense by $9.7 million for adverse medical costs development from the first quarter of 2006.

Additionally, when we commence operations in a new state or region, we have limited information with which to estimate our medical claims liability. For example, we commenced operations in Kentucky in November 2011, in Louisiana in February 2012, in Missouri and Washington in July 2012, expanded in Texas in March 2012, and expect to commence operations in New Hampshire and Kansas in 2013. For a period of time after the inception of business in these states, we base our estimates on state-provided historical actuarial data and limited actual incurred and received claims. The addition of new categories of individuals who are eligible for Medicaid under new legislation may pose the same difficulty in estimating our medical claims liability and utilization patterns.

From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. The accuracy of our medical claims liability estimate may also affect our ability to take timely corrective actions, further harming our results.
Assumptions and estimates are utilized in establishing premium deficiency reserves. In October 2012, we notified the Kentucky Cabinet for Health and Family Services that we were exercising a contractual right that we believes allows Kentucky Spirit to terminate its Medicaid managed care contract with the Commonwealth of Kentucky effective July 5, 2013. As a result, we recorded a premium deficiency reserve included in Medical costs expense of $63.0 million for the Kentucky contract in the quarter ended September 30, 2012. The premium deficiency reserve encompasses the contract period from October 1, 2012 through July 5, 2013. If our assumptions are inaccurate, our reserves may be inadequate to pay medical costs and there could be a material adverse effect on the results of operations and financial condition. In addition, if the contract is not terminated effective July 5, 2013, we may be required to increase our premium deficiency reserves and there could be a material adverse effect on the results of operations and financial condition.

**Receipt of inadequate or significantly delayed premiums would negatively affect our revenues, profitability or cash flows.**

Our premium revenues consist of fixed monthly payments per member and supplemental payments for other services such as maternity deliveries. These premiums are fixed by contract, and we are obligated during the contract periods to provide healthcare services as established by the state governments. We use a large portion of our revenues to pay the costs of healthcare services delivered to our members. If premiums do not increase when expenses related to medical services rise, our earnings will be affected negatively. In addition, our actual medical services costs may exceed our estimates, which would cause our health benefits ratio, or our expenses related to medical services as a percentage of premium revenue, to increase and our profits to decline. In addition, it is possible for a state to increase the rates payable to certain providers without granting a corresponding increase in premiums to us. If this were to occur in one or more of the states in which we operate, our profitability would be harmed. In addition, if there is a significant delay in our receipt of premiums to offset previously incurred health benefits costs, our cash flows or earnings could be negatively impacted.

In some instances, our base premiums are subject to an adjustment, or risk score, based on the acuity of our membership. Generally, the risk score is determined by the State analyzing encounter submissions of processed claims data to determine the acuity of our membership relative to the entire state’s Medicaid membership. The risk score is dependent on several factors including our providers’ completeness and quality of claims submission, our processing of the claim, submission of the processed claims in the form of encounters to the states’ encounter systems and the states’ acceptance and analysis of the encounter data. If the risk scores assigned to our premiums that are risk adjusted are not adequate or do not appropriately reflect the acuity of our membership, our earnings will be affected negatively.

**Failure to effectively manage our medical costs or related administrative costs or uncontrollable epidemic or pandemic costs would reduce our profitability.**

Our profitability depends, to a significant degree, on our ability to predict and effectively manage expenses related to health benefits. We have less control over the costs related to medical services than we do over our general and administrative expenses. Because of the narrow margins of our health plan business, relatively small changes in our health benefits ratio can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of use of healthcare services, hospital costs, pharmaceutical costs, major epidemics or pandemics, new medical technologies and other external factors, including general economic conditions such as inflation levels, are beyond our control and could reduce our ability to predict and effectively control the costs of providing health benefits. In 2009, the H1N1 influenza pandemic resulted in heightened costs due to increased physician visits and increased utilization of hospital emergency rooms and pharmaceutical costs. We cannot predict what impact an epidemic or pandemic will have on our costs in the future. Additionally, we may not be able to manage costs effectively in the future. If our costs related to health benefits increase, our profits could be reduced or we may not remain profitable.

**Our investment portfolio may suffer losses from changes in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity.**

As of September 30, 2012, we had $936.5 million in cash, cash equivalents and short-term investments and $593.2 million of long-term investments and restricted deposits. We maintain an investment portfolio of cash equivalents and short-term and long-term investments in a variety of securities which may include asset backed securities, bank deposits, commercial paper, certificates of deposit, money market funds, municipal bonds, corporate bonds, instruments of the U.S. Treasury and other government corporations and agencies, insurance contracts and equity securities. These investments are subject to general credit, liquidity, market and interest rate risks. Substantially all of these securities are subject to interest rate and credit risk and will decline in value if interest rates increase or one of the issuers’ credit ratings is reduced. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.
Our investments in state, municipal and corporate securities are not guaranteed by the United States government which could materially and adversely affect our results of operation, liquidity or financial condition.

As of September 30, 2012, we had $551.9 million of investments in state, municipal and corporate securities. These securities are not guaranteed by the United States government. State and municipal securities are subject to additional credit risk based upon each local municipality’s tax revenues and financial stability. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

Difficulties in executing our acquisition strategy could adversely affect our business.

Historically, the acquisition of Medicaid and specialty services businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets has accounted for a significant amount of our growth. Many of the other potential purchasers have greater financial resources than we have. In addition, many of the sellers are interested either in (a) selling, along with their Medicaid assets, other assets in which we do not have an interest or (b) selling their companies, including their liabilities, as opposed to the assets of their ongoing businesses.

We generally are required to obtain regulatory approval from one or more state agencies when making acquisitions. In the case of an acquisition of a business located in a state in which we do not currently operate, we would be required to obtain the necessary licenses to operate in that state. In addition, even if we already operate in a state in which we acquire a new business, we would be required to obtain additional regulatory approval if the acquisition would result in our operating in an area of the state in which we did not operate previously, and we could be required to renegotiate provider contracts of the acquired business. We cannot provide any assurance that we would be able to comply with these regulatory requirements for an acquisition in a timely manner, or at all. In deciding whether to approve a proposed acquisition, state regulators may consider a number of factors outside our control, including giving preference to competing offers made by locally owned entities or by not-for-profit entities.

We also may be unable to obtain sufficient additional capital resources for future acquisitions. If we are unable to effectively execute our acquisition strategy, our future growth will suffer and our results of operations could be harmed.

Execution of our growth strategy may increase costs or liabilities, or create disruptions in our business.

We pursue acquisitions of other companies or businesses from time to time. Although we review the records of companies or businesses we plan to acquire, even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities or adverse operating conditions, or an acquisition may not perform as well as expected. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses, or the capital expenditures needed to develop such businesses. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively without substantial expense, delay or other operational or financial problems. Integration may be hindered by, among other things, differing procedures, including internal controls, business practices and technology systems. We may need to divert more management resources to integration than we planned, which may adversely affect our ability to pursue other profitable activities.

In addition to the difficulties we may face in identifying and consummating acquisitions, we will also be required to integrate and consolidate any acquired business or assets with our existing operations. This may include the integration of:

• additional personnel who are not familiar with our operations and corporate culture;
• provider networks that may operate on different terms than our existing networks;
• existing members, who may decide to switch to another healthcare plan; or
• disparate administrative, accounting and finance, and information systems.

Additionally, our growth strategy includes start-up operations in new markets or new products in existing markets. We may incur significant expenses prior to commencement of operations and the receipt of revenue. As a result, these start-up operations may decrease our profitability. We also face the risk that we will not be able to integrate start-up operations into our existing operations effectively without substantial expense, delay or other operational or financial problems. In the event we pursue any opportunity to diversify our business internationally, we would become subject to additional risks, including, but not limited to, political risk, an unfamiliar regulatory regime, currency exchange risk and exchange controls, cultural and language differences, foreign tax issues, and different labor laws and practices.
 Accordingly, we may be unable to identify, consummate and integrate future acquisitions or start-up operations successfully or operate acquired or new businesses profitably.

**Acquisitions of unfamiliar new businesses could negatively impact our business.**

We are subject to the expenditures and risks associated with entering into any new line of business. Our failure to properly manage these expenditures and risks could have a negative impact on our overall business. For example, effective July 2008, we completed the previously announced acquisition of Celtic Group, Inc., the parent company of Celtic Insurance Company, or Celtic. Celtic is a national individual health insurance provider that provides health insurance to individual customers and their families. While we believed that the addition of Celtic would be complementary to our business, we had not previously operated in the individual health care industry.

**If competing managed care programs are unwilling to purchase specialty services from us, we may not be able to successfully implement our strategy of diversifying our business lines.**

We are seeking to diversify our business lines into areas that complement our Medicaid business in order to grow our revenue stream and balance our dependence on Medicaid risk reimbursement. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our Medicaid programs. Our inability to market specialty services to other programs may impair our ability to execute our business strategy.

**Failure to achieve timely profitability in any business would negatively affect our results of operations.**

Business expansion costs associated with a new business can be substantial. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place and demonstrate our ability to obtain a state contract and process claims. If we were unsuccessful in obtaining the necessary license, winning the bid to provide service or attracting members in numbers sufficient to cover our costs, any new business of ours would fail. We also could be obligated by the state to continue to provide services for some period of time without sufficient revenue to cover our ongoing costs or recover business expansion costs. The expenses associated with starting up a new business could have a significant impact on our results of operations if we are unable to achieve profitable operations in a timely fashion.

**Adverse credit market conditions may have a material adverse affect on our liquidity or our ability to obtain credit on acceptable terms.**

The securities and credit markets have been experiencing extreme volatility and disruption over the past several years. The availability of credit, from virtually all types of lenders, has been restricted. Such conditions may persist during 2012 and beyond. In the event we need access to additional capital to pay our operating expenses, make payments on our indebtedness, pay capital expenditures, or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant, particularly if we are unable to access our existing credit facility.

Our access to additional financing will depend on a variety of factors such as prevailing economic and credit market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, and perceptions of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms or at all. We believe that if credit could be obtained, the terms and costs of such credit could be significantly less favorable to us than what was obtained in our most recent financings.
We derive a majority of our premium revenues from operations in a small number of states, and our financial position, results of operations or cash flows would be materially affected by a decrease in premium revenues or profitability in any one of those states.

Operations in a few states have accounted for most of our premium revenues to date. If we were unable to continue to operate in any of our current states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative or other governmental or regulatory actions and decisions, economic conditions and similar factors in those states. For example, states we currently serve may bid out their Medicaid program through a Request for Proposal, or RFP, process. Our inability to continue to operate in any of the states in which we operate would harm our business.

**Competition may limit our ability to increase penetration of the markets that we serve.**

We compete for members principally on the basis of size and quality of provider network, benefits provided and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided. In addition, the impact of health care reform and potential growth in our segment may attract new competitors. Subject to limited exceptions by federally approved state applications, the federal government requires that there be choices for Medicaid recipients among managed care programs. Voluntary programs, increases in the number of competitors and mandated competition may limit our ability to increase our market share.

Some of the health plans with which we compete have greater financial and other resources and offer a broader scope of products than we do. In addition, significant merger and acquisition activity has occurred in the managed care industry, as well as in industries that act as suppliers to us, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

In addition, in order to increase our membership in the markets we currently serve, we believe that we must continue to develop and implement community-specific products, alliances with key providers and localized outreach and educational programs. If we are unable to develop and implement these initiatives, or if our competitors are more successful than we are in doing so, we may not be able to further penetrate our existing markets.

**If we are unable to maintain relationships with our provider networks, our profitability may be harmed.**

Our profitability depends, in large part, upon our ability to contract favorably with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians, specialists and hospitals generally may be cancelled by either party without cause upon 90 to 120 days prior written notice. We cannot provide any assurance that we will be able to continue to renew our existing contracts or enter into new contracts enabling us to service our members profitably.

From time to time providers assert or threaten to assert claims seeking to terminate non-cancelable agreements due to alleged actions or inactions by us. Even if these allegations represent attempts to avoid or renegotiate contractual terms that have become economically disadvantageous to the providers, it is possible that in the future a provider may pursue such a claim successfully. In addition, we are aware that other managed care organizations have been subject to class action suits by physicians with respect to claim payment procedures, and we may be subject to similar claims. Regardless of whether any claims brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

We will be required to establish acceptable provider networks prior to entering new markets. We may be unable to enter into agreements with providers in new markets on a timely basis or under favorable terms. If we are unable to retain our current provider contracts or enter into new provider contracts timely or on favorable terms, our profitability will be harmed.
We may be unable to attract and retain key personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team, including our chief executive officer, Michael F. Neidorff, who has been instrumental in developing our business strategy and forging our business relationships, our business and financial position, results of operations or cash flows could be harmed. Our ability to replace any departed members of our senior management or key employees may be difficult and may take an extended period of time because of the limited number of individuals in the Medicaid managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel.

Negative publicity regarding the managed care industry may harm our business and financial position, results of operations or cash flows.

The managed care industry has received negative publicity. This publicity has led to increased legislation, regulation, review of industry practices and private litigation in the commercial sector. These factors may adversely affect our ability to market our services, require us to change our services, and increase the regulatory burdens under which we operate. Any of these factors may increase the costs of doing business and adversely affect our financial position, results of operations or cash flows.

Claims relating to medical malpractice could cause us to incur significant expenses.

Our providers and employees involved in medical care decisions may be subject to medical malpractice claims. In addition, some states have adopted legislation that permits managed care organizations to be held liable for negligent treatment decisions, credentialing or benefits coverage determinations. Claims of this nature, if successful, could result in substantial damage awards against us and our providers that could exceed the limits of any applicable insurance coverage. Therefore, successful malpractice or tort claims asserted against us, our providers or our employees could adversely affect our financial condition and profitability. Even if any claims brought against us are unsuccessful or without merit, they would still be time consuming and costly and could distract our management’s attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

Loss of providers due to increased insurance costs could adversely affect our business.

Our providers routinely purchase insurance to help protect themselves against medical malpractice claims. In recent years, the costs of maintaining commercially reasonable levels of such insurance have increased dramatically, and these costs are expected to increase to even greater levels in the future. As a result of the level of these costs, providers may decide to leave the practice of medicine or to limit their practice to certain areas, which may not address the needs of Medicaid participants. We rely on retaining a sufficient number of providers in order to maintain a certain level of service. If a significant number of our providers exit our provider networks or the practice of medicine generally, we may be unable to replace them in a timely manner, if at all, and our business could be adversely affected.

Growth in the number of Medicaid-eligible persons could cause our financial position, results of operations or cash flows to suffer if state and federal budgets decrease or do not increase.

Less favorable economic conditions may cause our membership to increase as more people become eligible to receive Medicaid benefits. During such economic downturns, however, state and federal budgets could decrease, causing states to attempt to cut healthcare programs, benefits and rates. Additionally, the number of individuals eligible for Medicaid managed care will likely increase as a result of the health care reform legislation. We cannot predict the impact of changes in the United States economic environment or other economic or political events, including acts of terrorism or related military action, on federal or state funding of healthcare programs or on the size of the population eligible for the programs we operate. If federal or state funding decreases or remains unchanged while our membership increases, our results of operations will suffer.
Growth in the number of Medicaid-eligible persons may be countercyclical, which could cause our financial position, results of operations or cash flows to suffer when general economic conditions are improving.

Historically, the number of persons eligible to receive Medicaid benefits has increased more rapidly during periods of rising unemployment, corresponding to less favorable general economic conditions. Conversely, this number may grow more slowly or even decline if economic conditions improve. Therefore, improvements in general economic conditions may cause our membership levels to decrease, thereby causing our financial position, results of operations or cash flows to suffer, which could lead to decreases in our stock price during periods in which stock prices in general are increasing.

If we are unable to integrate and manage our information systems effectively, our operations could be disrupted.

Our operations depend significantly on effective information systems. The information gathered and processed by our information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our providers also depend upon our information systems for membership verifications, claims status and other information.

Our information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs and regulatory requirements. Moreover, our acquisition activity requires frequent transitions to or from, and the integration of, various information systems. We regularly upgrade and expand our information systems’ capabilities. If we experience difficulties with the transition to or from information systems or are unable to properly maintain or expand our information systems, we could suffer, among other things, from operational disruptions, loss of existing members and difficulty in attracting new members, regulatory problems and increases in administrative expenses. In addition, our ability to integrate and manage our information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists.

We rely on the accuracy of eligibility lists provided by state governments. Inaccuracies in those lists would negatively affect our results of operations.

Premium payments to us are based upon eligibility lists produced by state governments. From time to time, states require us to reimburse them for premiums paid to us based on an eligibility list that a state later discovers contains individuals who are not in fact eligible for a government sponsored program or are eligible for a different premium category or a different program. Alternatively, a state could fail to pay us for members for whom we are entitled to payment. Our results of operations would be adversely affected as a result of such reimbursement to the state if we had made related payments to providers and were unable to recoup such payments from the providers.

We may not be able to obtain or maintain adequate insurance.

We maintain liability insurance, subject to limits and deductibles, for claims that could result from providing or failing to provide managed care and related services. These claims could be substantial. We believe that our present insurance coverage and reserves are adequate to cover currently estimated exposures. We cannot provide any assurance that we will be able to obtain adequate insurance coverage in the future at acceptable costs or that we will not incur significant liabilities in excess of policy limits.

From time to time, we may become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management.

We are a defendant from time to time in lawsuits and regulatory actions relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business and financial position, results of operations or cash flows. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are costly and time consuming and require significant attention from our management. For example, we have been named in a recently-filed securities lawsuit seeking class action and we have in the past, or may be subject to in the future, IRS examinations, securities class action lawsuits or similar regulatory actions. Any such matters could harm our business and financial position, results of operations or cash flows.
An impairment charge with respect to our recorded goodwill and intangible assets could have a material impact on our results of operations.

Goodwill and other intangible assets were $309.4 million as of December 31, 2011 and $277.7 million as of September 30, 2012. We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may be impaired, in which case a charge to earnings may be necessary. Changes in business strategy, government regulations or economic or market conditions have resulted and may result in impairments of our goodwill and other intangible assets at any time in the future. Our judgments regarding the existence of impairment indicators are based on, among other things, legal factors, market conditions, and operational performance. For example, the non-renewal of our health plan contracts with the state in which they operate may be an indicator of impairment.

If an event or events occur that would cause us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets, such revision could result in a non-cash impairment charge that could have a material impact on our results of operations in the period in which the impairment occurs.

An unauthorized disclosure of sensitive or confidential member information could have an adverse effect on our business.

As part of our normal operations, we collect, process and retain confidential member information. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including HIPAA and the Gramm-Leach-Bliley Act. The American Recovery and Reinvestment Act of 2009 further expands the coverage of HIPAA by, among other things, extending the privacy and security provisions, requiring new disclosures if a data breach occurs, mandating new regulations around electronic medical records, expanding enforcement mechanisms, allowing the state Attorneys General to bring enforcement actions and increasing penalties for violations. Despite the security measures we have in place to ensure compliance with applicable laws and rules, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential member information, whether by us or a third party, could have a material adverse effect on our business, financial condition, cash flows, or results of operations.
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities
Third Quarter 2012

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased</th>
<th>Average Price Paid per Share</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</th>
<th>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1 – July 31, 2012</td>
<td>3,427</td>
<td>$36.67</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>August 1 – August 31, 2012</td>
<td>2,252</td>
<td>$40.21</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td>September 1 – September 30, 2012</td>
<td>3,941</td>
<td>$37.27</td>
<td>—</td>
<td>1,667,724</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,620</strong></td>
<td><strong>$37.74</strong></td>
<td>—</td>
<td><strong>1,667,724</strong></td>
</tr>
</tbody>
</table>

(1) Shares acquired represent shares relinquished to the Company by certain employees for payment of taxes or option cost upon vesting of restricted stock units or option exercise.
(2) Our Board of Directors adopted a stock repurchase program of up to 4,000,000 shares. No duration has been placed on the repurchase program.
## ITEM 6. Exhibits.

Exhibits.

<table>
<thead>
<tr>
<th>EXHIBIT NUMBER</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1(^1)</td>
<td>Amendment C (Version 2.3) to the contract between the Texas Health and Human Services Commission and Superior HealthPlan, Inc.</td>
</tr>
<tr>
<td>10.2(^*)</td>
<td>Amendment No. 3 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff</td>
</tr>
<tr>
<td>10.3(^*)</td>
<td>Amendment No. 1 to Executive Severance and Change in Control Agreement</td>
</tr>
<tr>
<td>12.1</td>
<td>Computation of ratio of earnings to fixed charges.</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Chairman, President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>32.2</td>
<td>Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>101.1</td>
<td>XBRL Taxonomy Instance Document.</td>
</tr>
<tr>
<td>101.2</td>
<td>XBRL Taxonomy Extension Schema Document.</td>
</tr>
<tr>
<td>101.3</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document.</td>
</tr>
<tr>
<td>101.4</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document.</td>
</tr>
<tr>
<td>101.5</td>
<td>XBRL Taxonomy Extension Label Linkbase Document.</td>
</tr>
<tr>
<td>101.6</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document.</td>
</tr>
</tbody>
</table>

\(^1\) The Company has requested confidential treatment of the redacted portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended, and has separately filed a complete copy of this exhibit with the Securities and Exchange Commission.

\(^*\) Indicates a management contract or compensatory plan or arrangement.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of October 23, 2012.

CENTENE CORPORATION

By: /s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)

By: /s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)

By: /s/ JEFFREY A. SCHWANEKE
Senior Vice President, Corporate Controller and Chief Accounting Officer
(principal accounting officer)

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Exhibit 10.1

EXPLANATORY NOTE: “***” INDICATES THE PORTION OF THIS EXHIBIT THAT HAS BEEN OMITTED AND SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

HHSC Contract No. 529-12-0002-00007-C

Part 1: Parties to the Contract:
This Contract is between the Texas Health and Human Services Commission (HHSC), an administrative agency within the executive department of the State of Texas, having its principal office at 4900 North Lamar Boulevard, Austin, Texas 78751, and Superior HealthPlan, Inc. (MCO) a corporation organized under the laws of the State of Texas, having its principal place of business at: 2100 South IH-35, Suite 202, Austin, Texas 78704. HHSC and MCO may be referred to in this Amendment individually as a “Party” and collectively as the “Parties.”

The Parties hereby agree to amend their original contract, HHSC contract number 529-12-0002-00007 (the "Contract") as set forth herein. The Parties agree that the terms of the Contract will remain in effect and continue to govern except to the extent modified in this Amendment.

This Amendment is executed by the Parties in accordance with the authority granted in Attachment A to the HHSC Managed Care Contract document, "HHSC Uniform Managed Care Contract Terms & Conditions," Article 8, "Amendments and Modifications."

<table>
<thead>
<tr>
<th>Part 2: Effective Date of Amendment:</th>
<th>Part 3: Contract Expiration Date</th>
<th>Part 4: Operational Start Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1, 2012</td>
<td>August 31, 2015</td>
<td>March 1, 2012</td>
</tr>
</tbody>
</table>

Part 5: MCO Brand Names

The MCO will use following brand name(s). The MCO acknowledges that if it requests a change to the brand name(s), it will be responsible for all costs associated with the change(s), including but not limited to HHSC's costs for modifying its business rules, system identifiers, communications materials, web page, etc.

STAR: Superior Health Plan
STAR+PLUS: Superior Health Plan
CHIP: Superior Health Plan
MRSA:

Part 6: Project Managers:

HHSC:
Scott Schalchlin
Director, Health Plan Operations
11209 Metric Boulevard, Building H
Austin, Texas 78758
Phone: 512-491-1866
Fax: 512-491-1969

MCO:
Stacey Hull
Vice President
2100 South IH-35, Suite 202
Austin, Texas 78704
Phone: 512-692-1465 Ext 22032
Fax: 866-702-4830
E-mail: shull@centene.com

Part 7: Deliver Legal Notices to:

HHSC:
General Counsel
4900 North Lamar Boulevard, 4th Floor
Austin, Texas 78751
Fax: 512-424-6586

MCO:
Superior HealthPlan
2100 South IH-35, Suite 202
Austin, Texas 78704
Fax: 866-702-4830
Part 8: MCO Programs and Service Areas:

This Contract applies to the following HHSC MCO Programs and Service Areas (check all that apply). All references in the Contract Attachments to MCO Programs or Service Areas that are not checked are superfluous and do not apply to the MCO.

☒ Medicaid STAR MCO Program

Service Areas:

☒ Bexar
☐ Dallas
☒ El Paso
☐ Harris
☐ Hidalgo
☐ Jefferson
☒ Lubbock
☐ Medicaid RSA - Central
☐ Medicaid RSA - Northeast
☒ Medicaid RSA - West
☐ Nueces
☐ Tarrant
☒ Travis

See Attachment B-4, “Map of Counties with MCO Program Service Areas,” for listing of counties included within the STAR Service Areas.

☒ Medicaid STAR+PLUS MCO Program

Service Areas:

☒ Bexar
☐ El Paso
☐ Harris
☐ Hidalgo
☐ Jefferson
☐ Lubbock
☐ Nueces
☐ Tarrant
☒ Travis

See Attachment B-4.2, “Map of Counties with STAR+PLUS MCO Program Service Areas,” for listing of counties included within the STAR+PLUS Service Areas.

☒ CHIP MCO Program

Service Areas:

☒ Bexar
☐ Dallas
☒ El Paso
☐ Harris
☐ Jefferson
☒ Lubbock
☐ Nueces
☐ Tarrant
☒ Travis

See Attachment B-4.1, “Map of Counties with MCO Program Service Areas,” for listing of counties included within the CHIP Service Areas.

Part 9: Payment

☒ Medicaid STAR MCO Program

Capitation: See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR Program. The following Rate Cells and Capitation Rates will apply to Rate Period 1:
<table>
<thead>
<tr>
<th>Service Area: Bexar</th>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 TANF Child &gt; 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>2 TANF child ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>3 TANF Adult</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>4 Pregnant Woman</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>5 Newborn ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>6 Expansion Child &gt; 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>7 Expansion child ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>8 Federal Mandate child</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>9 Delivery Supplemental Payment</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Service Area: El Paso</th>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 TANF Child &gt; 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>2 TANF child ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>3 TANF Adult</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>4 Pregnant Woman</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>5 Newborn ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>6 Expansion Child &gt; 12 months</td>
<td>***</td>
<td>***</td>
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</tr>
<tr>
<td>7 Expansion child ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>8 Federal Mandate child</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>9 Delivery Supplemental Payment</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Area: Lubbock</th>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 TANF Child &gt; 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>2 TANF child ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>3 TANF Adult</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>4 Pregnant Woman</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>5 Newborn ≤ 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>6 Expansion Child &gt; 12 months</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>7 Expansion child ≤ 12 months</td>
<td>***</td>
<td>***</td>
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</tr>
<tr>
<td>8 Federal Mandate child</td>
<td>***</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>9 Delivery Supplemental Payment</td>
<td>***</td>
<td>***</td>
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</table>
### Service Area: Nueces

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
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<td>***</td>
</tr>
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<td>3 TANF Adult</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>4 Pregnant Woman</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>5 Newborn ≤ 12 months</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>6 Expansion Child &gt; 12 months</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>7 Expansion child ≤ 12 months</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>8 Federal Mandate child</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>9 Delivery Supplemental Payment</td>
<td>***</td>
<td>***</td>
</tr>
</tbody>
</table>

### Service Area: Travis

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 TANF Child &gt; 12 months</td>
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<td>***</td>
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<tr>
<td>2 TANF child ≤ 12 months</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>3 TANF Adult</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>4 Pregnant Woman</td>
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<td>***</td>
</tr>
<tr>
<td>5 Newborn ≤ 12 months</td>
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<tr>
<td>9 Delivery Supplemental Payment</td>
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</table>

**Delivery Supplemental Payment:** See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Delivery Supplemental Payment for the STAR Program.

✔ **Medicaid STAR+PLUS MCO Program**

**Capitation:** See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the STAR+PLUS Program. The following Rate Cells will apply to Rate Period 1.

### STAR+PLUS Service Area: Bexar

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Medicaid Only Standard Rate</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2 Medicaid Only HCBS STAR +PLUS Waiver Rate - Above Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>3 Medicaid Only HCBS STAR +PLUS Waiver Rate - Below Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>4 Dual Eligible Standard Rate</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>5 Dual Eligible HCBS STAR +PLUS Waiver Rate - Above Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>6 Dual Eligible HCBS STAR +PLUS Waiver Rate - Below Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>7 Nursing Facility – Medicaid Only</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>8 Nursing Facility – Dual Eligible</td>
<td>***</td>
<td>***</td>
</tr>
</tbody>
</table>
### STAR+PLUS Service Area: Lubbock

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Medicaid Only Standard Rate</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2  Medicaid Only HCBS STAR +PLUS Waiver Rate - Above Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>3  Medicaid Only HCBS STAR +PLUS Waiver Rate - Below Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>4  Dual Eligible Standard Rate</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>5  Dual Eligible HCBS STAR +PLUS Waiver Rate - Above Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>6  Dual Eligible HCBS STAR +PLUS Waiver Rate - Below Floor</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>7  Nursing Facility – Medicaid Only</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>8  Nursing Facility – Dual Eligible</td>
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### STAR+PLUS Service Area: Nueces

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
</tr>
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<tbody>
<tr>
<td>1  Medicaid Only Standard Rate</td>
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<tr>
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<tr>
<td>3  Medicaid Only HCBS STAR +PLUS Waiver Rate - Below Floor</td>
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<td>***</td>
</tr>
<tr>
<td>4  Dual Eligible Standard Rate</td>
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<td>5  Dual Eligible HCBS STAR +PLUS Waiver Rate - Above Floor</td>
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<tr>
<td>7  Nursing Facility – Medicaid Only</td>
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<td>8  Nursing Facility – Dual Eligible</td>
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**CHIP MCO PROGRAM**

**Capitation:** See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,” Article 10, for a description of the Capitation Rate-setting methodology and the Capitation Payment requirements for the CHIP Program. The following Rate Cells and Capitation Rates will apply to Rate Period 1.

### Service Area: Bexar

<table>
<thead>
<tr>
<th>Rate Cell</th>
<th>Rate Period 1 Capitation Rates (3/1/12-8/31/12)</th>
<th>Rate Period 1 Capitation Rates (9/1/12-8/31/13)</th>
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<tbody>
<tr>
<td>1  &lt; Age 1</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>2  Ages 1 through 5</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>3  Ages 6 through 14</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>4  Ages 15 through 18</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>5  Perinate Newborn 0% to 185%</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>6  Perinate Newborn Above 185% to 200%</td>
<td>***</td>
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</tr>
<tr>
<td>7  Perinate 0% to 185%</td>
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<td>8  Perinate Above 185% to 200%</td>
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### Service Area: El Paso

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### Service Area: Nueces

<table>
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<tr>
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<td>(9/1/12-8/31/13)</td>
</tr>
<tr>
<td>&lt; Age 1</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>Ages 1 through 5</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
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<td>***</td>
</tr>
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<td>***</td>
</tr>
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<td>***</td>
</tr>
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<td>Perinate Newborn Above 185% to 200%</td>
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</tr>
<tr>
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<td>Perinate Above 185% to 200%</td>
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### Service Area: Travis

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<thead>
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<td>Perinate Above 185% to 200%</td>
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</table>

**Delivery Supplemental Payment:** See Attachment A, “HHSC Uniform Managed Care Contract Terms and Conditions,”
Article 10, for a description of the methodology for establishing the Delivery Supplemental Payment for the CHIP Program and CHIP Perinatal subprogram. The CHIP Delivery Supplemental Payment is *** for all Service Areas.

**Part 10: Contract Attachments:**

Modifications to Part 10 of the HHSC Managed Care Contract document, "Contract Attachments," are italicized below:

A: HHSC Uniform Managed Care Contract Terms & Conditions - *Version 2.2 is replaced with Version 2.3*

B: Scope of Work/Performance Measures - *Version 2.2 is replaced with Version 2.3 for all attachments, except if noted.*

B-1: HHSC RFP 529-12-0002, Sections 1-9*

B-2: STAR Covered Services
   - B-2.1 CHIP Covered Services
   - B-2.2 STAR+PLUS Covered Services

B-3: Deliverables/Liquidated Damages Matrix

B-4: Map of Counties with STAR MCO Program Service Areas
   - B-4.1 CHIP Service Area
   - B-4.2 STAR+PLUS Service Area
   - B-4.3 MRSA Service Areas

B-6: Texas MA Dual SNP Agreement -incorporated by reference only

C: MCO’s Proposal - Version 2.0

D. Corporate Guarantee - Version 2.0

*The following RFP addenda and attachments are incorporated herein by reference: Addenda 1-6 and the HHSC HUB Subcontracting Plan. All references in the Agreement to RFP addenda and attachments not incorporated herein by reference are superfluous. HHSC expressly rejects all assumptions, exceptions and reservations included in the MCO’s Proposal.

**Part 11: Signatures:**

The Parties have executed this Contract Amendment in their capacities as stated below with authority to bind their organizations on the dates set forth by their signatures. By signing this Amendment, the Parties expressly understand and agree that this Amendment is hereby made part of the Contract as though it were set out word for word in the Contract.

**Texas Health and Human Services Commission**

/s/ Billy Millwee
Billy Millwee
Deputy Executive Commissioner for Health Services
Date: 8/20/2012

**Superior HealthPlan, Inc.**

/s/ Thomas P. Wise
By: Thomas P. Wise
Title: President and CEO
Date: 7/24/2012
Texas Health & Human Services Commission

Uniform Managed Care Contract Terms & Conditions
Version 2.2

DOCUMENT HISTORY LOG

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<td>2.1</td>
<td>March 1, 2012</td>
<td>Definition “1915(c) Nursing Facility Waiver” is modified to correct a cross-reference. Definition for Medically Necessary is modified for clarification. The State has determined that all acute care behavioral health and non-behavioral health services for Medicaid children fall within the scope of Texas Health Steps. Note that for LTSS, such as PCS (PAS) services for children in STAR+PLUS, the functional necessity standard for LTSS also applies (see Attachment B-1, Section 8.3.3). Definition for Rate Period 1 is modified. Section 4.04 is modified to clarify the requirements for Medical Director designees, and to clarify that the provision does not apply to prior authorization determinations made by Texas licensed pharmacists. New Section 4.11 “Prohibition Against Performance Outside of the United States” added. Section 5.02(b) is modified to clarify that MCOs may not sell or transfer their Member base. Section 5.06(a)(2) is modified to clarify the exceptions to enrollment in an MCO during an Inpatient Stay. Section 5.06(a)(3) and (4) are modified to clarify that Members cannot move from FFS to an MCO or from one MCO to another during residential treatment or residential detoxification. References to the PCCM program are removed. In addition, Section 5.06(a)(8) is modified to clarify movement requirements for SSI Members in the MRSA. Section 10.06(b) is modified to remove the Perinate Newborn 0% - 185% rate cell. Section 10.10 is modified to consolidate STAR+PLUS with STAR and CHIP for the Experience Rebate calculation. Section 10.10.1 is deleted in its entirety. Section 10.10.2 is modified to consolidate STAR+PLUS into STAR and CHIP for the Experience Rebate calculation.</td>
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| 2.2      | June 1, 2012 | Definition for Consolidated FSR Report or Consolidated Basis is added.  
Definition for Financial Statistical Report is added.  
Definitions for FSR Reporting Period, FSR Reporting Period 12/13, and FSR Reporting Period 14 are added.  
Definition for Material Subcontract is modified.  
Definition for Net Income Before Taxes is modified.  
Definition for Pre-tax Income is modified.  
Definition for Program is added.  
Definition for Rate Period 1 and Rate Period 2 are modified.  
Section 10.10 is modified to consolidate the Experience Rebate across all contracts and all programs.  
Section 10.10.2 is modified to consolidate the Administrative Expense Cap across all contracts and all programs. |
| 2.3      | September 1, 2012 | Definition for Case Management for Children and Pregnant Women is modified to remove the acronym “CPW”.  
Definition for Community-based Long Term Services and Supports is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”.  
Definition for “1915(c) Nursing Facility Waiver” is modified to change the name to “HCBS STAR+PLUS Waiver” and to update references to “Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver” and “HCBS STAR+PLUS Waiver”.  
Definition for “HHSC MCO Programs or MCO Programs” is modified.  
Definition for “Medically Necessary” is modified.  
Definition for “Provider Materials” is added.  
Section 5.06(a)(4) is modified to clarify responsibility for payment.  
Section 5.11 is deleted in its entirety.  
Section 7.02 is modified to clarify that only applicable provisions of the listed laws apply to the contract.  
Section 10.05 is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”. |

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.  
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.  
3 Brief description of the changes to the document made in the revision.
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The purpose of this Contract is to set forth the terms and conditions for the MCO’s participation as a managed care organization in one (1) or more of the MCO Programs administered by HHSC. Under the terms of this Contract, MCO will provide comprehensive health care services to qualified Program recipients through a managed care delivery system.

Section 1.02 Risk-based contract.

This is a Risk-based contract.

Section 1.03 Inducements.

In making the award of this Contract, HHSC relied on MCO’s assurances of the following:

(1) MCO is a health maintenance organization, Approved Non-Profit Health Corporation (ANHC), or Exclusive Provider Organization that arranges for the delivery of Health Care Services, and is either (1) has received Texas Department of Insurance (TDI) licensure or approval as such an entity and is fully authorized to conduct business in the Service Areas, or (2) will receive TDI licensure or approval as such an entity and be fully authorized to conduct business in all Service Areas no later than 60 calendar days after HHSC executes this Contract;
(2) MCO and the MCO Administrative Service Subcontractors have the skills, qualifications, expertise, financial resources and experience necessary to provide the Services and Deliverables described in the RFP, MCO’s Proposal, and this Contract in an efficient, cost-effective manner, with a high degree of quality and responsiveness, and has performed similar services for other public or private entities;
(3) MCO has thoroughly reviewed, analyzed, and understood the RFP, has timely raised all questions or objections to the RFP,
and has had the opportunity to review and fully understand HHSC’s current program and operating environment for the activities that are the subject of the Contract and the needs and requirements of the State during the Contract term;
(4) MCO has had the opportunity to review and understand the State’s stated objectives in entering into this Contract and, based on such review and understanding, MCO currently has the capability to perform in accordance with the terms and conditions of this Contract;
(5) MCO also has reviewed and understands the risks associated with the MCO Programs as described in the RFP, including the risk of non-appropriation of funds.
Accordingly, on the basis of the terms and conditions of this Contract, HHSC desires to engage MCO to perform the Services and provide the Deliverables described in this Contract under the terms and conditions set forth in this Contract.

Section 1.04 Construction of the Contract.

(a) Scope of Introductory Article.
The provisions of any introductory article to the Contract are intended to be a general introduction and are not intended to expand the scope of the Parties’ obligations under the Contract or to alter the plain meaning of the terms and conditions of the Contract.
(b) References to the “State.”
References in the Contract to the “State” must mean the State of Texas unless otherwise specifically indicated and must be interpreted, as appropriate, to mean or include HHSC and other agencies of the State of Texas that may participate in the administration of the MCO Programs, provided, however, that no provision will be interpreted to include any entity other than HHSC as the contracting agency.
(c) Severability.
If any provision of this Contract is construed to be illegal or invalid, such interpretation will not affect the legality or validity of any of its other provisions. The illegal or invalid provision will be deemed stricken and deleted to the same extent and effect as if never incorporated in this Contract, but all other provisions will remain in full force and effect.
(d) Survival of terms.
Termination or expiration of this Contract for any reason will not release either Party from any liabilities or obligations set forth in this Contract that:
(1) The Parties have expressly agreed must survive any such termination or expiration; or
(2) Arose prior to the effective date of termination and remain to be performed or by their nature would be intended to be applicable following any such termination or expiration.
(e) Headings.
The article, section and paragraph headings in this Contract are for reference and convenience only and may not be considered in the interpretation of this Contract.
(f) Global drafting conventions.
(1) The terms “include,” “includes,” and “including” are terms of inclusion, and where used in this Contract, are deemed to be followed by the words “without limitation.”
(2) Any references to “sections,” “appendices,” “exhibits” or “attachments” are deemed to be references to sections, appendices, exhibits or attachments to this Contract.
(3) Any references to laws, rules, regulations, and manuals in this Contract are deemed references to these documents as amended, modified, or supplemented from time to time during the term of this Contract.

Section 1.05 No implied authority.
The authority delegated to MCO by HHSC is limited to the terms of this Contract. HHSC is the state agency designated by the Texas Legislature to administer the MCO Programs, and no other agency of the State grants MCO any authority related to this program unless directed through HHSC. MCO may not rely upon implied authority, and specifically is not delegated authority under this Contract to:
(1) make public policy;
(2) promulgate, amend or disregard administrative regulations or program policy decisions made by State and federal agencies responsible for administration of HHSC Programs; or
(3) unilaterally communicate or negotiate with any federal or state agency or the Texas Legislature on behalf of HHSC regarding the HHSC Programs.
MCO is required to cooperate to the fullest extent possible to assist HHSC in communications and negotiations with state and federal governments and agencies concerning matters relating to the scope of the Contract and the MCO Program(s), as directed by HHSC.

Section 1.06 Legal Authority.
Article 2. Definitions

As used in this Contract, the following terms and conditions must have the meanings assigned below:

1915(c) Nursing Facility Waiver or 1915(c) STAR+PLUS Waiver (SPW) means the HHSC waiver program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Should HHSC begin operating this waiver program under a 1115 Waiver structure, then references to the 1915(c) Nursing Facility Waiver or SPW will mean the home and community based services component of the 1115 Waiver for Members who qualify for the additional services described in Attachment B-2, “STAR+PLUS Covered Services,” under the heading “1915(c) STAR+PLUS Waiver Services for those Members who qualify for such services.”

AAP means the American Academy of Pediatrics.

Abuse means provider practices that are inconsistent with sound fiscal, business, or medical practices and result in an unnecessary cost to the Medicaid or CHIP Program, or in reimbursement for services that are not Medically Necessary or that fail to meet professionally recognized standards for health care. It also includes Member practices that result in unnecessary cost to the Medicaid or CHIP Program.

Account Name means the name of the individual who lives with the child(ren) and who applies for the Children’s Health Insurance Program coverage on behalf of the child(ren).

Action (Medicaid only) means:
(1) the denial or limited authorization of a requested Medicaid service, including the type or level of service;
(2) the reduction, suspension, or termination of a previously authorized service;
(3) the denial in whole or in part of payment for service;
(4) the failure to provide services in a timely manner;
(5) the failure of an MCO to act within the timeframes set forth in the Contract and 42 C.F.R. §438.408(b); or
(6) for a resident of a rural area with only one (1) MCO, the denial of a Medicaid Members’ request to obtain services outside of the Network.

An Adverse Determination is one (1) type of Action.

Acute Care means preventive care, primary care, and other medical care provided under the direction of a physician for a condition having a relatively short duration.

Acute Care Hospital means a Hospital that provides Acute Care Services.

Adjudicate means to deny or pay a Clean Claim.

Administrative Services see MCO Administrative Services.

Administrative Services Contractor see HHSC Administrative Services Contractor.

Adverse Determination means a determination by an MCO or Utilization Review agent that the Health Care Services furnished, or proposed to be furnished to a patient, are not Medically Necessary or not appropriate.

Affiliate means any individual or entity that meets any of the following criteria:
(1) owns or holds more than a five percent (5%) interest in the MCO (either directly, or through one (1) or more intermediaries);
(2) in which the MCO owns or holds more than a five percent (5%) interest (either directly, or through one (1) or more intermediaries);
(3) any parent entity or subsidiary entity of the MCO, regardless of the organizational structure of the entity;
(4) any entity that has a common parent with the MCO (either directly, or through one (1) or more intermediaries);
(5) any entity that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the MCO; or
(6) any entity that would be considered to be an affiliate by any Securities and Exchange Commission (SEC) or Internal Revenue Service (IRS) regulation, Federal Acquisition Regulations (FAR), or by another applicable regulatory body.

Agreement or Contract means this formal, written, and legally enforceable contract and amendments thereto between the Parties.

Allowable Expenses means all expenses related to the Contract between HHSC and the MCO that are incurred during the Contract Period, are not reimbursable or recovered from another source, and that conform with the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

Appeal (CHIP and CHIP Perinatal Program only) means the formal process by which a Utilization Review agent addresses Adverse Determinations.

Appeal (Medicaid only) means the formal process by which a Member or his or her representative request a review of the
MCO’s Action, as defined above.

Approved Non-Profit Health Corporation (ANHC) means an organization formed in compliance with Chapter 844 of the Texas Insurance Code and licensed by TDI. See also MCO.

Auxiliary Aids and Services includes:
(1) qualified interpreters or other effective methods of making aurally delivered materials understood by persons with hearing impairments;
(2) taped texts, large print, Braille, or other effective methods to ensure visually delivered materials are available to individuals with visual impairments; and
(3) other effective methods to ensure that materials (delivered both aurally and visually) are available to those with cognitive or other Disabilities affecting communication.

Batch Processing means a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. In managed care, batch billing is a technique that allows providers to send billing information all at once in a “batch” rather than in separate individual transactions.

Behavioral Health Services means Covered Services for the treatment of mental, emotional, or chemical dependency disorders.

Benchmark means a target or standard based on historical data or an objective/goal.

Business Continuity Plan or BCP means a plan that provides for a quick and smooth restoration of MIS operations after a disruptive event. BCP includes business impact analysis, BCP development, testing, awareness, training, and maintenance. This is a day-to-day plan.

Business Day means any day other than a Saturday, Sunday, or a state or federal holiday on which HHSC’s offices are closed, unless the context clearly indicates otherwise.

CAHPS means the Consumer Assessment of Health Plans Survey. This survey is conducted annually by the EQRO.

Call Coverage means arrangements made by a facility or an attending physician with an appropriate level of health care provider who agrees to be available on an as-needed basis to provide medically appropriate services for routine, high risk, or Emergency Medical Conditions or Emergency Behavioral Health Conditions that present without being scheduled at the facility or when the attending physician is unavailable.

Capitation Payment means the aggregate amount paid by HHSC to the MCO on a monthly basis for the provision of Covered Services to enrolled Members in accordance with the Capitation Rates in the Contract.

Capitation Rate means a fixed predetermined fee paid by HHSC to the MCO each month in accordance with the Contract, for each enrolled Member in a defined Rate Cell, in exchange for the MCO arranging for or providing a defined set of Covered Services to such a Member, regardless of the amount of Covered Services used by the enrolled Member.

Case Head means the head of the household that is applying for Medicaid.

Case Management for Children and Pregnant Women is a Medicaid program for children with a health condition/health risk, birth through 20 years of age and for women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.


Chemical Dependency Treatment means treatment provided for a chemical dependency condition by a Chemical Dependency Treatment facility, chemical dependency counselor or Hospital.

Child (or Children) with Special Health Care Needs (CSHCN) means a child (or children) who:
(1) ranges in age from birth up to age 19 years;
(2) has a serious ongoing illness, a complex chronic condition, or a disability that has lasted or is anticipated to last at least 12 continuous months or more;
(3) has an illness, condition or disability that results (or without treatment would be expected to result) in limitation of function, activities, or social roles in comparison with accepted pediatric age-related milestones in the general areas of physical, cognitive, emotional, and/or social growth and/or development;
(4) requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel; and
(5) has a need for health and/or health-related services at a level significantly above the usual for the child’s age.

Children’s Health Insurance Program or CHIP means the health insurance program authorized and funded pursuant to Title XXI, Social Security Act (42 U.S.C. §§ 1397aa-1397jj)) and administered by HHSC. The CHIP Perinatal Program is a subprogram of CHIP.

CHIP MCO Program, or CHIP Program, means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Members.

CHIP MCOs means MCOs participating in the CHIP MCO Program.

CHIP Perinatal MCOs means MCOs participating in the CHIP Perinatal Program, a subprogram of CHIP.

CHIP Perinatal Program means the State of Texas program in which HHSC contracts with MCOs to provide, arrange for, and coordinate Covered Services for enrolled CHIP Perinate and CHIP Perinate Newborn Members. Although the CHIP Perinatal Program is part of the CHIP Program, for Contract administration purposes it is sometimes identified independently in this Contract.

CHIP Perinate means a CHIP Perinatal Program Member identified prior to birth (an unborn child).
CHIP Perinate Newborn means a CHIP Perinate who has been born alive and whose family income meets the criteria for continued participation in the CHIP Perinatal Program (refer to Section 5.04.1 for information concerning eligibility).

Chronic or Complex Condition means a physical, behavioral, or developmental condition which may have no known cure and/or is progressive and/or can be debilitating or fatal if left untreated or under-treated.

Clean Claim means a claim submitted by a physician or provider for medical care or health care services rendered to a Member, with the data necessary for the MCO or subcontracted claims processor to adjudicate and accurately report the claim. A Clean Claim must meet all requirements for accurate and complete data as defined in the appropriate 837-(claim type) encounter guides as follows:

1. 837 Professional Combined Implementation Guide;
2. 837 Institutional Combined Implementation Guide;
3. 837 Professional Companion Guide; and
4. 837 Institutional Companion Guide.

The MCO may not require a physician or provider to submit documentation that conflicts with the requirements of Texas Administrative Code, Title 28, Part 1, Chapter 21, Subchapters C and T.

Clinical Edit means a process for verifying that a Member’s medical condition matches the clinical criteria for dispensing a requested drug. Clinical Edits must be based on evidence-based clinical criteria and nationally recognized peer-reviewed information. If the information about a Member’s medical condition meets the Clinical Edit criteria, the claim can be approved. If a Member's medical condition does not meet the Clinical Edit criteria, then prior authorization is required.

CMS means the Centers for Medicare and Medicaid Services, which is the federal agency responsible for administering Medicare and overseeing state administration of Medicaid and CHIP.

COLA means the Cost of Living Adjustment.

Community-based Long Term Services and Supports means services provided to STAR+PLUS Members in their home or other community based settings necessary to provide assistance with activities of daily living to allow the Member to remain in the most integrated setting possible. Community-based Long-term Services and Supports includes services available to all STAR+PLUS Members as well as those services available only to STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services.

Community Resource Coordination Groups (CRCGs) means a statewide system of local interagency groups, including both public and private providers, which coordinate services for "multi-need" children and youth. CRCGs develop individual service plans for children and adolescents whose needs can be met only through interagency cooperation. CRCGs address Complex Needs in a model that promotes local decision-making and ensures that children receive the integrated combination of social, medical and other services needed to address their individual problems.

Complainant means a Member or a treating provider or other individual designated to act on behalf of the Member who filed the Complaint.

Complaint (CHIP Program only) means any dissatisfaction, expressed by a Complainant, orally or in writing to the MCO, with any aspect of the MCO’s operation, including, but not limited to, dissatisfaction with plan administration, procedures related to review or Appeal of an Adverse Determination, as defined in Texas Insurance Code, Chapter 843, Subchapter G; the denial, reduction, or termination of a service for reasons not related to Medical Necessity; the way a service is provided; or disenrollment decisions. The term does not include misinformation that is resolved promptly by supplying the appropriate information or clearing up the misunderstanding to the satisfaction of the CHIP Member.

Complaint (Medicaid only) means an expression of dissatisfaction expressed by a Complainant, orally or in writing to the MCO, about any matter related to the MCO other than an Action. As provided by 42 C.F.R. §438.400, possible subjects for Complaints include, but are not limited to, the quality of care of services provided, and aspects of interpersonal relationships such as rudeness of a provider or employee, or failure to respect the Medicaid Member’s rights.

Complex Need means a condition or situation resulting in a need for coordination or access to services beyond what a PCP would normally provide, triggering the MCO's determination that Care Coordination is required.

Comprehensive Care Program: see definition for Texas Health Steps.

Confidential Information means any communication or record (whether oral, written, electronically stored or transmitted, or in any other form) consisting of:

1. Confidential Client information, including HIPAA-defined protected health information;
2. All non-public budget, expense, payment and other financial information;
3. All Privileged Work Product;
4. All information designated by HHSC or any other State agency as confidential, and all information designated as confidential under the Texas Public Information Act;
5. Information utilized, developed, received, or maintained by HHSC, the MCO, or participating State agencies for the purpose of fulfilling a duty or obligation under this Contract and that has not been disclosed publicly.

Consolidated FSR Report or Consolidated Basis, means FSR reporting results for all Programs and all SDAs operated by the MCO.
or its Affiliates, including those under separate contracts between the MCO or its Affiliates and HHSC. Consolidated FSR Reporting does not include any of the MCO's or its Affiliates’ business outside of the HHSC Programs.

**Consumer-Directed Services** means the Member or his legal guardian is the employer of and retains control over the hiring, management, and termination of an individual providing personal assistance or respite.

**Continuity of Care** means care provided to a Member by the same PCP or specialty provider to ensure that the delivery of care to the Member remains stable, and services are consistent and unduplicated.

**Contract or Agreement** means this formal, written, and legally enforceable contract and amendments thereunto between the Parties.

**Contract Period or Contract Term** means the Initial Contract Period plus any and all Contract extensions.

**Contractor** or **MCO** means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

**Copayment (CHIP only)** means the amount that a Member is required to pay when utilizing certain CHIP Covered Services. Once the copayment is made, further payment is not required by the Member.

**Corrective Action Plan** means the detailed written plan that may be required by HHSC to correct or resolve a deficiency or event causing the assessment of a remedy or damage against MCO.

**Court-Ordered Commitment** means a commitment of a Member to a psychiatric facility for treatment ordered by a court of law pursuant to the Texas Health and Safety Code, Title VII Subtitle C.

**Covered Services** means Health Care Services the MCO must arrange to provide to Members, including all services required by the Contract and state and federal law, and all Value-added Services negotiated by the Parties (see Attachments B-2, B-2.1, B-2.2 and B-3 of the HHSC Managed Care Contract relating to “Covered Services” and “Value-added Services”).

**CPW** means Case Management for Children and Pregnant Women; a Medicaid program for children with a health condition/health risk, birth through 20 years of age and to women with high-risk pregnancies of all ages, in order to help them gain access to medical, social, educational and other health-related services.

**Credentialing** means the process of collecting, assessing, and validating qualifications and other relevant information pertaining to a health care provider to determine eligibility and to deliver Covered Services.

**Cultural Competency** means the ability of individuals and systems to provide services effectively to people of various cultures, races, ethnic backgrounds, and religions in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves their dignity.

**DADS** means the Texas Department of Aging and Disability Services or its successor agency (formerly Department of Human Services).

**Date of Disenrollment** means the last day of the last month for which MCO receives payment for a Member.

**Day** means a calendar day unless specified otherwise.

**Default Enrollment** means the process established by HHSC to assign a mandatory STAR, STAR+PLUS, or CHIP Perinate enrollee who has not selected an MCO to an MCO.

**Deliverable** means a written or recorded work product or data prepared, developed, or procured by MCO as part of the Services under the Contract for the use or benefit of HHSC or the State of Texas.

**Delivery Supplemental Payment** means a one-time per pregnancy supplemental payment for STAR, CHIP and CHIP Perinatal MCOs.

**Designated Provider** means a physician, clinical practice or clinical group practice, rural clinic, community heath center, community mental health center, home health agency, or any other entity or provider (including pediatricians, gynecologists, and obstetricians) that are determined by the State and approved by the U.S. Secretary of Health and Human Services to be qualified to be a Health Home for Members with chronic conditions on the basis of documentation that the physician practice or clinic (A) has the systems and infrastructure in place to provide Health Home services and (B) satisfies the qualification standards established by the U.S. Secretary of Health and Human Services.

**Diagnostic** means assessment that may include gathering of information through interview, observation, examination, and use of specific tests that allows a provider to diagnose existing conditions.

**Disabled Person or Person with Disability** means a person under 65 years of age, including a child, who qualifies for Medicaid services because of a disability.

**Disability** means a physical or mental impairment that substantially limits one (1) or more of an individual’s major life activities, such as caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and/or working.

**Disability-related Access** means that facilities are readily accessible to and usable by individuals with disabilities, and that auxiliary aids and services are provided to ensure effective communication, in compliance with Title II of the Americans with Disabilities Act.

**Disaster Recovery Plan** means the document developed by the MCO that outlines details for the restoration of the MIS in the event of an emergency or disaster.

**Discharge** means a formal release of a Member from an Inpatient Hospital stay when the need for continued care at an inpatient level has concluded. Movement or Transfer from one (1) Acute Care Hospital or Long Term Care Hospital /facility
and readmission to another within 24 hours for continued treatment is not a discharge under this Contract.

**Disease Management** means a system of coordinated healthcare interventions and communications for populations with conditions in which patient self-care efforts are significant.

**Disproportionate Share Hospital (DSH)** means a Hospital that serves a higher than average number of Medicaid and other low-income patients and receives additional reimbursement from the State.

**DSHS** means the Texas Department of State Health Services or its successor agency (formerly Texas Department of Health and Texas Department of Mental Health and Mental Retardation).

**DSM-IV** means the *Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition*, which is the American Psychiatric Association’s official classification of behavioral health disorders.

**Dual Eligibles** means Medicaid recipients who are also eligible for Medicare.

**ECI** means Early Childhood Intervention, a federally mandated program for infants and children under the age of three (3) with or at risk for developmental delays and/or disabilities. The federal ECI regulations are found at 34 C.F.R. 303.1 et seq. The State ECI rules are found at 25 TAC §621.21 et seq.

**EDI** means electronic data interchange.

**Effective Date** means the effective date of this Contract, as specified in the HHSC Managed Care Contract document.

**Effective Date of Coverage** means the first day of the month for which the MCO has received payment for a Member.

**Eligibles** means individuals residing in one (1) of the Service Areas and eligible to enroll in a STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO, as applicable.

**Emergency Behavioral Health Condition** means any condition, without regard to the nature or cause of the condition, which in the opinion of a prudent layperson possessing an average knowledge of health and medicine:

1. requires immediate intervention and/or medical attention without which Members would present an immediate danger to themselves or others, or
2. renders Members incapable of controlling, knowing or understanding the consequences of their actions.

**Emergency Medical Condition** means a medical condition manifesting itself by acute symptoms of recent onset and sufficient severity (including severe pain), such that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical care could result in:

1. placing the patient’s health in serious jeopardy;
2. serious impairment to bodily functions;
3. serious dysfunction of any bodily organ or part;
4. serious disfigurement; or
5. in the case of a pregnant women, serious jeopardy to the health of a woman or her unborn child.

**Emergency Services** means covered inpatient and outpatient services furnished by a provider that is qualified to furnish such services under the Contract and that are needed to evaluate or stabilize an Emergency Medical Condition and/or an Emergency Behavioral Health Condition, including Post-stabilization Care Services.

**Encounter** means a Covered Service or group of Covered Services delivered by a Provider to a Member during a visit between the Member and Provider. This also includes Value-added Services.

**Encounter Data** means data elements from Fee-for-Service claims or capitated services proxy claims that are submitted to HHSC by the MCO in accordance with HHSC’s required format for Medicaid and CHIP MCOs.

**Enrollment Report/Enrollment File** means the daily or monthly list of Eligibles that are enrolled with an MCO as Members on the day or for the month the report is issued.

**EPSDT** means the federally mandated Early and Periodic Screening, Diagnosis and Treatment program contained at 42 U.S.C. 1396d(r). The name has been changed to Texas Health Steps in the State of Texas.

**Exclusive Provider Organization (EPO)** means an insurer with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212

**Expansion Area** means a county or Service Area that has not previously provided healthcare to HHSC’s MCO Program Members utilizing a managed care model.

**Expansion Children** means children who are generally at least age one (1), but under age six (6), and live in a family whose income is at or below 133 percent of the federal poverty level (FPL). Children in this coverage group have either elected to bypass TANF or are not eligible for TANF in Texas.

**Expansion Service Areas** are the Hidalgo and Medicaid Rural Service Areas for the STAR Program; and the El Paso, Hidalgo, and Lubbock Service Areas for the STAR+PLUS Program.

**Expedited Appeal** means an appeal to the MCO in which the decision is required quickly based on the Member's health status, and the amount of time necessary to participate in a standard appeal could jeopardize the Member's life or health or ability to attain, maintain, or regain maximum function.

**Experience Rebate** means the portion of the MCO’s Net Income Before Taxes that is returned to the State in accordance with Section 10.10 for the STAR, CHIP and CHIP Perinatal Programs and 10.10.1 for the STAR+PLUS Program (“Experience Rebate”).

**Expiration Date** means the expiration date of this Contract, as specified in HHSC’s Managed Care Contract document.

**External Quality Review Organization (EQRO)** means the entity that contracts with HHSC to provide external review of
access to and quality of healthcare provided to Members of HHSC’s MCO Programs.

**Fair Hearing** means the process adopted and implemented by HHSC in 1 T.A.C. Chapter 357, in compliance with federal regulations and state rules relating to Medicaid Fair Hearings.

**Farm Worker Child (FWC)** means a child birth through age 20 of a Migrant Farm Worker.

**Fee-for-Service** means the traditional Medicaid Health Care Services payment system under which providers receive a payment for each unit of service according to rules adopted pursuant to Chapter 32, Texas Human Resources Code.

**Financial Statistical Report** (see FSR below).

**Force Majeure Event** means any failure or delay in performance of a duty by a Party under this Contract that is caused by fire, flood, hurricane, tornadoes, earthquake, an act of God, an act of war, riot, civil disorder, or any similar event beyond the reasonable control of such Party and without the fault or negligence of such Party.

**FPL** means the Federal Poverty Level.

**FQHC** means a Federally Qualified Health Center, certified by CMS to meet the requirements of §1861(aa)(3) of the Social Security Act as a federally qualified health center, that is enrolled as a provider in the Texas Medicaid program.

**Fraud** means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under applicable federal or state law.

**FSR** means Financial Statistical Report. The FSR is a report designed by HHSC, and submitted to HHSC by the MCO in accordance with Contract requirements. The FSR is a form of modified income statement, subject to audit, and contains revenue, cost, and other data, as defined by the Contract. Not all incurred expenses may be included in the FSR.

**FSR Reporting Period** is the period of months that are measured on a given FSR. Generally, the FSR Reporting Period is a twelve-calendar-month period corresponding to the State Fiscal Year, but it can vary by Contract and by year. If an FSR Reporting Period is not defined in the Contract, then it will be deemed to be the twelve months following the end of the prior FSR Reporting Period.

**FSR Reporting Period 12/13** means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. This is the first FSR Reporting Period under this Contract.

**FSR Reporting Period 14** means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

**Functionally Necessary Covered Services** means Community-based Long Term Services and Supports services provided to assist STAR+PLUS Members with activities of daily living based on a functional assessment of the Member’s activities of daily living and a determination of the amount of supplemental supports necessary for the STAR+PLUS Member to remain independent or in the most integrated setting possible.

**Habilitation and Rehabilitative Services** means Health Care Services described in Attachment B-2 that may be required by children who fail to reach (habilitative) or have lost (rehabilitative) age appropriate developmental milestones.

**HCBs STAR+PLUS Waiver** means the HHSC program that provides home and community based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing homes. Members who qualify for HCBs STAR+PLUS Waiver are eligible to receive the home and community based services component of the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver as described in Attachment B-2 STAR+PLUS Covered Services, under the heading HCBs STAR+PLUS Waiver services for those Members who qualify for such services.

**Health and Human Services Commission** or **HHSC** means the administrative agency within the executive department of Texas state government established under Chapter 531, Texas Government Code, or its designee, including, but not limited to, the HHS Agencies.

**Health Care Services** means the Acute Care, Behavioral Health Care, and health-related services that an enrolled population might reasonably require in order to be maintained in good health.

**Health Home** means a Designated Provider (including a provider that operates in coordination with a team of health care professionals) or a Health Team selected by a Member with chronic conditions to provide Health Home Services.

**Health Home Services** means comprehensive and timely high-quality services that are provided by a Designated Provider, a Team of Health Care Professionals operating with such a provider, or a Health Team. Health Home Services include:

1. Comprehensive care management;
2. Care coordination and health promotion;
3. Comprehensive transitional care, including appropriate follow-up, from inpatient to other settings;
4. Patient and family support (including authorized representatives);
5. Referral to community and social support services, if relevant; and
6. Use of health information technology to link services, as feasible and appropriate.

**Health-related Materials** are materials developed by the MCO or obtained from a third party relating to the prevention, diagnosis or treatment of a medical condition.

**Health Team** means such term as described in Section 3502 of the Patient Protection and Affordable Care Act, P.L. 111-148 (March 23, 2010), as amended or modified.

**HEDIS**, the Health Plan Employer Data and Information Set, is a registered trademark of NCQA. HEDIS is a set of standardized performance measures designed to reliably compare the performance of managed health care plans. HEDIS is sponsored, supported and maintained by NCQA.
HHS Agency means the Texas health and human service agencies subject to HHSC’s oversight under Chapter 531, Texas Government Code, and their successor agencies.

HHSC Administrative Services Contractor (ASC) means an entity performing MCO administrative services functions, including member enrollment functions, for the STAR, STAR+PLUS, CHIP, or CHIP Perinatal MCO Programs under contract with HHSC.

HHSC MCO Programs or MCO Programs mean the STAR, STAR+PLUS, and CHIP MCO Programs.


Home and Community Support Services Agency or HCSSA means an entity licensed to provide home health, hospice, or personal assistance services provided to individuals in their own home or independent living environment as prescribed by a physician or individualized service plan. Each HCSS must provide clients with a plan of care that includes specific services the agency agrees to perform. The agencies are licensed and monitored by DADS or its successor.

Hospital means a licensed public or private institution as defined by Chapter 241, Texas Health and Safety Code, or in Subtitle C, Title 7, Texas Health and Safety Code.

ICF-MR means an intermediate care facility for the mentally retarded.

Individual Family Service Plan (IFSP) means the plan for services required by the Early Childhood Intervention (ECI) Program and developed by an interdisciplinary team.

Initial Contract Period means the Effective Date of the Contract through August 31, 2015.

Inpatient Stay means at least a 24-hour stay in a facility licensed to provide Hospital care.

JCAHO means Joint Commission on Accreditation of Health Care Organizations.

Joint Interface Plan (JIP) means a document used to communicate basic system interface information. This information includes: file structure, data elements, frequency, media, type of file, receiver and sender of the file, and file I.D. The JIP must include each of the MCO’s interfaces required to conduct business under this Contract. The JIP must address the coordination with each of the MCO’s interface partners to ensure the development and maintenance of the interface; and the timely transfer of required data elements between contractors and partners.

Key MCO Personnel means the critical management and technical positions identified by the MCO in accordance with Article 4.

Linguistic Access means translation and interpreter services, for written and spoken language to ensure effective communication. Linguistic access includes sign language interpretation, and the provision of other auxiliary aids and services to persons with disabilities.

Local Health Department means a local health department established pursuant to Health and Safety Code, Title 2, Local Public Health Reorganization Act §121.031.

Local Mental Health Authority (LMHA) means an entity within a specified region responsible for planning, policy development, coordination, and resource development and allocation and for supervising and ensuring the provision of mental health care services to persons with mental illness in one (1) or more local service areas.

Major Population Group means any population that represents at least 10% of the Medicaid, CHIP, and/or CHIP Perinatal Program population in the Service Area served by the MCO.

Mandated or Required Services means services that a state is required to offer to categorically needy clients under a state Medicaid plan.

Marketing means any communication from the MCO to a Medicaid or CHIP Eligible who is not enrolled with the MCO that can reasonably be interpreted as intended to influence the Eligible to:

(1) enroll with the MCO; or
(2) not enroll in, or to disenroll from, another MCO.

Marketing Materials means materials that are produced in any medium by or on behalf of the MCO and can reasonably be interpreted as intending to market to potential Members. Health-related Materials are not Marketing Materials.

Material Subcontract means any contract, Subcontract, or agreement between the MCO and another entity that meets any of the following criteria:

• the other entity is an Affiliate of the MCO;
• the Subcontract is considered by HHSC to be for a key type of service or function, including
  ○ Administrative Services (including but not limited to third party administrator, Network administration, and claims processing);
  ○ delegated Networks (including but not limited to behavioral health, dental, pharmacy, and vision);
  ○ management services (including management agreements with parent)
  ○ reinsurance;
  ○ Disease Management;
  ○ pharmacy benefit management (PBM) or pharmacy administrative services; or
  ○ call lines (including nurse and medical consultation); or
• any other Subcontract that exceeds, or is reasonably expected to exceed, the lesser of: a) $500,000 per year, or b) 1% of the MCO’s annual Revenues under this Contract. Any Subcontracts between the MCO and a single entity that are
split into separate agreements by time period, Program, or SDA, etc., will be consolidated for the purpose of this definition.

For the purposes of this Agreement, Material Subcontracts do not include contracts with any non-Affiliates for any of the following, regardless of the value of the contract: utilities (e.g., water, electricity, telephone, Internet), mail/shipping, office space, or computer hardware.

**Material Subcontract** or **Major Subcontractor** means any entity with a Material Subcontract with the MCO. For the purposes of this Agreement, Material Subcontractors do not include providers in the MCO’s Provider Network. Material Subcontractors may include, without limitation, Affiliates, subsidiaries, and affiliated and unaffiliated third parties.

**MCO** means managed care organization.

**MCO or Contractor** means the MCO that is a party to this Contract and is an insurer licensed or approved by TDI as an HMO, ANHC formed in compliance with Chapter 844 of the Texas Insurance Code, or an EPO with an Exclusive Provider Benefit Plan approved by TDI in accordance with 28 T.A.C. §3.9201-3.9212.

**MCO Administrative Services** means the performance of services or functions, other than the direct delivery of Covered Services, necessary for the management of the delivery of and payment for Covered Services, including but not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, management information systems operation, and reporting.

**MCO’s Service Area** means all the counties included in any HHSC-defined Service Area, as applicable to each MCO Program and within which the MCO has been selected to provide MCO services.

**Medicaid** means the medical assistance entitlement program authorized and funded pursuant to Title XIX, Social Security Act (42 U.S.C. §1396 et seq.) and administered by HHSC.

**Medicaid MCOs** means contracted MCOs participating in STAR, STAR+PLUS, and/or STAR Health.

**Medical Assistance Only (MAO)** means a person that does not receive SSI benefits but qualifies financially and functionally for limited Medicaid assistance.

**Medical Home** means a PCP or specialty care Provider who has accepted the responsibility for providing accessible, continuous, comprehensive and coordinated care to Members participating in a HHSC MCO Program.

**Medically Necessary** has the meaning defined in 1 T.A.C. §353.2 for Medicaid and 1 T.A.C. §370.4 for CHIP.

**Member** means a person who:

1. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
2. is entitled to benefits under Title XIX of the Social Security Act and Medicaid, is in a Medicaid eligibility category included as a voluntary participant in the STAR or STAR+PLUS Program, and is enrolled in the STAR or STAR+PLUS Program and the MCO’s STAR or STAR+PLUS MCO;
3. has met CHIP eligibility criteria and is enrolled in the MCO’s CHIP MCO; or
4. has met CHIP Perinatal Program eligibility criteria and is enrolled in the MCO’s CHIP Perinatal Program.

**Member Materials** means all written materials produced or authorized by the MCO and distributed to Members or potential members containing information concerning the MCO Program(s). Member Materials include, but are not limited to, Member ID cards, Member handbooks, Provider directories, and Marketing Materials.

**Member Month** means one (1) Member enrolled with the MCO during any given month. The total Member Months for each month of a year comprise the annual Member Months.

**Member(s) with Special Health Care Needs (MSHCN)** includes a Child or Children with a Special Health Care Need (CSHCN) and any adult Member who:

1. has a serious ongoing illness, a Chronic or Complex Condition, or a Disability that has lasted or is anticipated to last for a significant period of time, and
2. requires regular, ongoing therapeutic intervention and evaluation by appropriately trained health care personnel.

**Migrant Farm Worker** means a migratory agricultural worker, generally defined as an individual:

1. whose principal employment is in agriculture on a seasonal basis;
2. who has been so employed within the last twenty-four months;
3. who performs any activity directly related to the production or processing of crops, dairy products, poultry, or livestock for initial commercial sale or as a principal means of personal subsistence; and
4. who establishes for the purposes of such employment a temporary abode.

**MIS** means Management Information System.

**National Committee for Quality Assurance (NCQA)** means the independent organization that accredits MCOs, managed behavioral health organizations, and accredits and certifies disease management programs. HEDIS and the Quality Compass are registered trademarks of NCQA.

**Net Income Before Taxes or Pre-tax Income** means an aggregate excess of Revenues over Allowable Expenses.

**Network or Provider Network** means all Providers that have entered into Network Provider agreements with the MCO or its Subcontractor for the delivery of Medicaid or CHIP Covered Services to the MCO’s Members.

**Network Provider** or **Provider** means an appropriately credentialed and licensed individual, facility, agency, institution,
organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

**Network Provider Agreement or Provider Agreement** means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

**Non-capitated Services** means those Medicaid services identified in Attachment B-1, Section 8.2.2.8.

**Non-provider Subcontracts** means contracts between the MCO and a third party that performs a function, excluding delivery of Health Care Services, that the MCO is required to perform under its Contract with HHSC.

**Non-Urban County or Rural County** means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

**Nursing Facility Cost Ceiling** means the annualized cost of serving a client in a nursing facility. A per diem cost is established for each Medicaid nursing facility resident based on the level of care needed. This level of care is referred to as the Texas Index for Level of Effort or the TILE level. The per diem cost is annualized to achieve the nursing facility ceiling.

**Nursing Facility Level of Care** means the determination that the level of care required to adequately serve a STAR+PLUS Member is at or above the level of care provided by a nursing facility.

**OB/GYN** means obstetrician-gynecologist.

**Open Panel** means PCPs who are accepting new patients for the MCO Program(s) served.

**Operational Start Date** means the first day on which an MCO is responsible for providing Covered Services to MCO Program Members and all related Contract functions in a Service Area. The Operational Start Date may vary per MCO Program and Service Area. The Operational Start Date(s) applicable to this Contract are set forth in the HHSC Managed Care Contract document.

**Operations Phase** means the period of time when MCO is responsible for providing the Covered Services and all related Contract functions for a Service Area. The Operations Phase begins on the Operational Start Date, and may vary by MCO Program and Service Area.

**Out-of-Network (OON)** means an appropriately licensed individual, facility, agency, institution, organization or other entity that has not entered into a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

**Outpatient Hospital Services** means diagnostic, therapeutic, and rehabilitative services that are provided to Members in an organized medical facility, for less than a 24-hour period, by or under the direction of a physician.

**Parties** means HHSC and MCO, collectively.

**Party** means either HHSC or MCO, individually.

**Pended Claim** means a claim for payment that requires additional information before the claim can be Adjudicated as a Clean Claim.

**Pharmacy Benefit Manager (PBM)** is a third party administrator of prescription drug programs.

**Population Risk Group** means a distinct group of members identified by age, age range, gender, type of program, or eligibility category.

**Post-stabilization Care Services** means Covered Services, related to an Emergency Medical Condition that are provided after a Member is stabilized in order to maintain the stabilized condition, or, for a Medicaid Member, under the circumstances described in 42 C.F.R. §438.114(b) and 42 C.F.R. §422.113(c)(iii) to improve or resolve the Medicaid Member’s condition.

**PPACA** – means the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), together known as the Affordable Care Act (ACA).

**Pre-tax Income or Net Income Before Taxes** means an aggregate excess of Revenues over Allowable Expenses.

**Primary Care Physician or Primary Care Provider (PCP)** means a physician or provider who has agreed with the MCO to provide a Medical Home to Members and who is responsible for providing initial and primary care to patients, maintaining the continuity of patient care, and initiating referral for care. Provider types that can be PCPs are from any of the following practice areas: General Practice, Family Practice, Internal Medicine, Pediatrics, Obstetrics/Gynecology (OB/GYN), Advanced Practice Nurses (APNs) and Physician Assistants (when APNs and PAs are practicing under the supervision of a physician specializing in Family Practice, Internal Medicine, Pediatrics or Obstetrics/Gynecology who also qualifies as a PCP under this contract), Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs) and similar community clinics; and specialist physicians who are willing to provide a Medical Home to selected Members with special needs and conditions.

**Program** means a managed care program operated by HHSC. Depending on the context, the term may include one or more of the following: STAR, STAR+PLUS, STAR Health, CHIP, Children’s Medicaid Dental Services or CHIP Dental Services.

**Proposal** means the proposal submitted by the MCO in response to the RFP.

**Provider or Network Provider** means an appropriately credentialed and licensed individual, facility, agency, institution, organization or other entity, and its employees and subcontractors, that has a contract with the MCO for the delivery of Covered Services to the MCO’s Members.

**Provider Agreement or Network Provider Agreement** means a contract between and MCO and a Network Provider for the delivery of Covered Services to members.

**Provider Materials** means all written materials produced or authorized by the MCO or its Administrative Services.
Subcontractors concerning the MCO Program(s) that are distributed to Network Providers. Provider Materials include the MCO's Provider Manual, training materials regarding MCO Program requirements, and mass communications directed to all or a large group of Network Providers (e-mail or fax blasts). Provider Materials do not include written correspondence between the MCO or its Administrative Services Subcontractors and a provider regarding individual business matters.

Provider Network or Network means all Providers that have contracted with the MCO for the applicable MCO Program.

Proxy Claim Form means a form submitted by Providers to document services delivered to Members under a capitated arrangement. It is not a claim for payment.

Public Health Entity means a HHSC Public Health Region, a Local Health Department, or a Hospital District.

Public Information means information that:
1. Is collected, assembled, or maintained under a law or ordinance or in connection with the transaction of official business by a governmental body or for a governmental body; and
2. The governmental body owns or has a right of access to.

Qualified and Disabled Working Individual (QDWI) means an individual whose only Medicaid benefit is payment of the Medicare Part A premium.

Qualified Medicare Beneficiary (QMB) means a Medicare beneficiary whose only Medicaid benefits are payment of Medicare premiums, deductibles, and coinsurance for individuals who are entitled to Medicare Part A, whose income does not exceed 100% of the federal poverty level, and whose resources do not exceed twice the resource limit of the SSI program.

Quality Improvement means a system to continuously examine, monitor and revise processes and systems that support and improve administrative and clinical functions.

Rate Cell means a Population Risk Group for which a Capitation Rate has been determined.

Rate Period 1 means the 18-month period beginning on March 1, 2012 and ending on August 31, 2013. For purposes of rate setting only, Rate Period 1 will be divided into two sub-periods: March 1, 2012 through August 31, 2012, and September 1, 2012 to August 31, 2013.

Rate Period 2 means the 12-month period beginning on September 1, 2013 and ending on August 31, 2014.

Readiness Review means the assurances made by a selected MCO and the examination conducted by HHSC, or its agents, of MCO’s ability, preparedness, and availability to fulfill its obligations under the Contract.

Real-Time Captioning (also known as CART, Communication Access Real-Time Translation) means a process by which a trained individual uses a shorthand machine, a computer, and real-time translation software to type and simultaneously translate spoken language into text on a computer screen. Real Time Captioning is provided for individuals who are deaf, have hearing impairments, or have unintelligible speech. It is usually used to interpret spoken English into text English but may be used to translate other spoken languages into text.

Request for Proposals or RFP means the procurement solicitation instrument issued by HHSC under which this Contract was awarded and all RFP addenda, corrections or modifications, if any.

Revenue means all revenue received by the MCO pursuant to this Contract, including retroactive adjustments made by HHSC. Revenue includes any funds earned on Medicaid or CHIP managed care funds such as investment income and earned interest. Revenue excludes any reinsurance recoveries, which shall be shown as a contra-cost, or reported offset to reinsurance expense. Revenues are reported at gross, and are not netted for any reinsurance premiums paid. See also the Uniform Managed Care Manual’s “Cost Principles for Expenses.”

Risk means the potential for loss as a result of expenses and costs of the MCO exceeding payments made by HHSC under the Contract.

Routine Care means health care for covered preventive and medically necessary Health Care Services that are non-emergent or non-urgent.

Rural County or Non-Urban County means any county with fewer than 50,000 residents as reported by the Texas Association of Counties at: http://www.county.org/.

Rural Health Clinic (RHC) means an entity that meets all of the requirements for designation as a rural health clinic under 1861(aa)(1) of the Social Security Act and approved for participation in the Texas Medicaid Program.

Scope of Work means the description of Services and Deliverables specified in this Contract, the RFP, the MCO’s Proposal, and any attachments and modifications to these documents.

SDX means State Data Exchange.

Security Plan means a document that contains detailed management, operational, and technical information about a system, its security requirements, and the controls implemented to provide protection against risks and vulnerabilities.

SED means severe emotional disturbance as determined by a Local Mental Health Authority.

Service Area means the counties included in any HHSC-defined areas as applicable to each MCO Program.

Service Coordination means a specialized care management service that is performed by a Service Coordinator and that includes but is not limited to:
1. Identification of needs, including physical health, mental health services and for STAR+PLUS Members, long term support services,
2. Development of a Service Plan to address those identified needs;
3. Assistance to ensure timely and a coordinated access to an array of providers and Covered Services;
(4) attention to addressing unique needs of Members; and
(5) coordination of Covered Services with Non-capitated Services, as necessary and appropriate.

**Service Coordinator** means the person with primary responsibility for providing service coordination and care management to STAR+PLUS Members.

**Service Management** is an administrative service in the STAR, and CHIP Programs performed by the MCO to facilitate development of a Service Plan and coordination of services among a Member’s PCP, specialty providers and non-medical providers to ensure Members with Special Health Care Needs and/or Members needing high-cost treatment have access to, and appropriately utilize, Medically Necessary Covered Services, Non-capitated Services, and other services and supports.

**Service Plan (SP)** means an individualized plan developed with and for Members with Special Health Care Needs, including persons with disabilities or chronic or complex conditions.

**Services** means the tasks, functions, and responsibilities assigned and delegated to the MCO under this Contract.

**Significant Traditional Provider or STP** means primary care providers, long term services and supports providers, and pharmacy providers identified by HHSC as having provided a significant level of care to Medicaid or CHIP clients. Disproportionate Share Hospitals (DSH) are also Medicaid STPs.

**Skilled Nursing Facility Services (CHIP only)** Services provided in a facility that provides nursing or rehabilitation services and Medical supplies and use of appliances and equipment furnished by the facility.

**Software** means all operating system and applications software used by the MCO to provide the Services under this Contract.

**Specialty Hospital** means any inpatient Hospital that is not a general Acute Care Hospital.

Specified Low-Income Medicare Beneficiary (SLMB) means a Medicare beneficiary whose only Medicaid benefit is payment of the Medicare Part B premium.

SPMI means severe and persistent mental illness as determined by the Local Mental Health Authority.

SSA means the Social Security Administration.

Stabilize means to provide such medical care as to assure within reasonable medical probability that no deterioration of the condition is likely to result from, or occur from, or occur during discharge, transfer, or admission of the Member.

**STAR+PLUS or STAR+PLUS Program** means the State of Texas Medicaid managed care program in which HHSC contracts with MCOs to provide, arrange, and coordinate preventive, primary, acute and Long-term Services and Supports Covered Services to adult persons with disabilities and elderly persons age 65 and over who qualify for Medicaid through the SSI program and/or the MAO program. Children birth through age 20 who qualify for Medicaid through the SSI program, may voluntarily participate in the STAR+PLUS program.

**STAR+PLUS MCOs** means contracted MCOs participating in the STAR+PLUS Program.

**State Fiscal Year (SFY)** means a 12-month period beginning on September 1 and ending on August 31 the following year.

**Subcontract** means any agreement between the MCO and another party to fulfill the requirements of the Contract.

**Subcontractor** means any individual or entity, including an Affiliate, that has entered into a Subcontract with MCO.

**Subsidiary** means an Affiliate controlled by such person or entity directly or indirectly through one (1) or more intermediaries.

**Supplemental Security Income (SSI)** means a Federal income supplement program funded by general tax revenues (not Social Security taxes) designed to help aged, blind and disabled people with little or no income by providing cash to meet basic needs for food, clothing and shelter.

**T.A.C.** means Texas Administrative Code.

**TDD** means telecommunication device for the deaf. It is interchangeable with the term Teletype machine or TTY.

**TDI** means the Texas Department of Insurance.

**Team of Health Care Professionals** means physicians and other professionals, such as a nurse care coordinator, nutritionist, social worker, behavioral health professional, or any professionals deemed appropriate by HHSC and approved by CMS. The team may be free-standing, virtual, or based at a Hospital, community health center, community mental health center, rural clinic, clinical practice or clinical group practice, academic health center, or any entity deemed appropriate by HHSC and approved by CMS.

**Temporary Assistance to Needy Families (TANF)** means the federally funded program that provides assistance to single parent families with children who meet the categorical requirements for aid. This program was formerly known as the Aid to Families with Dependent Children (AFDC) program.

**Texas Health Steps** is the name adopted by the State of Texas for the federally mandated Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program. It includes the State’s Comprehensive Care Program extension to EPSDT, which adds benefits to the federal EPSDT requirements contained in 42 U.S.C. §1396d(r), and defined and codified at 42 C.F.R. §§440.40 and 441.56-62. HHSC’s rules are contained in 25 T.A.C., Chapter 33 (relating to Early and Periodic Screening, Diagnosis and Treatment).

**Texas Medicaid Bulletin** means the bi-monthly update to the Texas Medicaid Provider Procedures Manual.

**Texas Medicaid Provider Procedures Manual** means the policy and procedures manual published by or on behalf of HHSC that contains policies and procedures required of all health care providers who participate in the Texas Medicaid program. The manual is published annually and is updated bi-monthly by the Texas Medicaid Bulletin.

**Texas Public Information Act** refers to the provisions of Chapter 552 of the Texas Government Code.

**Third Party Liability (TPL)** means the legal responsibility of another individual or entity to pay for all or part of the services
Third Party Recovery (TPR) means the recovery of payments on behalf of a Member by HHSC or the MCO from an individual or entity with the legal responsibility to pay for the Covered Services.

Transfer means the movement of the Member from one (1) Acute Care Hospital or Long Term Care Hospital/facility and readmission to another Acute Care Hospital or Long Term Care Hospital/facility within 24 hours for continued treatment.

Transition Phase includes all activities the MCO is required to perform between the Contract Effective Date and the Operational Start Date for an MCO Program and all or part of a Service Area.

Turnover Phase includes all activities the MCO is required to perform in order to close out the Contract and/or transition Contract activities and operations to HHSC or a subsequent contractor.

Turnover Plan means the written plan developed by MCO, approved by HHSC, to be employed during the Turnover Phase.

Uniform Managed Care Manual (UMCM) means the manual published by or on behalf of HHSC that contains policies and procedures required of all MCOs participating in the HHSC Programs. The UMCM, as amended or modified, is incorporated by reference into the Contract.

URAC/American Accreditation Health Care Commission means the independent organization that accredits Utilization Review functions and offers a variety of other accreditation and certification programs for health care organizations.

Urban County means any county with 50,000 or more residents as reported by the Texas Association of Counties at: http://www.county.org/.

Urgent Behavioral Health Situation means a behavioral health condition that requires attention and assessment within 24 hours but which does not place the Member in immediate danger to himself or herself or others and the Member is able to cooperate with treatment.

Urgent Condition means a health condition including an Urgent Behavioral Health Situation that is not an emergency but is severe or painful enough to cause a prudent layperson, possessing the average knowledge of medicine, to believe that his or her condition requires medical treatment evaluation or treatment within 24 hours by the Member’s PCP or PCP designee to prevent serious deterioration of the Member’s condition or health.

Utilization Review means the system for retrospective, concurrent, or prospective review of the Medical Necessity and appropriateness of Health Care Services provided, being provided, or proposed to be provided to a Member. The term does not include elective requests for clarification of coverage.

Value-added Services means additional services for coverage beyond those specified in Attachments B-2, B-2.1, and B-2.2. Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improve health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

Waste means practices that are not cost-efficient.

Wrap-Around Services means services for Dual Eligible Members that are covered by Medicaid:
(1) when the Dual Eligible Member has exceeded the Medicare coverage limit; or
(2) that are not covered by Medicare.

Article 3. General Terms & Conditions

Section 3.01 Contract elements.

(a) Contract documentation.

The Contract between the Parties will consist of the HHSC Managed Care Contract document and all attachments and amendments.

(b) Order of documents.

In the event of any conflict or contradiction between or among the contract documents, the documents must control in the following order of precedence:
(1) The final executed HHSC Managed Care Contract document, and all amendments thereto;
(2) HHSC Managed Care Contract Attachment A – “Uniform Managed Care Contract Terms and Conditions,” and all amendments thereto;
(3) HHSC Managed Care Contract Attachment B – “Scope of Work/Performance Measures,” and all attachments and amendments thereto;
(4) The Uniform Managed Care Manual, and all attachments and amendments thereto; and
(5) HHSC Managed Care Contract Attachment C-1 – “MCO’s Proposal.”

Section 3.02 Term of the Contract.

The term of the Contract will begin on the Effective Date and will conclude on the Expiration Date. The Parties may renew the
Section 3.03 Funding.

This Contract is expressly conditioned on the availability of state and federal appropriated funds. MCO will have no right of action against HHSC in the event that HHSC is unable to perform its obligations under this Contract as a result of the suspension, termination, withdrawal, or failure of funding to HHSC or lack of sufficient funding of HHSC for any activities or functions contained within the scope of this Contract. If funds become unavailable, the provisions of Article 12, “Remedies and Disputes” will apply. HHSC will use all reasonable efforts to ensure that such funds are available, and will negotiate in good faith with MCO to resolve any MCO claims for payment that represent accepted Services or Deliverables that are pending at the time funds become unavailable. HHSC must make best efforts to provide reasonable written advance notice to MCO upon learning that funding for this Contract may be unavailable.

Section 3.04 Delegation of authority.

Whenever, by any provision of this Contract, any right, power, or duty is imposed or conferred on HHSC, the right, power, or duty so imposed or conferred is possessed and exercised by the Executive Commissioner unless any such right, power, or duty is specifically delegated to the duly appointed agents or employees of HHSC. The Commissioner will reduce any such delegation of authority to writing and provide a copy to MCO on request.

Section 3.05 No waiver of sovereign immunity.

The Parties expressly agree that no provision of this Contract is in any way intended to constitute a waiver by HHSC or the State of Texas of any immunities from suit or from liability that HHSC or the State of Texas may have by operation of law.

Section 3.06 Force Majeure.

Neither Party will be liable for any failure or delay in performing its obligations under the Contract if such failure or delay is due to a Force Majeure Event. The existence of such causes of delay or failure will extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. Each Party must inform the other in writing with proof of receipt within five (5) Business Days of the existence of a Force Majeure Event.

Section 3.07 Publicity.

(a) MCO may use the name of HHSC, the State of Texas, any HHS Agency, and the name of the HHSC MCO Program in any media release, public announcement, or public disclosure relating to the Contract or its subject matter only if, at least seven (7) calendar days prior to distributing the material, the MCO submits the information to HHSC for review and comment. If HHSC has not responded within seven (7) calendar days, the MCO may use the submitted information. HHSC reserves the right to object to and require changes to the publication if, at HHSC’s sole discretion, it determines that the publication does not accurately reflect the terms of the Contract or the MCO’s performance under the Contract.

(b) MCO will provide HHSC with one (1) electronic copy of any information described in Subsection 3.07(a) prior to public release. MCO will provide additional copies, including hard copies, at the request of HHSC.

(c) The requirements of Subsection 3.07(a) do not apply to:

(1) proposals or reports submitted to HHSC, an administrative agency of the State of Texas, or a governmental agency or unit of another state or the federal government;

(2) information concerning the Contract’s terms, subject matter, and estimated value:

(a) in any report to a governmental body to which the MCO is required by law to report such information, or

(b) that the MCO is otherwise required by law to disclose; and

(3) Member Materials (the MCO must comply with the Uniform Managed Care Manual’s provisions regarding the review and approval of Member Materials).

Section 3.08 Assignment.

(a) Assignment by MCO. MCO must not assign all or any portion of its rights under or interests in the Contract or delegate any of its duties without prior written consent of HHSC. Any written request for assignment or delegation must be accompanied by written acceptance of the
assignee or delegation by the assignee or delegation by the delegate. Except where otherwise agreed in writing by HHSC, assignment or delegation will not release MCO from its obligations pursuant to the Contract. An HHSC-approved Material Subcontract will not be considered to be an assignment or delegation for purposes of this section.

(b) Assignment by HHSC.
MCO understands and agrees HHSC may in one (1) or more transactions assign, pledge, transfer, or hypothecate the Contract. This assignment will only be made to another State agency or a non-State agency that is contracted to perform agency support.

(c) Assumption.
Each party to whom a transfer is made (an "Assignee") must assume all or any part of MCO’S or HHSC's interests in the Contract, the product, and any documents executed with respect to the Contract.

Section 3.09 Cooperation with other vendors and prospective vendors.

HHSC may award supplemental contracts for work related to the Contract, or any portion thereof. MCO will reasonably cooperate with such other vendors, and will not commit or permit any act that may interfere with the performance of work by any other vendor.

Section 3.10 Renegotiation and reprocurement rights.

(a) Renegotiation of Contract terms.
Notwithstanding anything in the Contract to the contrary, HHSC may at any time during the term of the Contract exercise the option to notify MCO that HHSC has elected to renegotiate certain terms of the Contract. Upon MCO’s receipt of any notice pursuant to this Section, MCO and HHSC will undertake good faith negotiations of the subject terms of the Contract, and may execute an amendment to the Contract in accordance with Article 8.

(b) Reprocurement of the services or procurement of additional services.
Notwithstanding anything in the Contract to the contrary, whether or not HHSC has accepted or rejected MCO’s Services and/or Deliverables provided during any period of the Contract, HHSC may at any time issue requests for proposals or offers to other potential contractors for performance of any portion of the Scope of Work covered by the Contract or Scope of Work similar or comparable to the Scope of Work performed by MCO under the Contract.

(c) Termination rights upon reprocurement.
If HHSC elects to procure the Services or Deliverables or any portion of the Services or Deliverables from another vendor in accordance with this Section, HHSC will have the termination rights set forth in Article 12, “Remedies and Disputes.”

Section 3.11 RFP errors and omissions.

MCO will not take advantage of any errors and/or omissions in the RFP or the resulting Contract. MCO must promptly notify HHSC of any such errors and/or omissions that are discovered.

Section 3.12 Enforcement Costs.

In the event of any litigation, appeal, or other legal action to enforce any provision of the Contract, MCO agrees to pay all reasonable expenses of such action, if HHSC is the prevailing Party.

Section 3.13 Preferences under service contracts.

MCO is required in performing the Contract to purchase products and materials produced in the State of Texas when they are available at a price and time comparable to products and materials produced outside the State.

Section 3.14 Time of the essence.

In consideration of the need to ensure uninterrupted and continuous MCO Program performance, time is of the essence in the performance of the Scope of Work under the Contract.

Section 3.15 Notice

(a) Any notice or other legal communication required or permitted to be made or given by either Party pursuant to the Contract will be in writing and in English, and will be deemed to have been given:

(1) Three (3) Business Days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return
Section 4. Contract Administration & Management

Article 4.01 Qualifications, retention and replacement of MCO employees.

MCO agrees to maintain the organizational and administrative capacity and capabilities to carry out all duties and responsibilities under this Contract. The personnel MCO assigns to perform the duties and responsibilities under this Contract will be properly trained and qualified for the functions they are to perform. Notwithstanding transfer or turnover of personnel, MCO remains obligated to perform all duties and responsibilities under this Contract without degradation and in accordance with the terms of this Contract.

Section 4.02 MCO’s Key Personnel.

(a) Designation of Key Personnel.
MCO must designate key management and technical personnel who will be assigned to the Contract. For the purposes of this requirement, Key Personnel are those with management responsibility or principal technical responsibility for the following functional areas for each MCO Program included within the scope of the Contract:

(1) Member Services;
(2) Management Information Systems;
(3) Claims Processing,
(4) Provider Network Development and Management;
(5) Benefit Administration and Utilization and Care Management;
(6) Quality Improvement;
(7) Behavioral Health Services;
(8) Financial Functions;
(9) Reporting;
(10) Executive Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.03, “Executive Director”;
(11) Medical Director(s) for applicable HHSC MCO Program(s) as defined in Section 4.04, “Medical Director”; and
(12) Management positions for STAR+PLUS Service Coordinators for STAR+PLUS MCOs as defined in Section 4.04.1, “STAR+PLUS Service Coordinator.”

(b) Support and Replacement of Key Personnel.
The MCO must maintain, throughout the Contract Term, the ability to supply its Key Personnel with the required resources necessary to meet Contract requirements and comply with applicable law. The MCO must ensure project continuity by timely replacement of Key Personnel, if necessary, with a sufficient number of persons having the requisite skills, experience and other qualifications. Regardless of specific personnel changes, the MCO must maintain the overall level of expertise, experience, and skill reflected in the Key MCO Personnel job descriptions and qualifications included in the MCO’s proposal.

(c) Notification of replacement of Key Personnel.
MCO must notify HHSC within 15 Business Days of any change in Key Personnel. Hiring or replacement of Key Personnel must conform to all Contract requirements. If HHSC determines that a satisfactory working relationship cannot be established between certain Key Personnel and HHSC, it will notify the MCO in writing. Upon receipt of HHSC’s notice, HHSC and MCO will attempt to resolve HHSC’s concerns on a mutually agreeable basis.

Section 4.03 Executive Director.

(a) The MCO must employ a qualified individual to serve as the Executive Director for its HHSC MCO Program(s). Such Executive Director must be employed full-time by the MCO, be primarily dedicated to HHSC MCO Program(s), and must hold a Senior Executive or Management position in the MCO’s organization, except that the MCO may propose an alternate structure for the Executive Director position, subject to HHSC’s prior written approval.

(b) The Executive Director must be authorized and empowered to represent the MCO regarding all matters pertaining to the Contract prior to such representation. The Executive Director must act as liaison between the MCO and the HHSC and must have responsibilities that include, but are not limited to, the following:

(1) ensuring the MCO’s compliance with the terms of the Contract, including securing and coordinating resources necessary
for such compliance;
(2) receiving and responding to all inquiries and requests made by HHSC related to the Contract, in the timeframes and formats specified by HHSC. Where practicable, HHSC must consult with the MCO to establish timeframes and formats reasonably acceptable to the Parties;
(3) attending and participating in regular HHSC MCO Executive Director meetings or conference calls;
(4) attending and participating in regular HHSC Regional Advisory Committees (RACs) for managed care (the Executive Director may designate key personnel to attend a RAC if the Executive Director is unable to attend);
(5) making best efforts to promptly resolve any issues identified either by the MCO or HHSC that may arise and are related to the Contract;
(6) meeting with HHSC representative(s) on a periodic or as needed basis to review the MCO’s performance and resolve issues, and
(7) meeting with HHSC at the time and place requested by HHSC, if HHSC determines that the MCO is not in compliance with the requirements of the Contract.

Section 4.04 Medical Director.

(a) The MCO must have a qualified individual to serve as the Medical Director for its HHSC MCO Program(s). The Medical Director must be currently licensed in Texas under the Texas Medical Board as an M.D. or D.O. with no restrictions or other licensure limitations. The Medical Director must comply with the requirements of 28 T.A.C. §11.1606 and all applicable federal and state statutes and regulations.
(b) The Medical Director, or his or her designee, must be available by telephone 24 hours a day, seven (7) days a week, for Utilization Review decisions. The Medical Director, and his/her designee, must either possess expertise with Behavioral Health Services, or ready access to such expertise to ensure timely and appropriate medical decisions for Members, including after regular business hours.
(c) The Medical Director, or his or her designee, must be authorized and empowered to represent the MCO regarding clinical issues, Utilization Review and quality of care inquiries. The Medical Director, or his or her designee, must exercise independent medical judgment in all decisions relating to Medical Necessity. The MCO must ensure that its decisions relating to Medical Necessity are not adversely influenced by fiscal management decisions. HHSC may conduct reviews of decisions relating to Medical Necessity upon reasonable notice.
(d) For purposes of this section, the Medical Director’s designee must be:
   (1) a physician that meets the qualifications for a Medical Director, as described in subparts (a) through (c), above; or
   (2) for prior authorization determinations for outpatient pharmacy benefits, a Texas-licensed pharmacist working under the direction of the Medical Director, provided such delegation is included in the MCO’s TDI-approved utilization review plan.
(e) The Medical Director, or his or her physician designee, must make determinations regarding Utilization Review appeals, including appeals of prior authorization denials for outpatient pharmacy benefits.

Section 4.04.1 STAR+PLUS Service Coordinator

(a) STAR+PLUS MCOs must employ as Service Coordinators persons experienced in meeting the needs of people with disabilities, old and young, and vulnerable populations who have Chronic or Complex Conditions. A Service Coordinator must have an undergraduate and/or graduate degree in social work or a related field, or be a Registered Nurse, Licensed Vocational Nurse, Advanced Nurse Practitioner, or a Physician Assistant.
(b) The STAR+PLUS MCO must monitor the Service Coordinator’s workload and performance to ensure that he or she is able to perform all necessary Service Coordination functions for the STAR+PLUS Members in a timely manner.
(c) The Service Coordinator must be responsible for working with the Member or his or her representative, the PCP and other Providers to develop a seamless package of care in which primary, Acute Care, and Long-term Services and Supports service needs are met through a single, understandable, rational plan. Each Member’s Service Plan must also be well coordinated with the Member’s family and community support systems, including Independent Living Centers, Area Agencies on Aging and Mental Retardation Authorities. The Service Plan should be agreed to and signed by the Member or the Member’s representative to indicate agreement with the plan. The plan should promote consumer direction and self-determination and may include information for services outside the scope of Covered Services such as how to access affordable, integrated housing. For Dual Eligible Members, the STAR+PLUS MCO is responsible for meeting the Member’s Community Long-term Services and Supports needs.
(d) The STAR+PLUS MCO must empower its Service Coordinators to authorize the provision and delivery of Covered Services, including Community Long-term Services and Supports Covered Services.

Section 4.05 Responsibility for MCO personnel and Subcontractors.

(a) MCO’s employees and Subcontractors will not in any sense be considered employees of HHSC or the State of Texas, but
will be considered for all purposes as the MCO’s employees or its Subcontractor’s employees, as applicable.

(b) Except as expressly provided in this Contract, neither MCO nor any of MCO’s employees or Subcontractors may act in any sense as agents or representatives of HHSC or the State of Texas.

(c) MCO agrees that anyone employed by MCO to fulfill the terms of the Contract is an employee of MCO and remains under MCO’s sole direction and control. MCO assumes sole and full responsibility for its acts and the acts of its employees and Subcontractors.

(d) MCO agrees that any claim on behalf of any person arising out of employment or alleged employment by the MCO (including, but not limited to, claims of discrimination against MCO, its officers, or its agents) is the sole responsibility of MCO and not the responsibility of HHSC. MCO will indemnify and hold harmless the State from any and all claims asserted against the State arising out of such employment or alleged employment by the MCO. MCO understands that any person who alleges a claim arising out of employment or alleged employment by MCO will not be entitled to any compensation, rights, or benefits from HHSC (including, but not limited to, tenure rights, medical and hospital care, sick and annual/vacation leave, severance pay, or retirement benefits).

(e) MCO agrees to be responsible for the following in respect to its employees:

(1) Damages incurred by MCO’s employees within the scope of their duties under the Contract; and

(2) Determination of the hours to be worked and the duties to be performed by MCO’s employees.

(f) MCO agrees and will inform its employees and Subcontractor(s) that there is no right of subrogation, contribution, or indemnification against HHSC for any duty owed to them by MCO pursuant to this Contract or any judgment rendered against the MCO. HHSC’s liability to the MCO’s employees, agents and Subcontractors, if any, will be governed by the Texas Tort Claims Act, as amended or modified (TEX. CIV. PRACT. & REM. CODE §101.001 et seq.).

(g) MCO understands that HHSC does not assume liability for the actions of, or judgments rendered against, the MCO, its employees, agents or Subcontractors. MCO agrees that it has no right to indemnification or contribution from HHSC for any such judgments rendered against MCO or its Subcontractors.

Section 4.06 Cooperation with HHSC and state administrative agencies.

(a) Cooperation with Other MCOs.

MCO agrees to reasonably cooperate with and work with the other MCOs in the MCO Programs, Subcontractors, and third-party representatives as requested by HHSC. To the extent permitted by HHSC’s financial and personnel resources, HHSC agrees to reasonably cooperate with MCO and to use its best efforts to ensure that other HHSC contractors reasonably cooperate with the MCO.

(b) Cooperation with state and federal administrative agencies.

MCO must ensure that MCO personnel will cooperate with HHSC or other state or federal administrative agency personnel at no charge to HHSC for purposes relating to the administration of MCO Programs including, but not limited to the following purposes:

(1) The investigation and prosecution of Fraud, Abuse, and Waste in the HHSC programs;

(2) Audit, inspection, or other investigative purposes; and

(3) Testimony in judicial or quasi-judicial proceedings relating to the Services and/or Deliverables under this Contract or other delivery of information to HHSC or other agencies’ investigators or legal staff.

Section 4.07 Conduct of MCO personnel and Subcontractors.

(a) While performing the Scope of Work, MCO’s personnel and Subcontractors must:

(1) Comply with applicable state rules and regulations and HHSC’s requests regarding personal and professional conduct generally applicable to the service locations; and

(2) Otherwise conduct themselves in a businesslike and professional manner.

(b) If HHSC determines in good faith that a particular employee or Subcontractor is not conducting himself or herself in accordance with this Contract, HHSC may provide MCO with notice and documentation concerning such conduct. Upon receipt of such notice, MCO must promptly investigate the matter and take appropriate action that may include:

(1) Removing the employee or Subcontractor from the project;

(2) Providing HHSC with written notice of such removal; and

(3) Replacing the employee or Subcontractor with a similarly qualified individual acceptable to HHSC.

(c) Nothing in the Contract will prevent MCO, at the request of HHSC, from replacing any personnel who are not adequately performing their assigned responsibilities or who, in the reasonable opinion of HHSC’s Project Manager, after consultation with MCO, are unable to work effectively with the members of the HHSC’s staff. In such event, MCO will provide replacement personnel with equal or greater skills and qualifications as soon as reasonably practicable. Replacement of Key Personnel will be subject to HHSC review. The Parties will work together in the event of any such replacement so as not to disrupt the overall project schedule.
(d) MCO agrees that anyone employed or retained by MCO to fulfill the terms of the Contract remains under MCO’s sole direction and control.

(e) MCO must have policies regarding disciplinary action for all employees who have failed to comply with federal and/or state laws and the MCO’s standards of conduct, policies and procedures, and Contract requirements. MCO must have policies regarding disciplinary action for all employees who have engaged in illegal or unethical conduct.

Section 4.08 Subcontractors.

(a) MCO remains fully responsible for the obligations, services, and functions performed by its Subcontractors to the same extent as if such obligations, services, and functions were performed by MCO’s employees, and for purposes of this Contract such work will be deemed work performed by MCO. HHSC reserves the right to require the replacement of any Subcontractor found by HHSC to be unacceptable and unable to meet the requirements of the Contract, and to object to the selection of a Subcontractor.

(b) MCO must:

(1) actively monitor the quality of care and services, as well as the quality of reporting data, provided under a Subcontract;

(2) provide HHSC with a copy of TDI filings of delegation agreements;

(3) unless otherwise provided in this Contract, provide HHSC with written notice no later than:

(i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract;

(ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting;

(iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and

(iv) 30 calendar days prior to the termination date of any other Material Subcontract.

HHSC may grant a written exception to these notice requirements if, in HHSC’s reasonable determination, the MCO has shown good cause for a shorter notice period.

(c) During the Contract Period, Readiness Reviews by HHSC or its designated agent may occur if:

(1) a new Material Subcontractor is employed by MCO;

(2) an existing Material Subcontractor provides services in a new Service Area;

(3) an existing Material Subcontractor provides services for a new MCO Program;

(4) an existing Material Subcontractor changes locations or changes its MIS and or operational functions;

(5) an existing Material Subcontractor changes one (1) or more of its MIS subsystems, claims processing or operational functions; or

(6) a Readiness Review is requested by HHSC.

The MCO must submit information required by HHSC for each proposed Material Subcontractor as indicated in Section 7, “Transition Phase Requirements.” Refer to Sections 8.1.12, “Additional Readiness Reviews and Monitoring Efforts,” and 8.1.18, “Management Information System Requirements” for additional information regarding MCO Readiness Reviews during the Contract Period.

(d) MCO must not disclose Confidential Information of HHSC or the State of Texas to a Subcontractor unless and until such Subcontractor has agreed in writing to protect the confidentiality of such Confidential Information in the manner required of MCO under this Contract.

(e) MCO must identify any Subcontractor that is a subsidiary or entity formed after the Effective Date of the Contract, whether or not an Affiliate of MCO. The MCO must substantiate the proposed Subcontractor’s ability to perform the subcontracted Services, and certify to HHSC that no loss of service will occur as a result of the performance of such Subcontractor. The MCO will be the sole point of contact with regard to contractual matters.

(f) Except as provided herein, all Subcontracts must be in writing and must provide HHSC the right to examine the Subcontract and all Subcontractor records relating to the Contract and the Subcontract. This requirement does not apply to agreements with utility or mail service providers.

(g) A Subcontract whereby MCO receives rebates, recoupments, discounts, payments, or other consideration from a Subcontractor (including without limitation Affiliates) pursuant to or related to the execution of this Contract must be in writing and must provide HHSC the right to examine the Subcontract and all records relating to such consideration.

(h) All Subcontracts described in subsections (f) and (g) must show the dollar amount or the value of any consideration that MCO pays to or receives from the Subcontractor.

(i) HMO must submit a copy of each Material Subcontract executed prior to the Effective Date of the Contract to HHSC no later than thirty (30) days after the Effective Date of the Contract. For Material Subcontracts executed or amended after the Effective Date of the Contract, MCO must submit a copy to HHSC no later than five (5) Business Days after execution or amendment.

(j) Network Provider Contracts must include the mandatory provisions included in Uniform Managed Care Manual Chapter 8.1, “Provider Contract Checklist.”

(k) HHSC reserves the right to reject any Subcontract or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.
(l) MCO must comply with the requirements of Section 6505 of the PPACA, entitled “Prohibition on Payments to Institutions or Entities Located Outside of the United States.”

(m) Provider payment must comply with the requirements of Section 2702 of PPACA, entitled “Payment Adjustment for Health Acquired Conditions.”

Section 4.09 HHSC’s ability to contract with Subcontractors.

The MCO may not limit or restrict, through a covenant not to compete, employment contract or other contractual arrangement, HHSC’s ability to contract with Subcontractors or former employees of the MCO.

Section 4.10 MCO Agreements with Third Parties

(a) If the MCO intends to report compensation paid to a third party (including without limitation an Affiliate) as an Allowable Expense under this Contract, the compensation paid to the third party exceeds $200,000, or is reasonably anticipated to exceed $200,000, in a State Fiscal Year, then the MCO’s agreement with the third party must be in writing. The agreement must provide HHSC the right to examine the agreement and all records relating to the agreement.

(b) All agreements whereby the MCO or its Subcontractors receive discounts, incentives, rebates, fees, free goods, bundling arrangements, recoupments, retrocession, payments, or other consideration from a third party (including without limitation Affiliates) pursuant to or related to the execution of this Contract, must be in writing and must provide HHSC and the Office of Attorney General the right to examine the agreement and all records relating to such consideration.

(c) All agreements described in subsections (a) and (b) must show the dollar amount, the percentage of money, or the value of any consideration that MCO pays to or receives from the third party.

(d) MCO must submit a copy of each third party agreement described in subsections (a) and (b) to HHSC. If the third party agreement is entered into prior to the Effective Date of the Contract, MCO must submit a copy no later than thirty (30) days after the Effective Date of the Contract. If the third party agreement is executed after the Effective Date of the Contract, MCO must submit a copy no later than five (5) Business Days after execution.

(e) For third party agreements valued under $200,000 per State Fiscal Year that are reported as Allowable Expenses, the MCO must maintain financial records and data sufficient to verify the accuracy of such expenses in accordance with the requirements of Article 9, “Audit and Financial Compliance.”

(f) HHSC reserves the right to reject any third party agreement or require changes to any provisions that do not comply with the requirements or duties and responsibilities of this Contract or create significant barriers for HHSC in monitoring compliance with this Contract.

(g) Upon request, the MCO and its Subcontractors must provide all information described in Section 4.10 to HHSC and the Office of Attorney General at no cost.

(h) This section must not apply to Provider Contracts, or agreements with utility or mail service providers.

(i) MCO must comply with the requirements of Section 6505 of the PPACA, entitled “Prohibition on Payments to Institutions or Entities Located Outside of the United States.”

(j) Provider payment must comply with the requirements of Section 2702 of PPACA, entitled “Payment Adjustment for Health Acquired Conditions.”

Section 4.11 Prohibition Against Performance Outside the United States.

(a) Findings.

(1) HHSC finds the following:

(A) HHSC is responsible for administering several public programs that require the collection and maintenance of information relating to persons who apply for and receive services from HHSC programs. This information consists of, among other things, personal financial and medical information and information designated “Confidential Information” under state and federal law and this Agreement. Some of this information may, within the limits of the law and this Agreement, be shared from time to time with MCO or a subcontractor for purposes of performing the Services or providing the Deliverables under this Agreement.

(B) HHSC is legally responsible for maintaining the confidentiality and integrity of information relating to applicants and recipients of HHSC services and ensuring that any person or entity that receives such information—including MCO and any subcontractor—is similarly bound by these obligations.

(C) HHSC also is responsible for the development and implementation of computer software and hardware to support HHSC programs. These items are paid for, in whole or in part, with state and federal funds. The federal agencies that fund these
items maintain a limited interest in the software and hardware so developed or acquired.

(D) Some of the software used or developed by HHSC may also be subject to statutory restrictions on the export of technology to foreign nations, including but not limited to the Export Administration Regulations, 15 C.F.R. Parts 730-774.

(2) In view of these obligations, and to ensure accountability, integrity, and the security of the information maintained by or for HHSC and the work performed on behalf of HHSC, HHSC DETERMINES that it is necessary and appropriate to require THAT:

(A) All work performed under this Agreement must be performed exclusively within the United States; and

(B) All information obtained by MCO or a subcontractor under this Agreement must be maintained within the United States.

(3) Further, HHSC finds it necessary and appropriate to forbid the performance of any work or the maintenance of any information relating or obtained pursuant to this Agreement to occur outside of the United States except as specifically authorized or approved by HHSC.

(b) Meaning of “within the United States” and “outside the United States.”

(1) As used in this Section 4.11, the term “within the United States” means any location inside the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(2) Conversely, the phrase “outside the United States” means any location that is not within the territorial boundaries comprising the republic of the United States of America, including of any of the 48 coterminous states in North America, the states of Alaska and Hawaii, and the District of Columbia.

(c) Maintenance of Confidential Information.

(1) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not allow any Confidential Information that MCO receives from or on behalf of HHSC to leave the United States by any means (physical or electronic) at any time, for any period of time, for any reason.

(2) MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to have remote access to HHSC information, systems, or Deliverables from a location outside the United States.

(d) Performance of Work under Agreement.

(1) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must perform all services under the Agreement, including all tasks, functions, and responsibilities assigned and delegated to MCO under this Agreement, within the United States.

(A) This obligation includes, but is not limited to, all Services, including but not limited to information technology services, processing, transmission, storage, archiving, data center services, disaster recovery sites and services, customer support, medical, dental, laboratory and clinical services.

(B) All custom software prepared for performance of this Agreement, and all modifications of custom, third party, or vendor proprietary software, must be performed within the United States.

(2) Unless otherwise approved in advance by HHSC in writing, and subject to the exceptions specified in paragraph (d) of this Section 4.11, MCO and all subcontractors, vendors, agents, and service providers of or for MCO must not permit any person to perform work under this Agreement from a location outside the United States.

(e) Exceptions.

(1) COTS Software. The foregoing requirements will not preclude the acquisition or use of commercial off-the-shelf software that is developed outside the United States or hardware that is generically configured outside the United States.
Foreign-made Products and Supplies. The foregoing requirements will not preclude MCO from acquiring, using, or reimbursing products or supplies that are manufactured outside the United States, provided such products or supplies are commercially available within the United States for acquisition or reimbursement by HHSC.

HHSC Prior Approval. The foregoing requirements will not preclude MCO from performing work outside the United States that HHSC has approved in writing and that HHSC has confirmed will not involve the sharing of Confidential Information outside the United States.

(f) Disclosure.

MCO must disclose all Services and Deliverables under or related to this Agreement that MCO intends to perform or has performed outside the United States, whether directly or via subcontractors, vendors, agents, or service providers.

(g) Remedy.

1. MCO’s violation of this Section 4.11 will constitute a material breach in accordance with Article 12. MCO will be liable to HHSC for all monetary damages, in the form of actual, consequential, direct, indirect, special and/or liquidated damages in accordance with this Agreement.

2. HHSC may terminate the Agreement with notice to MCO at least one calendar day before the effective date of such termination.

Article 5. Member Eligibility & Enrollment

Section 5.01 Eligibility Determination

The State or its designee will make eligibility determinations for each of the HHSC MCO Programs.

Section 5.02 Member Enrollment & Disenrollment.

(a) The HHSC Administrative Services Contractor will enroll and disenroll eligible individuals in the MCO Program. To enroll in an MCO, the Member’s permanent residence must be located within the MCO’s Service Area. The MCO is not allowed to induce or accept disenrollment from a Member. The MCO must refer the Member to the HHSC Administrative Services Contractor.

(b) HHSC makes no guarantees or representations to the MCO regarding the number of eligible Members who will ultimately be enrolled into the MCO or the length of time any such enrolling Members remain enrolled with the MCO. The MCO has no ownership interest in its Member base, and therefore cannot sell or transfer this base to another entity.

(c) The HHSC Administrative Services Contractor will electronically transmit to the MCO new Member information and change information applicable to active Members.

(d) As described in the following Sections, depending on the MCO Program, special conditions may also apply to enrollment and span of coverage for the MCO.

(e) A Medicaid MCO has a limited right to request a Member be disenrolled from MCO without the Member’s consent. HHSC must approve any MCO request for disenrollment of a Member for cause. HHSC may permit disenrollment of a Member under the following circumstances:

   1. Member misuses or loans Member’s MCO membership card to another person to obtain services.
   2. Member is disruptive, unruly, threatening or uncooperative to the extent that Member’s membership seriously impairs MCO’s or Provider’s ability to provide services to Member or to obtain new Members, and Member’s behavior is not caused by a physical or behavioral health condition.
   3. Member steadfastly refuses to comply with managed care restrictions (e.g., repeatedly using emergency room in combination with refusing to allow MCO to treat the underlying medical condition).
   4. MCO must take reasonable measures to correct Member behavior prior to requesting disenrollment. Reasonable measures may include providing education and counseling regarding the offensive acts or behaviors.
(5) For STAR+PLUS MCOs, under limited conditions, the MCO may request disenrollment of members who are totally dependent on a ventilator or who have been diagnosed with End Stage Renal Disease.

(f) HHSC must notify the Member of HHSC’s decision to disenroll the Member if all reasonable measures have failed to remedy the problem.

(g) If the Member disagrees with the decision to disenroll the Member from MCO, HHSC must notify the Member of the availability of the Complaint procedure and, for Medicaid Members, HHSC’s Fair Hearing process.

(h) MCO cannot request a disenrollment based on adverse change in the member’s health status or utilization of services that are Medically Necessary for treatment of a member’s condition.

(i) Members taken into conservatorship by the Department of Family and Protective Services (DFPS) will be disenrolled from the MCO effective the date of conservatorship, and enrolled in the STAR Health Program unless otherwise determined by DFPS.

Section 5.03 STAR enrollment for pregnant women and infants.

(a) The HHSC Administrative Services Contractor will retroactively enroll some pregnant Members in a Medicaid MCO based on their date of eligibility.

(b) The HHSC Administrative Services Contractor will enroll newborns born to Medicaid eligible mothers who are enrolled in a STAR MCO in the same MCO for at least 90 days following the date of birth, unless the mother requests a plan change as a special exception. The HHSC Administrative Service Contractor will consider such requests on a case-by-case basis. The HHSC Administrative Services Contractor will retroactively, to date of birth, enroll newborns in the applicable STAR MCO.

Section 5.03.1 Enrollment for infants born to pregnant women in STAR+PLUS.

If a newborn is born to a Medicaid-eligible mother enrolled in a STAR+PLUS MCO, the HHSC Administrative Service Contractor will enroll the newborn into that MCO’s STAR MCO product, if one (1) exists. All rules related to STAR newborn enrollment will apply to the newborn. If the STAR+PLUS MCO does not have a STAR product but the newborn is eligible for STAR, the newborn will be enrolled in traditional Fee-for-Service Medicaid, and given the opportunity to select a STAR MCO.

Section 5.04 CHIP eligibility and enrollment.

(a) Term of coverage.

The HHSC Administrative Services Contractor determines CHIP eligibility on HHSC’s behalf. The HHSC Administrative Services Contractor will enroll and disenroll eligible individuals into and out of CHIP.

(b) Pregnant Members and Infants.

(1) The HHSC Administrative Contractor will refer pregnant CHIP Members, with the exception of Legal Permanent Residents and other legally qualified aliens barred from Medicaid due to federal eligibility restrictions, to Medicaid for eligibility determinations. Those CHIP Members who are determined to be Medicaid Eligible will be disenrolled from MCO’s CHIP plan. Medicaid coverage will be coordinated to begin after CHIP eligibility ends to avoid gaps in health care coverage.

(2) In the event the MCO remains unaware of a CHIP Member’s pregnancy until delivery, the facility and professional costs associated with the delivery will be covered by CHIP in accordance with Attachment B-1.1, “CHIP Covered Services.” This includes the post-delivery costs for the newborn’s care while in the facility, as described in Attachment B-1.1, “CHIP Covered Services.” The HHSC Administrative Services Contractor will set a pregnant CHIP mother’s eligibility expiration date at the latter of (1) the end of the second month following the month of the pregnancy delivery or the pregnancy termination or (2) the Member’s original eligibility expiration date.

The Administrative Services Contractor will screen the newborn’s eligibility for Medicaid, and then CHIP (if the newborn is not eligible for Medicaid). If the newborn is eligible for CHIP, the Administrative Services Contractor will enroll the newborn in the mother’s CHIP plan prospectively, following standard cut-off rules. The newborn’s CHIP eligibility ends when the mother’s CHIP eligibility expires, as described above.

Section 5.05 CHIP Perinatal eligibility, enrollment, and disenrollment.
(a) The HHSC Administrative Contractor will electronically transmit to the MCO new CHIP Perinate Member information based on the appropriate CHIP Perinate or CHIP Perinate Newborn Rate Cell. There is no waiting period for CHIP Perinatal Program Members.

(b) Once born, a CHIP Perinate who lives in a family with an income at or below 185% of the FPL will be deemed eligible for 12 months of continuous Medicaid coverage (beginning on the date of birth). A CHIP Perinate will continue to receive coverage through the CHIP Perinatal Program as a “CHIP Perinate Newborn” after birth if the child’s family income is above 185% to 200% FPL. A CHIP Perinate Newborn is eligible for 12 months continuous enrollment, beginning with the month of enrollment as a CHIP Perinate (month of enrollment as an unborn child plus 11 months). A CHIP Perinate Newborn will maintain coverage in his or her CHIP Perinatal MCO.

(c) HHSC’s Administrative Services Contractor will send an enrollment packet to the prospective CHIP Perinate Members’ households. If the household does not make a selection within 15 calendar days, the HHSC Administrative Services Contractor will notify the household that the prospective member has been assigned to a CHIP Perinatal MCO (“Default Enrollment”). When this occurs the household has 90 calendar days to select another CHIP Perinatal MCO for the Member.

(d) HHSC’s Administrative Services Contractor will assign prospective members to CHIP Perinatal MCOs in a Service Area in a rotational basis. Should HHSC implement one (1) or more administrative rules governing the Default Enrollment processes, such administrative rules will take precedence over the Default Enrollment process set forth herein.

(e) When a member of a household enrolls in the CHIP Perinatal Program, all traditional CHIP members in the household will be disenrolled from their current health plans and prospectively enrolled in the CHIP Perinatal Program Member’s health plan. All members of the household must remain in the same health plan until the later of: (1) the end of the CHIP Perinatal Program Member’s enrollment period, or (2) the end of the traditional CHIP members’ enrollment period.

(f) In the 10th month of the CHIP Perinate Newborn’s coverage, the family will receive a CHIP renewal form. The family must complete and submit the renewal form, which will be pre-populated to include the CHIP Perinate Newborn’s and the CHIP Program Members’ information. Once the Member’s CHIP Perinatal Program coverage expires, the Member will be added to his or her siblings’ existing CHIP program case.

Section 5.06 Span of Coverage

(a) Medicaid MCOs.

(1) Open Enrollment.

HHSC will conduct continuous open enrollment for Medicaid Eligibles and the MCO must accept all persons who choose to enroll as Members in the MCO or who are assigned as Members in the MCO by HHSC, without regard to the Member’s health status or any other factor.

(2) Enrollment of New Medicaid Eligibles.

Persons who become eligible for Medicaid during an Inpatient Stay in a Hospital will not be enrolled in a Medicaid MCO until discharged from the Hospital, with the following exceptions: (1) Members retroactively enrolled in STAR in accordance with Section 5.03, “STAR Enrollment of Pregnant Women and Infants,” (2) Members prospectively enrolled in STAR or STAR+PLUS who are at or below 12 months of age, and (3) Members retroactively enrolled in STAR in accordance with Section 5.03.1, “Enrollment for infants born to pregnant women in STAR+PLUS.” Except as provided in the following table, if a Member is enrolled in a Medicaid MCO during an Inpatient Stay, the Medicaid MCO will be responsible for all Covered Services beginning on the Effective Date of Coverage. If a Member is enrolled during an Inpatient Stay under either of the above-referenced exceptions, responsibility for the Inpatient Stay services is assigned as follows:

<table>
<thead>
<tr>
<th>Responsibility for Inpatient Stay Services</th>
<th>Hospital Facility Charges</th>
<th>Professional Services Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Retroactively Enrolled in STAR per §5.03 or in STAR+PLUS per §5.03.1</td>
<td>MCO</td>
<td>MCO</td>
</tr>
<tr>
<td>Member ≤ 12 Months of Age Who Is Prospectively Enrolled in STAR or STAR+PLUS</td>
<td>Medicaid FFS</td>
<td>MCO</td>
</tr>
</tbody>
</table>
(3) Movement between STAR or STAR+PLUS MCOs.

Except as provided in Section 5.06(a)(8), a Member cannot change from a STAR or STAR+PLUS MCO to a different STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility.

(4) Movement from Medicaid Fee-for-Service to a STAR or STAR+PLUS MCO.

A Medicaid recipient can move from Medicaid Fee-for-Service into a STAR or STAR+PLUS MCO during an Inpatient Stay in a Hospital, residential treatment facility, or residential detoxification facility. Except as provided in subpart (a)(2), responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the Medicaid Fee-for-Service program will continue to pay allowable facility charges until the earlier of the date of Discharge or loss of Medicaid eligibility; and (2) beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all other Covered Services.

Responsibility for claims incurred during residential treatment or residential detoxification will be divided as follows: the Medicaid Fee-for-Service program will continue to pay all covered services until the loss of Medicaid eligibility or the Effective Date of Coverage for STAR or STAR+PLUS.

Beginning on the Effective Date of Coverage, the STAR or STAR+PLUS MCO will pay for all covered services. The MCO may evaluate for medical necessity prior to the end of the authorized services period.

(5) Movement from a STAR MCO to the STAR Health MCO.

A Medicaid recipient can move from the STAR Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR MCO will continue to pay Hospital facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(6) Movement from a STAR+PLUS MCO to the STAR Health MCO.

A Medicaid recipient can move from the STAR+PLUS Program into the STAR Health Program during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, (2) and the Medicaid FFS program will continue to pay Hospital facility charges for non-Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (3) beginning on the Effective Date of Coverage, the STAR Health MCO will pay for all other Covered Services.

(7) Movement from STAR+PLUS to Medicaid Fee-for-Service.

A Medicaid recipient can move from the STAR+PLUS Program to FFS (if a child) during an Inpatient Stay. In such cases, responsibility for claims incurred during the Inpatient stay will be divided as follows: (1) the STAR+PLUS MCO will continue to pay Hospital facility charges for inpatient Behavioral Health Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the effective date of FFS coverage, FFS will pay for all other Medicaid services.

(8) Movement from STAR to STAR+PLUS or Medicaid Fee-for-Service due to SSI Status.

When a STAR member in the Medicaid Rural Service Area becomes qualified for SSI, the member will remain in STAR (if an adult without Medicare), or may choose to stay in STAR or move to FFS (if a child). The process described in Section 5.06(c) will apply if a child member elects to move to FFS.

When a STAR member in another Service Area becomes qualified for SSI, the STAR member will move, in accordance with the processes described in Section 5.06(c): (1) to FFS or STAR+PLUS (if a child), or (2) to STAR+PLUS (if an adult).

If a move occurs during an Inpatient Stay in a Hospital, residential substance use disorder treatment facility, or residential detoxification for substance use disorder treatment facility, responsibility for claims incurred during the Inpatient Stay will be divided as follows: (1) the STAR MCO will continue to pay facility charges for Covered Services until the earlier of the date of Discharge or loss of Medicaid eligibility, and (2) beginning on the Effective Date of Coverage for STAR+PLUS or the effective date of FFS coverage, the new entity will pay for all other Medicaid services.

(9) Responsibility for Costs Incurred After Loss of Medicaid Eligibility.

Medicaid MCOs are not responsible for services incurred on or after the effective date of loss of Medicaid eligibility.

(10) Reenrollment after Temporary Loss of Medicaid Eligibility.
Members who are disenrolled because they are temporarily ineligible for Medicaid will be automatically re-enrolled into the same MCO, if available. Temporary loss of eligibility is defined as a period of six (6) months or less.

(b) CHIP MCOs.

If a CHIP Program or CHIP Perinatal Program Member's Effective Date of Coverage occurs while the Member is confined in a Hospital, MCO is responsible for the Member's costs of Covered Services beginning on the Effective Date of Coverage. If a Member is disenrolled while the Member is confined in a Hospital, MCO's responsibility for the Member's costs of Covered Services terminates on the Date of Disenrollment.

(c) Effective Date of SSI Status.

In accordance with Section 8.2.13, SSI status is effective on the date the State's eligibility system identifies a STAR, CHIP, or CHIP Perinatal Program Member as Type Program 13 (TP 13). HHSC is responsible for updating the State's eligibility system within 45 days of official notice of the Member's Federal SSI status by the Social Security Administration (SSA). Once HHSC has updated the State's eligibility system to identify the STAR, CHIP, or CHIP Perinatal Program Member as TP13, following standard eligibility cut-off rules, HHSC will allow the Member to:

1. prospectively move to Medicaid FFS (if the Member is a child in any part of the State);
2. prospectively move to STAR+PLUS (if the Member is a child in a STAR+PLUS Service Area); or
3. remain in STAR (if the Member is a child who is already enrolled in STAR in a Service Area not served by STAR+PLUS).

HHSC will not retroactively disenroll a Member from the STAR, CHIP, or CHIP Perinatal Programs.

Section 5.07 Verification of Member Eligibility.

Medicaid MCOs are prohibited from entering into an agreement to share information regarding their Members with an external vendor that provides verification of Medicaid recipients’ eligibility to Medicaid providers. All such external vendors must contract with the State and obtain eligibility information from the State.

Section 5.08 Special Temporary STAR Default Process

(a) STAR MCOs that did not contract with HHSC to provide STAR services in a Service Area prior to the Effective Date of the Contract will be assigned a limited number of STAR eligibles who have not actively made an MCO choice, for a finite period. The number will vary by Service Area as set forth below.

(b) For the Bexar, Dallas, El Paso, Harris, Jefferson, Lubbock, Nueces, Tarrant, and Travis Service Areas, the special default process will begin on the Operational Start Date and conclude when the MCO has achieved an enrollment of 15,000 mandatory STAR members, or at the end of six (6) months, whichever comes first.

(c) Special default periods may be extended for one (1) or more Service Areas if consistent with HHSC administrative rules.

Section 5.09 Special Temporary STAR+PLUS Default Process

(a) STAR+PLUS MCOs that did not contract with HHSC to provide STAR+PLUS services in a Service Area prior to the Effective Date of the Contract will be assigned a limited number of STAR+PLUS eligibles who have not actively made an MCO choice, for a finite period. To the extent possible, the special default assignment will be based on each eligible's prior history with a PCP and geographic proximity to a PCP.

(b) The special default process will begin on the Operational Start Date.

Section 5.10 Special Temporary CHIP Default Process

(a) CHIP MCOs that did not contract with HHSC to provide CHIP services in a Service Area prior to the Effective Date of the Contract will be assigned a limited number of CHIP eligibles who have not actively made an MCO choice, for a finite period.

(b) In Service Areas where there is only one (1) new CHIP MCO, Members will be defaulted into the new CHIP MCO until it reaches 3,000 members or until six (6) months from the Operational Start Date, whichever comes first.

(c) In Service Areas where there are two (2) or more new MCOs, Members are distributed evenly between the new MCOs until the MCOs reach 3,000 members or until six (6) months from the Operational Start Date, whichever comes first.

(d) Once one (1) of these criteria is met, HHSC’s standard default process begins for all participating MCO.

Section 5.11 This Section Intentionally Left Blank
Article 6. Service Levels & Performance Measurement

Section 6.01 Performance measurement.

Satisfactory performance of this Contract will be measured by:
(a) Adherence to this Contract, including all representations and warranties;
(b) Delivery of the Services and Deliverables;
(c) Results of audits performed by HHSC or its representatives in accordance with Article 9, “Audit and Financial Compliance”;
(d) Timeliness, completeness, and accuracy of required reports; and
(e) Achievement of performance measures developed by MCO and HHSC and as modified from time to time by written agreement during the term of this Contract.

Article 7. Governing Law & Regulations

Section 7.01 Governing law and venue.

This Contract is governed by the laws of the State of Texas and interpreted in accordance with Texas law. Provided MCO first complies with the procedures set forth in Section 12.13, “Dispute Resolution,” proper venue for claims arising from this Contract will be in the State District Court of Travis County, Texas.

Section 7.02 MCO responsibility for compliance with laws and regulations.

(a) MCO must comply, to the satisfaction of HHSC, with all provisions set forth in this Contract, all provisions of state and federal laws, rules, regulations, federal waivers, policies and guidelines, and any court-ordered consent decrees, settlement agreements, or other court orders that govern the performance of the Scope of Work including, but not limited to, all applicable provisions of the following:

(1) Titles XIX and XXI of the Social Security Act;
(2) Chapters 62 and 63, Texas Health and Safety Code;
(3) Chapters 531 and 533, Texas Government Code;
(4) 42 C.F.R. Parts 417, 455, and 457, as applicable;
(5) 45 C.F.R. Parts 74 and 92;
(6) 48 C.F.R. Part 31, or OMB Circular A-122, based on whether the entity is for-profit or nonprofit;
(7) 1 T.A.C. Part 15, Chapters 361, 370, 371, 391, and 392;
(8) Consent Decree and Corrective Action Orders, Frew, et al. v. Suehs, et al., (applies to Medicaid MCOs only);
(9) partial settlement agreements, Alberto N., et al. v. Suehs, et al., (applies to Medicaid MCOs only);
(10) Texas Human Resources Code Chapters 32 and 36;
(11) Texas Penal Code Chapter 35A (Medicaid Fraud);
(12) 1 T.A.C. Chapter 353;
(13) 1 T.A.C. Chapter 354, Subchapters B, J, and F, with the exception of the following provisions in Subchapter F: 1 T.A.C. §354.1865, §354.1867, §354.1873, and Division 6, Pharmacy Claims; and §354.3047;
(14) 1 T.A.C. Chapter 354, Subchapters I and K, as applicable;
(15) The Patient Protection and Affordable Care Act (PPACA; Public Law 111-148);
(16) The Health Care and Education Reconciliation Act of 2010 (HCERA; Public Law 111-152) 42 CFR Part 455; and
(17) all State and Federal tax laws, State and Federal employment laws, State and Federal regulatory requirements, and licensing provisions.

(b) The Parties acknowledge that the federal and/or state laws, rules, regulations, policies, or guidelines, and court-ordered consent decrees, settlement agreements, or other court orders that affect the performance of the Scope of Work may change from time to time or be added, judicially interpreted, or amended by competent authority. MCO acknowledges that the MCO Programs will be subject to continuous change during the term of the Contract and, except as provided in Section 8.02, MCO has provided for or will provide for adequate resources, at no additional charge to HHSC, to reasonably accommodate such changes. The Parties further acknowledge that MCO was selected, in part, because of its expertise, experience, and knowledge concerning applicable Federal and/or state laws, regulations, policies, or guidelines that affect the performance of the Scope of
In keeping with HHSC’s reliance on this knowledge and expertise, MCO is responsible for identifying the impact of changes in applicable Federal or state legislative enactments and regulations that affect the performance of the Scope of Work or the State’s use of the Services and Deliverables. MCO must timely notify HHSC of such changes and must work with HHSC to identify the impact of such changes.

(c) HHSC will notify MCO of any changes in applicable law, regulation, policy, or guidelines that HHSC becomes aware of in the ordinary course of its business.

(d) MCO is responsible for any fines, penalties, or disallowances imposed on the State or MCO arising from any noncompliance with the laws and regulations relating to the delivery of the Services or Deliverables by the MCO, its Subcontractors or agents.

(e) MCO is responsible for ensuring each of its employees, agents or Subcontractors who provide Services under the Contract are properly licensed, certified, and/or have proper permits to perform any activity related to the Services.

(f) MCO warrants that the Services and Deliverables will comply with all applicable Federal, State, and County laws, regulations, codes, ordinances, guidelines, and policies. MCO will indemnify HHSC from and against any losses, liability, claims, damages, penalties, costs, fees, or expenses arising from or in connection with MCO’s failure to comply with or violation of any such law, regulation, code, ordinance, or policy.

Section 7.03 TDI licensure/ANHC certification and solvency.

(a) Licensure
MCO must receive TDI approval to operate in all counties of the Service Areas included within the scope of the Contract.

(b) Solvency
MCO must maintain compliance with the Texas Insurance Code and rules promulgated and administered by the TDI requiring a fiscally sound operation. MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

(1) continuation of benefits, until the time of discharge, to Members who are confined on the date of insolvency in a Hospital or other inpatient facility;
(2) payment to unaffiliated health care providers and affiliated health care providers whose agreements do not contain member “hold harmless” clauses acceptable to TDI for required services rendered to Members for the duration of the Contract period for which HHSC has paid a Capitation Payment, and
(3) continuation of benefits for the duration of the Contract period for which HHSC has paid a Capitation Payment.

Provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI.


MCO must comply with the requirements of the Immigration Reform and Control Act of 1986 and the Immigration Act of 1990 (8 U.S.C. §1101, et seq.) regarding employment verification and retention of verification forms for any individual(s) hired on or after November 6, 1986, who will perform any labor or services under this Contract.

Section 7.05 Compliance with state and federal anti-discrimination laws.

(a) MCO agrees to comply with state and federal anti-discrimination laws, including without limitation:

(1) Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq.);
(2) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794);
(3) Americans with Disabilities Act of 1990 (42 U.S.C. §12101 et seq.);
(4) Age Discrimination Act of 1975 (42 U.S.C. §§6101-6107);
(5) Title IX of the Education Amendments of 1972 (20 U.S.C. §§1681-1688);
(6) Food Stamp Act of 1977 (7 U.S.C. §200 et seq.); and
(7) The HHS agency’s administrative rules, as set forth in the Texas Administrative Code, to the extent applicable to this Agreement.

MCO agrees to comply with all amendments to the above-referenced laws, and all requirements imposed by the regulations issued pursuant to these laws. These laws provide in part that no persons in the United States may, on the grounds of race, color, national origin, sex, age, disability, political beliefs, or religion, be excluded from participation in or denied any aid, care, service or other benefits provided by Federal or State funding, or otherwise be subjected to discrimination.

(b) MCO agrees to comply with Title VI of the Civil Rights Act of 1964, and its implementing regulations at 45 C.F.R. Part 80 or 7 C.F.R. Part 15, prohibiting a contractor from adopting and implementing policies and procedures that exclude or have the effect of excluding or limiting the participation of clients in its programs, benefits, or activities on the basis of national origin. Applicable state and federal civil rights laws require contractors to provide alternative methods for ensuring access to services.
for applicants and recipients who cannot express themselves fluently in English. MCO agrees to ensure that its policies do not have the effect of excluding or limiting the participation of persons in its programs, benefits, and activities on the basis of national origin. MCO also agrees to take reasonable steps to provide services and information, both orally and in writing, in appropriate languages other than English, in order to ensure that persons with limited English proficiency are effectively informed and can have meaningful access to programs, benefits, and activities.

(c) MCO agrees to comply with Executive Order 13279, and its implementing regulations at 45 C.F.R. Part 87 or 7 C.F.R. Part 16. These provide in part that any organization that participates in programs funded by direct financial assistance from the United States Department of Agriculture or the United States Department of Health and Human Services must not, in providing services, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

(d) Upon request, MCO will provide HHSC Civil Rights Office with copies of all of the MCO’s civil rights policies and procedures.

(e) MCO must notify HHSC’s Civil Rights Office of any civil rights complaints received relating to its performance under this Agreement. This notice must be delivered no more than ten (10) calendar days after receipt of a complaint. Notice provided pursuant to this section must be directed to:

HHSC Civil Rights Office
701 W. 51st Street, Mail Code W206
Austin, Texas 78751
Phone Toll Free: (888) 388-6332
Phone: (512) 438-4313
TTY Toll Free: (877) 432-7232
Fax: (512) 438-5885.

Section 7.06 Environmental protection laws.

MCO must comply with the applicable provisions of federal environmental protection laws as described in this Section:

(a) Pro-Children Act of 1994.

MCO must comply with the Pro-Children Act of 1994 (20 U.S.C. §6081 et seq.), as applicable, regarding the provision of a smoke-free workplace and promoting the non-use of all tobacco products.

(b) National Environmental Policy Act of 1969.

MCO must comply with any applicable provisions relating to the institution of environmental quality control measures contained in the National Environmental Policy Act of 1969 (42 U.S.C. §4321 et seq.) and Executive Order 11514 (“Protection and Enhancement of Environmental Quality”).

(c) Clean Air Act and Water Pollution Control Act regulations.

MCO must comply with any applicable provisions relating to required notification of facilities violating the requirements of Executive Order 11738 (“Providing for Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans”).

(d) State Clean Air Implementation Plan.

MCO must comply with any applicable provisions requiring conformity of federal actions to State (Clean Air) Implementation Plans under §176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §740 et seq.).


Section 7.07 HIPAA.

(a) MCO must comply with applicable provisions of HIPAA. This includes, but is not limited to, the requirement that the MCO’s MIS system comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to HIPAA. MCO must comply with HIPAA EDI requirements.

(b) Additionally, MCO must comply with HIPAA notification requirements, including those set forth in the Health Information Technology for Economic and Clinical Health Act (HITECH Act) at 42 U.S.C. 17931 et. seq. MCO must notify HHSC of all breaches or potential breaches of unsecured protected health information, as defined by the HITECH Act, without unreasonable delay and in no event later than 60 calendar days after discovery of the breach or potential breach. If, in HHSC’s determination, MCO has not provided notice in the manner or format prescribed by the HITECH Act, then HHSC may require the MCO to provide such notice.

Section 7.08 Historically Underutilized Business Participation Requirements
(a) Definitions.
For purposes of this Section:
   (1) “Historically Underutilized Business” or “HUB” means a minority or women-owned business as defined by Texas Government Code, Chapter 2161
   (2) “HSP” means a HUB Subcontracting Plan.
(b) HUB Requirements.
   (1) In accordance with Attachment B-1, Section 8.1.20.2, the MCO must submit an HSP for HHSC’s approval during the Transition Phase, and
maintain the HSP thereafter.
   (2) MCO must report to HHSC’s contract manager and HUB Office monthly, in the format required by Chapter 5.4.4.5 of the Uniform Managed Care
Manual, its use of HUB subcontractors to fulfill the subcontracting opportunities identified in the HSP.
   (3) MCO must obtain prior written approval from the HHSC HUB Office before making any changes to the HSP. The proposed changes must comply
with HHSC’s good faith effort requirements relating to the development and submission of HSPs.
   (i) The MCO must submit a revised HSP to the HHSC HUB Office when it: changes the dollar amount of, terminates, or modifies an existing
Subcontract for MCO Administrative Services; or enters into a new Subcontract for MCO Administrative Services. All proposed changes to the HSP must
comply with the requirements of this Agreement.
   (4) HHSC will determine if the value of Subcontracts to HUBs meet or exceed the HUB subcontracting provisions specified in the MCO's HSP. If HHSC
determines that the MCO's subcontracting activity does not demonstrate a good faith effort, the MCO may be subject to provisions in the Vendor Performance
and Debarment Program (Title 34, Part 1, Chapter 20, Subchapter C, Rule §20.105), and subject to remedies for Breach.

Article 8. Amendments & Modifications

Section 8.01 Mutual agreement.
This Contract may be amended at any time by mutual agreement of the Parties. The amendment must be in writing and signed by individuals with authority
to bind the Parties.

Section 8.02 Changes in law or contract.
If Federal or State laws, rules, regulations, policies or guidelines are adopted, promulgated, judicially interpreted or changed, or if contracts are entered or
changed, the effect of which is to alter the ability of either Party to fulfill its obligations under this Contract, the Parties will promptly negotiate in good faith
appropriate modifications or alterations to the Contract. Such modifications or alterations must be in writing and signed by individuals with authority to bind
the parties, equitably adjust the terms and conditions of this Contract, and must be limited to those provisions of this Contract affected by the change.

Section 8.03 Modifications as a remedy.
This Contract may be modified under the terms of Article 12, “Remedies and Disputes.”

Section 8.04 Modification Process.
(a) If HHSC seeks modifications to the Contract, HHSC’s notice to MCO will specify those modifications to the Scope of Work, the Contract pricing terms,
or other Contract terms and conditions.
(b) MCO must respond to HHSC’s proposed modification within the timeframe specified by HHSC, generally within ten (10) Business Days of
receipt. Upon receipt of MCO’s response to the proposed modifications, HHSC may enter into negotiations with MCO to arrive at mutually agreeable Contract
amendments. In the event that HHSC determines that the Parties will be unable to reach agreement on mutually satisfactory contract modifications, then HHSC
will provide written notice to MCO of its intent terminate the Contract, or not to extend the Contract beyond the current Contract Term.

Section 8.05 Modification of the Uniform Managed Care Manual.
(a) HHSC will provide MCO with at least ten (10) Business Days advance written notice before implementing a substantive and material change in the
Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). The
Uniform Managed Care Manual, and all modifications thereto made during the Contract Term, are incorporated by reference into this Contract. HHSC
will provide MCO with a reasonable amount of time to comment on such changes, generally at least five (5) Business Days. HHSC is not required to provide
advance written notice of changes that are not material and substantive in nature, such as corrections of clerical errors or policy
clarifications.

(b) The Parties agree to work in good faith to resolve disagreements concerning material and substantive changes to the Uniform Managed Care Manual. If the Parties are unable to resolve issues relating to material and substantive changes, then either Party may terminate the agreement in accordance with Article 12, “Remedies and Disputes.”

(c) Changes will be effective on the date specified in HHSC’s written notice, which will not be earlier than the MCO’s response deadline, and such changes will be incorporated into the Uniform Managed Care Manual. If the MCO has raised an objection to a material and substantive change to the Uniform Managed Care Manual and submitted a notice of termination in accordance with Section 12.04(c), HHSC will not enforce the policy change for the objecting MCO during the period of time between the receipt of the notice and the date of Contract termination.

Section 8.06 CMS approval of amendments

Amendments, modifications, and changes to the Contract are subject to the approval of the Centers for Medicare and Medicaid Services (“CMS.”)

Section 8.07 Required compliance with amendment and modification procedures.

No different or additional services, work, or products will be authorized or performed except as authorized by this Article. No waiver of any term, covenant, or condition of this Contract will be valid unless executed in compliance with this Article. MCO will not be entitled to payment for any services, work or products that are not authorized by a properly executed Contract amendment or modification.

Article 9. Audit & Financial Compliance

Section 9.01 Record retention and audit.

MCO agrees to maintain, and require its Subcontractors to maintain, records, books, documents, and information (collectively “records”) that are adequate to ensure that services are provided and payments are made in accordance with the requirements of this Contract, including applicable Federal and State requirements (e.g., 45 CFR §74.53). Such records must be retained by MCO or its Subcontractors for a period of five (5) years after the Contract Expiration Date or until the resolution of all litigation, claim, financial management review or audit pertaining to this Contract, whichever is longer.

Section 9.02 Access to records, books, and documents.

(a) Upon reasonable notice, MCO must provide, and cause its Subcontractors to provide, the officials and entities identified in this Section with prompt, reasonable, and adequate access to any records that are related to the scope of this Contract.

(b) MCO and its Subcontractors must provide the access described in this Section upon HHSC’s request. This request may be for, but is not limited to, the following purposes:

1. Examination;
2. Audit;
3. Investigation;
4. Contract administration; or
5. The making of copies, excerpts, or transcripts.

(c) The access required must be provided to the following officials and/or entities:

1. The United States Department of Health and Human Services or its designee;
2. The Comptroller General of the United States or its designee;
3. MCO Program personnel from HHSC or its designee;
4. The Office of Inspector General;
5. The Medicaid Fraud Control Unit of the Texas Attorney General’s Office or its designee;
6. Any independent verification and validation contractor, audit firm, or quality assurance contractor acting on behalf of HHSC;
7. The Office of the State Auditor of Texas or its designee;
8. A State or Federal law enforcement agency;
9. A special or general investigating committee of the Texas Legislature or its designee; and
10. Any other state or federal entity identified by HHSC, or any other entity engaged by HHSC.

(d) MCO agrees to provide the access described wherever MCO maintains such books, records, and supporting documentation. MCO further agrees to provide such access in reasonable comfort and to provide any furnishings, equipment, and other conveniences deemed reasonably necessary to fulfill the purposes described in this Section. MCO will require its Subcontractors to provide comparable access and accommodations.
Section 9.03 Audits of Services, Deliverables and inspections.

(a) Upon reasonable notice from HHSC, MCO will provide, and will cause its Subcontractors to provide, such auditors and inspectors as HHSC may from time to time designate, with access to:
   (1) service locations, facilities, or installations;
   (2) records; and
   (3) Software and Equipment.

(b) The access described in this Section will be for the purpose of examining, auditing, or investigating:
   (1) MCO’s capacity to bear the risk of potential financial losses;
   (2) the Services and Deliverables provided;
   (3) a determination of the amounts payable under this Contract;
   (4) a determination of the allowability of costs reported under this Contract;
   (5) an examination of Subcontract terms and/or transactions;
   (6) an assessment of financial results under this Contract;
   (7) detection of Fraud, Waste and/or Abuse; or
   (8) other purposes HHSC deems necessary to perform its oversight function and/or enforce the provisions of this Contract.

(c) MCO must provide, as part of the Scope of Work, any assistance that such auditors and inspectors reasonably may require to complete such audits or inspections.

(d) If, as a result of an audit or review of payments made to the MCO, HHSC discovers a payment error or overcharge, HHSC will notify the MCO of such error or overcharge. HHSC will be entitled to recover such funds as an offset to future payments to the MCO, or to collect such funds directly from the MCO. MCO must return funds owed to HHSC within 30 days after receiving notice of the error or overcharge, or interest will accrue on the amount due. HHSC will calculate interest at 12% per annum, compounded daily. In the event that an audit reveals that errors in reporting by the MCO have resulted in errors in payments to the MCO or errors in the calculation of the Experience Rebate, the MCO will indemnify HHSC for any losses resulting from such errors, including the cost of audit. If the interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

Section 9.04 SAO Audit

The MCO understands that acceptance of funds under this Contract acts as acceptance of the authority of the State Auditor’s Office (“SAO”), or any successor agency, to conduct an investigation in connection with those funds. The MCO further agrees to cooperate fully with the SAO or its successor in the conduct of the audit or investigation, including providing all records requested. The MCO will ensure that this clause concerning the authority to audit funds and the requirement to cooperate is included in any Subcontract, and in any third party agreements described in Section 4.10, “MCO Agreements with Third Parties.”

Section 9.05 Response/compliance with audit or inspection findings.

(a) MCO must take action to ensure its or a Subcontractor’s compliance with or correction of any finding of noncompliance with any law, regulation, audit requirement, or generally accepted accounting principle relating to the Services and Deliverables or any other deficiency contained in any audit, review, or inspection conducted under this Article. This action will include MCO’s delivery to HHSC, for HHSC’s approval, a Corrective Action Plan that addresses deficiencies identified in any audit, review, or inspection within 30 calendar days of the close of the audit, review, or inspection.

(b) MCO must bear the expense of compliance with any finding of noncompliance under this Section that is:
   (1) Required by Texas or Federal law, regulation, rule, court order, or other audit requirement relating to MCO's business;
   (2) Performed by MCO as part of the Scope of Work; or
   (3) Necessary due to MCO's noncompliance with any law, regulation, rule, court order, or audit requirement imposed on MCO.

(c) As part of the Scope of Work, MCO must provide to HHSC upon request a copy of those portions of MCO's and its Subcontractors' internal audit reports relating to the Services and Deliverables provided to HHSC under the Contract.
Section 9.06 Notification of Legal and Other Proceedings, and Related Events.

The MCO must notify HHSC of all proceedings, reports, documents, actions, and events as specified in Uniform Managed Care Manual Chapter 5.8, “Report of Legal and Other Proceedings, and Related Events.”

Article 10. Terms & Conditions of Payment

Section 10.01 Calculation of monthly Capitation Payment.

(a) This is a Risk-based contract. For each applicable MCO Program, HHSC will pay the MCO fixed monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Members by each applicable Member Rate Cell. In consideration of the Monthly Capitation Payments, the MCO agrees to provide the Services and Deliverables described in this Contract.

(b) MCO will be required to provide timely financial and statistical information necessary in the Capitation Rate determination process. Encounter Data provided by MCO must conform to all HHSC requirements. Encounter Data containing non-compliant information, including, but not limited to, inaccurate Member identification numbers, inaccurate provider identification numbers, or diagnosis or procedures codes insufficient to adequately describe the diagnosis or medical procedure performed, will not be considered in the MCO’s experience for rate-setting purposes.

(c) Information or data, including complete and accurate Encounter Data, as requested by HHSC for rate-setting purposes, must be provided to HHSC: (1) within 30 days of receipt of the letter from HHSC requesting the information or data; and (2) no later than March 31st of each year.

(d) The fixed monthly Capitation Rate consists of the following components:
   (1) an amount for Health Care Services performed during the month;
   (2) an amount for administering the MCO Program, and
   (3) an amount for the MCO’s Risk margin.

Capitation Rates for each MCO Program may vary by Service Area and MCO. HHSC will employ or retain qualified actuaries to perform data analysis and calculate the Capitation Rates for each Rate Period.

(e) MCO understands and expressly assumes the risks associated with the performance of the duties and responsibilities under this Contract, including the failure, termination or suspension of funding to HHSC, delays or denials of required approvals, and cost overruns not reasonably attributable to HHSC.

Section 10.02 Time and Manner of Payment.

(a) During the Contract Term and beginning after the Operational Start Date, HHSC will pay the monthly Capitation Payments by the 10th Business Day of each month.

(b) The MCO must accept Capitation Payments by direct deposit into the MCO’s account.

(c) HHSC may adjust the monthly Capitation Payment to the MCO in the case of an overpayment to the MCO; for Experience Rebate amounts due and unpaid, including any associated interest; and if monetary damages are assessed in accordance with Article 12, “Remedies and Disputes.”

(d) HHSC’s payment of monthly Capitation Payments is subject to availability of federal and state appropriations. If appropriations are not available to pay the full monthly Capitation Payment, HHSC may:
   (1) equitably adjust Capitation Payments for all participating MCOs, and reduce scope of service requirements as appropriate in accordance with Article 8, “Amendments and Modifications,” or
   (2) terminate the Contract in accordance with Article 12, “Remedies and Disputes.”

Section 10.03 Certification of Capitation Rates.

HHSC will employ or retain a qualified actuary to certify the actuarial soundness of the Capitation Rates, and all revisions or modifications thereto.

Section 10.04 Modification of Capitation Rates.

The Parties expressly understand and agree that the agreed Capitation Rates are subject to modification in accordance with Article 8, “Amendments and Modifications,” if changes in state or federal laws, rules, regulations, guidelines, policies, or court orders affect the rates or the actuarial soundness of the rates. HHSC will provide the MCO notice of a modification to the Capitation Rates at least 60 days prior to the effective date of the change, unless HHSC determines that circumstances warrant a shorter notice period. If the MCO does not accept the rate change, either Party may terminate the Contract in accordance with Article 12, “Remedies and Disputes.”
Section 10.05 STAR and STAR+PLUS Capitation Structure.

a) STAR Rate Cells.
STAR Capitation Rates are defined on a per Member per month basis by Rate Cells and Service Areas. STAR Rate Cells are:

1. TANF adults;
2. TANF children over 12 months of age;
3. Expansion children over 12 months of age;
4. Newborns less than or equal to 12 months of age;
5. TANF children less than or equal to 12 months of age;
6. Expansion children less than or equal to 12 months of age;
7. Federal mandate children;
8. Pregnant women; and
9. SSI (applies to the Medicaid Rural Service Area only).

These Rate Cells are subject to change.

(b) STAR+PLUS Rate Cells.
STAR+PLUS Capitation Rates are defined on a per Member per month basis by Rate Cells. STAR+PLUS Rate Cells are based on client category as follows:

1. Medicaid Only Standard Rate
2. Medicaid Only HCBS STAR+PLUS Waiver Rate - Above Floor
3. Medicaid Only HCBS STAR+PLUS Waiver Rate - Below Floor
4. Dual Eligible Standard Rate
5. Dual Eligible HCBS STAR+PLUS Waiver Rate - Above Floor
6. Dual Eligible HCBS STAR+PLUS Waiver Rate - Below Floor
7. Nursing Facility - Medicaid only
8. Nursing Facility - Dual Eligible

These Rate Cells are subject to change.

(c) STAR and STAR+PLUS Capitation Rate development:

1. Capitation Rates for Service Areas with historical Medicaid MCO Program participation.
   For Service Areas where HHSC operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will develop base Capitation Rates by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area (e.g., Capitation Rates for the STAR Program will be based on STAR Program historical Encounter Data and financial data for the Service Area). This analysis will apply to all MCOs in the Service Area, including MCOs that have no historical participation in the Medicaid MCO Program in Service Area. The analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. If the MCO participated in the Medicaid MCO Program in the Service Area prior to the Effective Date of this Contract, HHSC may modify the Service Area base Capitation Rates using diagnosis-based risk adjusters to yield the final Capitation Rates.

2. Capitation Rates for Rate Periods 1 and 2 for Service Areas with no historical STAR Program participation.
   For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for Rate Periods 1 and 2 by analyzing Fee-for-Service claims data for the Medicaid MCO Program and Service Area (e.g., Capitation Rates for the STAR Program will be based fee-for-service data in the Service Area). This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.

3. Capitation Rates for subsequent Rate Periods for Service Areas with no historical STAR Program participation.
   For Service Areas where HHSC has not operated a Medicaid MCO Program prior to the Effective Date of this Contract, HHSC will establish base Capitation Rates for the Rate Periods following Rate Period 2 by analyzing the Medicaid MCO Program's historical Encounter Data and financial data for the Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information.
(d) Acuity adjustment.
HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(c) Value-added Services.
Value-added Services will not be included in the rate-setting process.

(i) Delay in Increased STAR+PLUS Capitation Level for Certain Members Receiving Waiver Services
Once a current STAR+PLUS MCO Member has been certified to receive STAR+PLUS Waiver (SPW) services, there is a two (2) month delay before the MCO will begin receiving the higher capitation payment.
Non-Waiver Members who qualify for STAR+PLUS based on eligibility for SPW services and Waiver recipients who transfer from another region will not be subject to this two (2) month delay in the increased capitation payment.
All SPW recipients will be registered into Service Authorization System Online (SASO). The Premium Payment System (PPS) will process data from the SASO system in establishing a Member's correct capitation payment.

Section 10.06 CHIP Capitation Rates Structure.

(a) CHIP Rate Cells.
CHIP Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Rate Cells are based on the Member’s age group as follows:

1. under age one (1);
2. ages one (1) through five (5);
3. ages six (6) through fourteen (14); and
4. ages fifteen (15) through eighteen (18).

(b) CHIP Perinatal Program Rate Cells.
CHIP Perinatal Capitation Rates are defined on a per Member per month basis by the Rate Cells applicable to a Service Area. CHIP Perinatal Rate Cells are based on the Member’s birth status and household income as follows:

1. CHIP Perinate 0% to 185% of FPL;
2. CHIP Perinate Above 185% to 200% of FPL; and
3. CHIP Perinate Newborn Above 185% to 200% of FPL.

(c) CHIP and CHIP Perinatal Program Capitation Rate development:
HHSC will establish base Capitation Rates by analyzing Encounter Data and financial data for each Service Area. This analysis will include a review of historical enrollment and claims experience information; any changes to Covered Services and covered populations; rate changes specified by the Texas Legislature; and any other relevant information. HHSC may modify the Service Area base Capitation Rate using diagnosis based risk adjusters to yield the final Capitation Rates.

(d) Acuity adjustment.
HHSC may evaluate and implement an acuity adjustment methodology, or alternative reasonable methodology, that appropriately reimburses the MCO for acuity and cost differences that deviate from that of the community average, if HHSC in its sole discretion determines that such a methodology is reasonable and appropriate. The community average is a uniform rate for all MCOs in a Service Area, and is determined by combining all the experience for all MCOs in a Service Area to get an average rate for the Service Area.

(e) Value-added Services.
Value-added Services will not be included in the rate-setting process.

Section 10.07 MCO input during rate setting process.

(a) In Service Areas with historical STAR or STAR+PLUS Program participation, MCO must provide certified Encounter Data and financial data as prescribed in Uniform Managed Care Manual Chapter 5.0, “Deliverable Matrix.” Such information may include, without limitation: claims lag information by Rate Cell, capitation expenses, and stop loss reinsurance expenses. HHSC may request clarification or for additional financial information from the MCO. HHSC will notify the MCO of the deadline for submitting a response, which will include a reasonable amount of time for response.

(b) HHSC will allow the MCO to review and comment on data used by HHSC to determine base Capitation Rates. In Service Areas with no historical STAR or STAR+PLUS Program participation, this will include Fee-for-Service data for Rate Periods 1 and 2. HHSC will notify the MCO of deadline for submitting comments, which will include a reasonable amount of time for response. HHSC will not consider comments received after the deadline in its rate analysis.
During the rate setting process, HHSC will conduct at least two (2) meetings with the MCOs. HHSC may conduct the meetings in person, via
teleconference, or by another method deemed appropriate by HHSC. Prior to the first meeting, HHSC will provide the MCO with proposed Capitation
Rates. During the first meeting, HHSC will describe the process used to generate the proposed Capitation Rates, discuss major changes in the rate setting
process, and receive input from the MCO. HHSC will notify the MCO of the deadline for submitting comments, which will include a reasonable amount of
time to review and comment on the proposed Capitation Rates and rate setting process. After reviewing such comments, HHSC will conduct a second meeting
to discuss the final Capitation Rates and changes resulting from MCO comments, if any.

Section 10.08 Adjustments to Capitation Payments.

(a) Recoupment.
HHSC may recoup a payment made to the MCO for a Member if:
   (1) the Member is enrolled into the MCO in error;
   (2) the Member moves outside the United States;
   (3) the Member dies before the first day of the month for which the payment was made; or
   (4) a Member’s eligibility status or program type is changed, corrected as a result of error, or is retroactively adjusted; or
   (5) payment has been denied by the CMS in accordance with the requirements in 42 C.F.R. §438.730.

(b) Appeal of recoupment.
The MCO may appeal the recoupment or adjustment of capitations in the above circumstances using the HHSC dispute resolution process set forth in Section 12.13, “Dispute Resolution.”

Section 10.09 Delivery Supplemental Payment for CHIP, CHIP Perinatal and STAR MCOs.

(a) The Delivery Supplemental Payment (DSP) is a function of the average delivery cost in each Service Area. Delivery costs include facility and professional
charges.
(b) CHIP and STAR MCOs will receive a Delivery Supplemental Payment (DSP) from HHSC for each live or stillbirth by a Member. CHIP Perinatal MCOs
will receive a DSP from HHSC for each live or stillbirth by a mother of a CHIP Perinatal Program Member in the above 185% to 200% FPL (measured at the
time of enrollment in the CHIP Perinatal subprogram). CHIP Perinatal MCOs will not receive a DSP from HHSC for a live or stillbirth by the mother of a
CHIP Perinatal Program Member in the 0% to 185% FPL. For STAR and CHIP and CHIP Perinatal Program MCOs, the one-time DSP payment is made in the
amount identified in the HHSC Managed Care Contract document regardless of whether there is a single birth or there are multiple births at time of
delivery. A delivery is the birth of a live born infant, regardless of the duration of the pregnancy, or a stillborn (fetal death) infant of twenty (20) weeks or
more of gestation. A delivery does not include a spontaneous or induced abortion, regardless of the duration of the pregnancy.
(c) MCO must submit a monthly DSP Report as described in Section 8.1.20.2, “Reports” to the RFP, in the format prescribed in Uniform Managed Care
Manual Chapter 5.3.9, “Disproportionate Share Hospital Report.”
(d) HHSC will pay the Delivery Supplemental Payment within twenty (20) Business Days after receipt of a complete and accurate report from the MCO.
(e) The MCO will not be entitled to Delivery Supplemental Payments for deliveries that are not reported to HHSC within 210 days after the date of delivery, or
within thirty (30) days from the date of discharge from the Hospital for the stay related to the delivery, whichever is later.
(f) MCO must maintain complete claims and adjudication disposition documentation, including paid and denied amounts for each delivery. The MCO must
submit the documentation to HHSC within five (5) Business Days after receiving a request for such information from HHSC.

Section 10.10 Experience Rebate

(a) MCO’s duty to pay.
   (1) General.
      At the end of each FSR Reporting Period beginning with FSR Reporting Period 12/13, , the MCO must pay an Experience Rebate if the MCO’s Net
Income Before Taxes is greater than the percentage set forth below of the total Revenue for the period. The Experience Rebate is calculated in
accordance with the tiered rebate method set forth below. The Net Income Before Taxes and the total Revenues are as measured by the FSR, as
reviewed and confirmed by HHSC. The final amount used in the calculation of the percentage may be impacted by various factors herein, including
the Loss Carry Forward, the Admin Cap, and/or the Reinsurance Cap.
   (2) Basis of Consolidation.
The percentages are calculated on a Consolidated Basis, and include the consolidated Net Income Before Taxes for all of the MCO’s and its
Affiliates’ Texas HHSC Programs and Service Areas.
(b) Graduated Experience Rebate Sharing Method.

<table>
<thead>
<tr>
<th>Pre-tax Income as a % of Revenues</th>
<th>MCO Share</th>
<th>HHSC Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 3%</td>
<td>100%</td>
<td>—%</td>
</tr>
<tr>
<td>&gt; 3% and ≤ 5%</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>&gt; 5% and ≤ 7%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>&gt; 7% and ≤ 9%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>&gt; 9% and ≤ 12%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>&gt; 12%</td>
<td>—%</td>
<td>100%</td>
</tr>
</tbody>
</table>

HHSC and the MCO will share the consolidated Net Income Before Taxes for its HHSC Programs as follows, unless HHSC provides the MCO an Experience Rebate Reward in accordance with Section 6, “Premium Payment Incentives and Disincentives,” and Uniform Managed Care Manual Chapter 6.2, “Financial Incentive Methodology”:

(1) The MCO will retain all the Net Income Before Taxes that is equal to or less than 3% of the total Revenues received by the MCO;
(2) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 3% and less than or equal to 5% of the total Revenues received, with 80% to the MCO and 20% to HHSC.
(3) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 5% and less than or equal to 7% of the total Revenues received, with 60% to the MCO and 40% to HHSC.
(4) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 7% and less than or equal to 9% of the total Revenues received, with 40% to the MCO and 60% to HHSC.
(5) HHSC and the MCO will share that portion of the Net Income Before Taxes that is over 9% and less than or equal to 12% of the total Revenues received, with 20% to the MCO and 80% to HHSC.
(6) HHSC will be paid the entire portion of the Net Income Before Taxes that exceeds 12% of the total Revenues.

(c) Net income Before taxes.

(1) The MCO must compute the Net Income Before Taxes in accordance with applicable federal regulations and Uniform Managed Care Manual Chapter 6.1 “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” “Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and similar such instructions for other HHSC Programs. The Net Income Before Taxes will be confirmed by HHSC or its agent for the FSR Reporting Period relating to all Revenues and Allowable Expenses incurred pursuant to the Contract. HHSC reserves the right to modify the “Cost Principles for Expenses” and “FSR Instructions for Completion” found in the Uniform Managed Care Manual in accordance with Section 8.05, “Modification of the Uniform Managed Care Manual.”
(2) For purposes of calculating Net Income Before Taxes certain items are omitted from the calculation, as they are not Allowable Expenses; these include, but are not limited to:
   (i) the payment of an Experience Rebate;
   (ii) any interest expense associated with late or underpayment of the Experience Rebate;
   (iii) financial incentives, including without limitation the Quality Challenge Award described in Attachment B-1, Section 6.3.2.3; and
   (iv) financial disincentives, including without limitation: the Performance-based Capitation Rate described in Attachment B-1, Section 6.3.2.2; and the liquidated damages described in Attachment B-5.

See Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(3) Financial incentives will not be reduced by potential increased Experience Rebate payments. Financial disincentives will not be offset in whole or part by potential decreases in Experience Rebate payments.
(4) For FSR reporting purposes, financial incentives incurred must not be reported as an increase in Revenues or as an offset to costs, and any award of such will not increase reported income. Financial disincentives incurred must not be included as reported expenses, and must not reduce reported income. The reporting or recording of any of these incurred items will be done on a memo basis, which is below the income line, and will be listed as separate items.

(d) Carry forward of prior FSR Reporting Period losses.

(1) General.
Losses incurred on a Consolidated Basis for a given FSR Reporting Period may be carried forward to the next FSR Reporting Period, and applied as an offset against consolidated pre-tax net income for determination of any Experience Rebate due. Any such prior losses may be carried forward for the next two (2) contiguous FSR Reporting Periods.

In the case when a loss in a given FSR Reporting Period is carried forward and applied against profits in either or both of the next two (2) FSR Reporting Periods, the loss must first be applied against the first subsequent FSR Reporting Period such that the profit in the first subsequent FSR Reporting Period is reduced to a zero pre-tax income; any additional loss then remaining unapplied may be carried forward to any profit in the next subsequent FSR Reporting Period. In such case, the revised income in the third FSR Reporting Period would be equal to the cumulative income of the three (3) contiguous FSR Reporting Periods. In no case could the loss be carried forward to the fourth FSR Reporting Period or beyond.

Carrying forward of losses may be impacted by the Admin Cap; see Section 10.10.2 (f) below.

Losses incurred in the last or next-to-last FSR Reporting Period of a prior contiguous contract with HHSC may be carried forward up to two (2) FSR Reporting Periods into the first or potentially second FSR Reporting Period of this Contract, if such losses meet all other requirements of both the prior and current contracts.

(2) Basis of consolidation.

In order for a loss to be eligible for potential carry forward as an offset against future income, the MCO must have a negative Net Income Before Taxes for an FSR Reporting Period on a Consolidated Basis.

(c) Settlements for payment.

(1) There may be one (1) or more MCO payment(s) of the State share of the Experience Rebate on income generated for a given State Fiscal Year under the applicable Programs. The first scheduled payment (the “Primary Settlement”) will equal 100% of the State share of the Experience Rebate as derived from the FSR, and will be paid on the same day the 90-day FSR Report is submitted to HHSC.

The “Primary Settlement,” as utilized herein, refers strictly to what should be paid with the 90-day FSR, and does not refer to the first instance in which an MCO may tender a payment. For example, an MCO may submit a 90-day FSR indicating no Experience Rebate is due, but then submit a 334-day FSR with a higher income and a corresponding Experience Rebate payment. In such case, this initial payment would be subsequent to the Primary Settlement.

(2) The next scheduled payment will be an adjustment to the Primary Settlement, if required, and will be paid on the same day that the 334-day FSR Report is submitted to HHSC if the adjustment is a payment from the MCO to HHSC. Section 10.10(f) describes the interest expenses associated with any payment after the Primary Settlement.

An MCO may make non-scheduled payments at any time to reduce the accumulation of interest under Section 10.10(f). For any nonscheduled payments prior to the 334-day FSR, the MCO is not required to submit a revised FSR, but is required to submit an Experience Rebate calculation form and an adjusted summary page of the FSR. The FSR summary page is labeled “Summary Income Statements (Dollars), All Coverage Groups Combined (FSR, Part I).”

(3) HHSC or its agent may audit or review the FSRs. If HHSC determines that corrections to the FSRs are required, based on an HHSC audit/review or other documentation acceptable to HHSC, then HHSC will make final adjustments. Any payment resulting from an audit or final adjustment will be due from the MCO within 30 days of the earlier of:

(i) the date of the management representation letter resulting from the audit; or

(ii) the date of any invoice issued by HHSC.

Payment within this 30-day timeframe will not relieve the MCO of any interest payment obligation that may exist under Section 10.10(f).

(4) In the event that any Experience Rebates and/or corresponding interest payments owed to the State are not paid by the required due dates, then HHSC may offset such amounts from any future Capitation Payments, or collect such
sums directly from the MCO. HHSC may adjust the Experience Rebate if HHSC determines the MCO has paid amounts for goods or services that are not reasonable, necessary, or allowable in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” Chapter 5.3.1.2, “CHIP FSR Instructions for Completion,” Chapter 5.3.1.4, “STAR FSR Instructions for Completion,” Chapter 5.3.1.6, “STAR+PLUS FSR Instructions for Completion,” and the Federal Acquisition Regulations (FAR), or other applicable federal or state regulations. HHSC has final authority in auditing and determining the amount of the Experience Rebate.

(f) Interest on Experience Rebate.

(1) Interest on any Experience Rebate owed to HHSC will be charged beginning 35 days after the due date of the Primary Settlement, as described in Section 10.10(e)(1). Thus, any Experience Rebate due or paid on or after the Primary Settlement will accrue interest starting at 35 days after the due date for the 90-day FSR Report. For example, any Experience Rebate payment(s) made in conjunction with the 334-day FSR, or as a result of audit findings, will accrue interest back to 35 days after the due-date for submission of the 90-day FSR.

The MCO has the option of preparing an additional FSR based on 120 days of claims run-out (a “120-day FSR”). If a 120-day FSR, and an Experience Rebate payment based on it, are received by HHSC before the interest commencement date above, then such a payment would be counted as part of the Primary Settlement.

(2) If an audit or adjustment determines a downward revision of income after an interest payment has previously been required for the same State Fiscal Year, then HHSC will recalculate the interest and, if necessary, issue a full or partial refund or credit to the MCO.

(3) Any interest obligations that are incurred pursuant to Section 10.10 that are not timely paid will be subject to accumulation of interest as well, at the same rate as applicable to the underlying Experience Rebate.

(4) All interest assessed pursuant to Section 10.10 will continue to accrue until such point as a payment is received by HHSC, at which point interest on the amount received will stop accruing. If a balance remains at that point that is subject to interest, then the balance will continue to accrue interest. If interim payments are made, then any interest that may be due will only be charged on amounts for the time period during which they remained unpaid. By way of example only, if $100,000 is subject to interest commencing on a given day, and a payment is received for $75,000 45 days after the start of interest, then the $75,000 will be subject to 45 days of interest, and the $25,000 balance will continue to accrue interest until paid. The accrual of interest as defined under Section 10.10(f) will not stop during any period of dispute. If a dispute is resolved in the MCO’s favor, then interest will only be assessed on the revised unpaid amount.

(5) If the MCO incurs an interest obligation pursuant to Section 10.10 for an Experience Rebate payment HHSC will assess such interest at 12% per annum, compounded daily. If any interest rate stipulated hereunder is found by a court of competent jurisdiction to be outside the range deemed legal and enforceable, then the rate hereunder will be adjusted as little as possible so as to be deemed legal and enforceable.

(6) Any such interest expense incurred pursuant to Section 10.10 is not an Allowable Expense for reporting purposes on the FSR.

Section 10.10.1 This Section Intentionally Left Blank

Section 10.10.2 Administrative Expense Cap.

(a) General requirement.

The calculation methodology of Experience Rebates described in Section 10.10 will be adjusted by an Administrative Expense Cap (“Admin Cap.”) The Admin Cap is a calculated maximum amount of administrative expense dollars (corresponding to a given FSR) that can be deducted from Revenues for purposes of determining income subject to the Experience Rebate. While Administrative Expenses may be limited by the Admin Cap to determine Experience Rebates, all valid Allowable Expenses will continue to be reported on the Financial Statistical Reports (FSRs). Thus, the Admin Cap does not impact FSR reporting, but may impact any associated Experience Rebate calculation.
The calculation of any corresponding Experience Rebate due will be subject to limitations on total deductible administrative expenses.

Such limitations will be calculated as follows:

(b) Calculation methodology.

HHSC will determine the administrative expense component of the applicable Capitation Rate structure for each Program prior to each applicable Rate Period. At the conclusion of an FSR Reporting Period, HHSC will apply that predetermined administrative expense component against the MCO’s actually incurred number of Member Months and aggregate premiums received (monthly Capitation Payments plus any Delivery Supplemental Payments), to determine the specific Admin Cap, in aggregate dollars, for a given MCO.

If rates are changed during the FSR Reporting Period, HHSC will use this same methodology of multiplying the predetermined HHSC rates for a given month against the ultimate actual number of member months or Revenues that occurred during that month, such that HHSC will apply each month’s actual results against the rates that were in effect for that month.

(c) Data sources.

In determining the amount of Experience Rebate payment to include in the Primary Settlement (or in conjunction with any subsequent payment or settlement), the MCO will need to make the appropriate calculation, in order to assess the impact, if any, of the Admin Cap.

(1) The total premiums paid by HHSC (received by the MCO), and corresponding Member Months, will be taken from the relevant FSR (or audit report) for the FSR Reporting Period.

(2) There are two (2) components of the administrative expense portion of the Capitation Rate structure:
   (i) the percentage rate to apply against the total premiums paid (the “percentage of premium” within the administrative expenses), and,
   (ii) the dollar rate per Member Month (the “fixed amount” within the administrative expenses).

These will be taken from the supporting details associated with the official notification of final Capitation Rates, as supplied by HHSC. This notification is sent to the MCOs during the annual rate setting process via email, labeled as “the final rate exhibits for your health plan.” The email has one (1) or more spreadsheet files attached, which are particular to the given MCO. The spreadsheet(s) show the fixed amount and percentage of premium components for the administrative component of the Capitation Rate.

The components of the administrative expense portion of the Capitation Rate can also be found on HHSC’s Medicaid website, under “Rate Analysis for Managed Care Services.” Under each Program, there is a separate Rate Setting document for each Rate Period that describes the development of the Capitation Rates. Within each such document, there is a section entitled “Administrative Fees,” where it refers to “the amount allocated for administrative expenses.”

(3) In cases where the administrative expense portion of the Capitation Rate refers to “the greater of (a) [one (1) set of factors], and (b) [another set of factors],” then the Admin Cap will be calculated each way, and the larger of the two (2) results will be the Admin Cap utilized for the determination of any Experience Rebates due.

(d) Separate calculations, by FSR.

Each MCO will have a separate Admin Cap for each Program and each Service Area in which it participates. This will require calculating a separate Admin Cap corresponding to each FSR (for annual, or complete period, versions of FSRs only). All administrative expenses reported on an FSR in excess of the calculated corresponding Admin Cap will be subtracted from the total Allowable Expense in the Experience Rebate calculation of income for that Program and Service Area, subject to any consolidation or offset that may apply, as described in Section 10.10.2(e).

By way of example only, HHSC will calculate the Admin Cap for an FSR Reporting Period as follows:

(1) Multiply the predetermined administrative expense rate structure “fixed amount,” or dollar rate per Member Month (for example, $11.00), by the actual number of Member Months for the Program and Service Area during the Rate Period (for example, 70,000):
(2) Multiply the predetermined percent of premiums in the administrative expense rate structure (for example, 5.75%), by the actual aggregate premiums earned for the Program and Service Area during the Rate Period (for example, $6,000,000).

\[ 5.75\% \times 6,000,000 = 345,000. \]

(3) Add the totals of items 1 and 2, plus applicable premium taxes and maintenance taxes (for example, $112,000), to determine the Admin Cap for the Program:

\[ (770,000 + 345,000) + 112,000 = 1,227,000. \]

In this example, $1,227,000 would be the Admin Cap for a single Program for an MCO in a particular FSR Reporting Period.

(c) Consolidation and offsets.

The Admin Cap will be first calculated individually by Program, and then totaled and applied on a Consolidated Basis. There will be one aggregate amount of dollars determined as the Admin Cap for each MCO, which will cover all of an MCO’s and its Affiliates’ Programs and Service Areas. This consolidated Admin Cap will be applied to the administrative expenses of the MCO on a Consolidated Basis. The net impact of the Admin Cap will be applied to the Experience Rebate calculation. Calculation details are provided in the applicable FSR Templates and FSR Instructions in the Uniform Managed Care Manual.

(f) Impact on Loss carry-forward.

For Experience Rebate calculation purposes, the calculation of any loss carry-forward, as described in Section 10.10(d), will be based on the allowable pre-tax loss as determined under the Admin Cap.

(g) MCOs entering a Service Delivery Area or Program.

If an MCO enters a new Service Area or offers a Program that it did not offer under a previous contract, it may be exempt from the Admin Cap for those Service Areas and Programs for a period of time to be determined by HHSC, up through the first FSR Reporting Period or portion thereof.

(h) Service Delivery Areas with only one (1) MCO in a Program.

In Service Areas operating with only one (1) MCO for a Program, HHSC may, at its sole discretion, revise the Admin Cap if its application would create an undue hardship on the MCO.

(i) Unforeseen events.

If, in HHSC’s sole discretion, it determines that unforeseen events have created significant hardships for one (1) or more MCOs, HHSC may revise or temporarily suspend the Admin Cap as it deems necessary.

Section 10.10.3 Reinsurance Cap

(a) General requirement.

Reinsurance is reported on HHSC’s FSR report format as: 1) gross reinsurance premiums paid, and 2) reinsurance recoveries received. The premiums paid are treated as a part of medical expenses, and the recoveries received are treated as an offset to those medical expenses (also known as a contra-cost). The net of the gross premiums paid minus the recoveries received is called the net reinsurance cost. The net reinsurance cost, as measured in aggregate dollars over the SFY, divided by the number of member-months for that same period, is referred to as the net reinsurance cost per-member-per-month (PMPM). MCOs are limited to a maximum amount of net reinsurance cost PMPM for purposes of calculating pre-tax net income on HHSC’s FSR report format. This limitation does not impact an MCO’s ability to purchase or arrange for reinsurance; it only impacts what is reportable on HHSC’s FSR. The maximum amount of allowed net reinsurance cost PMPM (i.e., the “Reinsurance Cap”) varies by MCO Program, as described in subpart (d). Regardless of the maximum amounts as represented by the Reinsurance Cap, all reinsurance reported on the FSR is subject to audit, and must comply with the UMCM Cost Principles.

(b) Rates.

The Reinsurance Cap for Rate Period 1, and thereafter unless modified herein, will be:
<table>
<thead>
<tr>
<th>Program</th>
<th>Maximum net reinsurance cost, $-PMPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR</td>
<td>$1.00</td>
</tr>
<tr>
<td>CHIP</td>
<td>$1.00</td>
</tr>
<tr>
<td>STAR+PLUS</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

Section 10.11 Restriction on assignment of fees.

During the term of the Contract, MCO may not, directly or indirectly, assign to any third party any beneficial or legal interest of the MCO in or to any payments to be made by HHSC pursuant to this Contract. This restriction does not apply to fees the MCO pays to Subcontractors for the performance of the Scope of Work.

Section 10.12 Liability for taxes.

HHSC is not responsible in any way for the payment of any Federal, state or local taxes related to or incurred in connection with the MCO’s performance of this Contract. MCO must pay and discharge any and all such taxes, including any penalties and interest. In addition, HHSC is exempt from Federal excise taxes, and will not pay any personal property taxes or income taxes levied on MCO or any taxes levied on employee wages.

Section 10.13 Liability for employment-related charges and benefits.

MCO will perform work under this Contract as an independent contractor and not as agent or representative of HHSC. MCO is solely and exclusively liable for payment of all employment-related charges incurred in connection with the performance of this Contract, including but not limited to salaries, benefits, employment taxes, workers compensation benefits, unemployment insurance and benefits, and other insurance or fringe benefits for Staff.

Section 10.14 No additional consideration.

(a) MCO will not be entitled to nor receive from HHSC any additional consideration, compensation, salary, wages, charges, fees, costs, or any other type of remuneration for Services and Deliverables provided under the Contract, except by properly authorized and executed Contract amendments.
(b) No other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services and Deliverables due under the Agreement.
(c) MCO will not be entitled by virtue of the Contract to consideration in the form of overtime, health insurance benefits, retirement benefits, disability retirement benefits, sick leave, vacation time, paid holidays, or other paid leaves of absence of any type or kind whatsoever.

Section 10.15 Federal Disallowance

If the federal government recoups money from the state for expenses and/or costs that are deemed unallowable by the federal government, the state has the right to, in turn, recoup payments made to the MCOs for these same expenses and/or costs, even if they had not been previously disallowed by the state and were incurred by the MCO, and any such expenses and/or costs would then be deemed unallowable by the state. If the state retroactively recoups money from the MCOs due to a federal disallowance, the state will recoup the entire amount paid to the MCO for the federally disallowed expenses and/or costs, not just the federal portion.

Article 11. Disclosure & Confidentiality of Information

Section 11.01 Confidentiality.

(a) MCO and all Subcontractors, consultants, or agents under the Contract must treat all information that is obtained through performance of the Services under the Contract, including, but not limited to, information relating to applicants or recipients of HHSC Programs, as Confidential Information to the extent that confidential treatment is provided under state and federal law, rules, and regulations.
(b) MCO is responsible for understanding the degree to which information obtained through performance of this Contract is confidential under State and Federal law, rules, and regulations.
(c) MCO and all Subcontractors, consultants, or agents not use any information obtained through performance of this Contract in any manner except as is necessary for the proper discharge of obligations and securing of rights under the Contract.

(d) MCO must have a system in effect to protect all records and all other documents deemed confidential under this Contract that are maintained in connection with the activities funded under the Contract. Any disclosure or transfer of Confidential Information by MCO, including information required by HHSC, will be in accordance with applicable law. If the MCO receives a request for information deemed confidential under this Contract, the MCO will immediately notify HHSC of such request, and will make reasonable efforts to protect the information from public disclosure.

(e) In addition to the requirements expressly stated in this Section, MCO must comply with any policy, rule, or reasonable requirement of HHSC that relates to the safeguarding or disclosure of information relating to Members, MCO’s operations, or MCO’s performance of the Contract.

(f) In the event of the expiration of the Contract or termination of the Contract for any reason, all Confidential Information disclosed to and all copies thereof made by the MCO must be returned to HHSC or, at HHSC’s option, erased or destroyed. MCO must provide HHSC certificates evidencing such destruction.

(g) The obligations in this Section must not restrict any disclosure by the MCO pursuant to any applicable law, or by order of any court or government agency, provided that the MCO must give prompt notice to HHSC of such order.

(h) With the exception of confidential Member information, Confidential Information must not be afforded the protection of the Contract if such data was:
   (1) Already known to the receiving Party without restrictions at the time of its disclosure by the furnishing Party;
   (2) Independently developed by the receiving Party without reference to the furnishing Party’s Confidential Information;
   (3) Rightfully obtained by the receiving Party without restriction from a third party after its disclosure by the furnishing Party;
   (4) Publicly available other than through the fault or negligence of the other Party; or
   (5) Lawfully released without restriction to anyone.

Section 11.02 Disclosure of HHSC’s Confidential Information.

(a) MCO will immediately report to HHSC any and all unauthorized disclosures or uses of HHSC’s Confidential Information of which it or its Subcontractors, consultants, or agents is aware or has knowledge. MCO acknowledges that any publication or disclosure of HHSC’s Confidential Information to others may cause immediate and irreparable harm to HHSC and may constitute a violation of State or federal laws. If MCO, its Subcontractors, consultants, or agents should publish or disclose such Confidential Information to others without authorization, HHSC will immediately be entitled to injunctive relief or any other remedies to which it is entitled under law or equity. HHSC will have the right to recover from MCO all damages and liabilities caused by or arising from MCO’s, its Subcontractors’, consultants’, or agents’ failure to protect HHSC’s Confidential Information. MCO will defend with counsel approved by HHSC, indemnify and hold harmless HHSC from all damages, costs, liabilities, and expenses caused by or arising from MCO’s or its Subcontractors’, consultants’ or agents’ failure to protect HHSC’s Confidential Information. HHSC will not unreasonably withhold approval of counsel selected by the MCO.

(b) MCO will require its Subcontractors, consultants, and agents to comply with the terms of this provision.

Section 11.03 Member Records

(a) MCO must comply with the requirements of state and federal laws, including the HIPAA requirements set forth in Section 7.07, regarding the transfer of Member Records.

(b) If at any time during the Contract Term this Contract is terminated, HHSC may require the transfer of Member Records, upon written notice to MCO, to another entity, as consistent with federal and state laws and applicable releases.

(c) The term “Member Record” for this Section means only those administrative, enrollment, case management and other such records maintained by MCO and is not intended to include patient records maintained by participating Network Providers.

Section 11.04 Requests for public information.

(a) When the MCO produces reports or other forms of information that the MCO believes consist of proprietary or otherwise confidential information, the MCO must clearly mark such information as confidential information or provide written notice to HHSC that it considers the information confidential.

(b) If HHSC receives a request, filed in accordance with the Texas Public Information Act ("Act," seeking information that has been identified by the MCO as proprietary or otherwise confidential, HHSC will deliver a copy of the request for public information to MCO, in accordance with the requirements of the Act.

(c) With respect to any information that is the subject of a request for disclosure, MCO is required to demonstrate to the Texas Office of Attorney General the specific reasons why the requested information is confidential or otherwise excepted from required public disclosure under law. MCO will provide HHSC with copies of all such communications.

Section 11.05 Privileged Work Product.
(a) MCO acknowledges that HHSC asserts that privileged work product may be prepared in anticipation of litigation and that MCO is performing the Services with respect to privileged work product as an agent of HHSC, and that all matters related thereto are protected from disclosure by the Texas Rules of Civil Procedure, Texas Rules of Evidence, Federal Rules of Civil Procedure, or Federal Rules of Evidence.

(b) HHSC will notify MCO of any privileged work product to which MCO has or may have access. After the MCO is notified or otherwise becomes aware that such documents, data, database, or communications are privileged work product, only MCO personnel, for whom such access is necessary for the purposes of providing the Services, may have access to privileged work product.

(c) If MCO receives notice of any judicial or other proceeding seeking to obtain access to HHSC’s privileged work product, MCO will:
   (1) Immediately notify HHSC; and
   (2) Use all reasonable efforts to resist providing such access.

(d) If MCO resists disclosure of HHSC’s privileged work product in accordance with this Section, HHSC will, to the extent authorized under Civil Practices and Remedies Code or other applicable State law, have the right and duty to:
   (1) Represent MCO in such resistance;
   (2) Retain counsel to represent MCO; or
   (3) Reimburse MCO for reasonable attorneys’ fees and expenses incurred in resisting such access.

(e) If a court of competent jurisdiction orders MCO to produce documents, disclose data, or otherwise breach the confidentiality obligations imposed in the Contract, or otherwise with respect to maintaining the confidentiality, proprietary nature, and secrecy of privileged work product, MCO will not be liable for breach of such obligation.

Section 11.06 Unauthorized acts.

Each Party agrees to:
   (1) Notify the other Party promptly of any unauthorized possession, use, or knowledge, or attempt thereof, by any person or entity that may become known to it, of any HHSC Confidential Information or any information identified by the MCO as confidential or proprietary;
   (2) Promptly furnish to the other Party full details of the unauthorized possession, use, or knowledge, or attempt thereof, and use reasonable efforts to assist the other Party in investigating or preventing the reoccurrence of any unauthorized possession, use, or knowledge, or attempt thereof, of Confidential Information;
   (3) Cooperate with the other Party in any litigation and investigation against third Parties deemed necessary by such Party to protect its proprietary rights; and
   (4) Promptly prevent a reoccurrence of any such unauthorized possession, use, or knowledge such information.

Section 11.07 Legal action.

Neither party may commence any legal action or proceeding in respect to any unauthorized possession, use, or knowledge, or attempt thereof by any person or entity of HHSC’s Confidential Information or information identified by the MCO as confidential or proprietary, which action or proceeding identifies the other Party’s information without such Party’s consent.

Section 11.08 Information Security

The HMO and all Subcontractors, consultants, or agents must comply with all applicable laws, rules, and regulations regarding information security, including without limitation the following:
   (1) Health and Human Services Enterprise Information Security Standards and Guidelines;
   (2) Title 1, Sections 202.1 and 202.3 through 202.28, Texas Administrative Code;
   (3) The Health Insurance Portability and Accountability Act of 1996 (HIPAA); and
   (4) The Health Information Technology for Economic and Clinical Health Act (HITECH Act).
requirements not fulfilled may be subject to the remedies set forth in the Contract.

Section 12.02 Tailored remedies.

(a) Understanding of the Parties.
MCO agrees and understands that HHSC may pursue tailored contractual remedies for noncompliance with the Contract. At any time and at its discretion, HHSC may impose or pursue one (1) or more remedies for each item of noncompliance and will determine remedies on a case-by-case basis. HHSC’s pursuit or non-pursuit of a tailored remedy does not constitute a waiver of any other remedy that HHSC may have at law or equity.

(b) Notice and opportunity to cure for non-material breach.
(1) HHSC will notify MCO in writing of specific areas of MCO performance that fail to meet performance expectations, standards, or schedules set forth in the Contract, but that, in the determination of HHSC, do not result in a material deficiency or delay in the implementation or operation of the Services.
(2) MCO will, within five (5) Business Days (or another date approved by HHSC) of receipt of written notice of a non-material deficiency, provide the HHSC Project Manager a written response that:
   (i) Explains the reasons for the deficiency, MCO’s plan to address or cure the deficiency, and the date and time by which the deficiency will be cured; or
   (ii) If MCO disagrees with HHSC’s findings, its reasons for disagreeing with HHSC’s findings.
(3) MCO’s proposed cure of a non-material deficiency is subject to the approval of HHSC. MCO’s repeated commission of non-material deficiencies or repeated failure to resolve any such deficiencies may be regarded by HHSC as a material deficiency and entitle HHSC to pursue any other remedy provided in the Contract or any other appropriate remedy HHSC may have at law or equity.

(c) Corrective action plan.
(1) At its option, HHSC may require MCO to submit to HHSC a written plan (the “Corrective Action Plan”) to correct or resolve a material breach of this Contract, as determined by HHSC.
(2) The Corrective Action Plan must provide:
   (i) A detailed explanation of the reasons for the cited deficiency;
   (ii) MCO’s assessment or diagnosis of the cause; and
   (iii) A specific proposal to cure or resolve the deficiency.
(3) The Corrective Action Plan must be submitted by the deadline set forth in HHSC’s request for a Corrective Action Plan. The Corrective Action Plan is subject to approval by HHSC, which will not unreasonably be withheld.
(4) HHSC will notify MCO in writing of HHSC’s final disposition of HHSC’s concerns. If HHSC accepts MCO’s proposed Corrective Action Plan, HHSC may:
   (i) Condition such approval on completion of tasks in the order or priority that HHSC may reasonably prescribe;
   (ii) Disapprove portions of MCO’s proposed Corrective Action Plan; or
   (iii) Require additional or different corrective action(s).

Notwithstanding the submission and acceptance of a Corrective Action Plan, MCO remains responsible for achieving all written performance criteria.
(5) HHSC’s acceptance of a Corrective Action Plan under this Section will not:
   (i) Excuse MCO’s prior substandard performance;
   (ii) Relieve MCO of its duty to comply with performance standards; or
   (iii) Prohibit HHSC from assessing additional tailored remedies or pursuing other appropriate remedies for continued substandard performance.

(d) Administrative remedies.
(1) At its discretion, HHSC may impose one (1) or more of the following remedies for each item of material noncompliance and will determine the scope and severity of the remedy on a case-by-case basis:
   (i) Assess liquidated damages in accordance with Attachment B-3, “Liquidated Damages Matrix;”
   (ii) Conduct accelerated monitoring of the MCO. Accelerated monitoring includes more frequent or more extensive monitoring by HHSC or its agent;
   (iii) Require additional, more detailed, financial and/or programmatic reports to be submitted by MCO;
   (iv) Require additional and/or more detailed financial and/or programmatic audits or other reviews of the MCO;
   (v) Decline to renew or extend the Contract;
   (vi) Appoint temporary management under the circumstances described in 42 C.F.R. §438.706;
   (vii) Initiate disenrollment of a Member or Members;
   (viii) Suspend enrollment of Members;
   (ix) Withhold or recoup payment to MCO;
   (x) Require forfeiture of all or part of the MCO’s bond; or
(xi) Terminate the Contract in accordance with Section 12.03, “Termination by HHSC.”

(2) For purposes of the Contract, an item of material noncompliance means a specific action of MCO that:

(i) Violates a material provision of the Contract;
(ii) Fails to meet an agreed measure of performance; or
(iii) Represents a failure of MCO to be reasonably responsive to a reasonable request of HHSC relating to the Scope of Work for information, assistance, or support within the timeframe specified by HHSC.

(3) HHSC will provide notice to MCO of the imposition of an administrative remedy in accordance with this Section, with the exception of accelerated monitoring, which may be unannounced. HHSC may require MCO to file a written response in accordance with this Section.

(4) The Parties agree that a State or Federal statute, rule, regulation, or Federal guideline will prevail over the provisions of this Section unless the statute, rule, regulation, or guidelines can be read together with this Section to give effect to both.

e) Damages.

(1) HHSC will be entitled to monetary damages in the form of actual, consequential, direct, indirect, special, and/or liquidated damages resulting from Contractor’s Breach of this Agreement. In some cases, the actual damage to HHSC or State of Texas as a result of MCO’s failure to meet any aspect of the responsibilities of the Contract and/or to meet specific performance standards set forth in the Contract are difficult or impossible to determine with precise accuracy. Therefore, liquidated damages will be assessed in writing against and paid by the MCO in for failure to meet any aspect of the responsibilities of the Contract and/or to meet the specific performance standards identified by the HHSC in Attachment B-3, “Deliverables/Liquidated Damages Matrix.” Liquidated damages will be assessed if HHSC determines such failure is the fault of the MCO (including the MCO’S Subcontractors, agents and/or consultants) and is not materially caused or contributed to by HHSC or its agents. If at any time HHSC determines the MCO has not met any aspect of the responsibilities of the Contract and/or the specific performance standards due to mitigating circumstances, HHSC reserves the right to waive all or part of the liquidated damages. All such waivers must be in writing, contain the reasons for the waiver, and be signed by the appropriate executive of HHSC.

(2) The liquidated damages prescribed in this Section are not intended to be in the nature of a penalty, but are intended to be reasonable estimates of HHSC’s projected financial loss and damage resulting from the MCO’s nonperformance, including financial loss as a result of project delays. Accordingly, in the event MCO fails to perform in accordance with the Contract, HHSC may assess liquidated damages as provided in this Section.

(3) If MCO fails to perform any of the Services described in the Contract, HHSC may assess liquidated damages for each occurrence of a liquidated damages event, to the extent consistent with HHSC’s tailored approach to remedies and Texas law.

(4) HHSC may elect to collect liquidated damages:

(i) Through direct assessment and demand for payment delivered to MCO; or
(ii) By deduction of amounts assessed as liquidated damages as set-off against payments then due to MCO or that become due at any time after assessment of the liquidated damages. HHSC will make deductions until the full amount payable by the MCO is collected by HHSC.

f) Equitable Remedies

(1) MCO acknowledges that, if MCO breaches (or attempts or threatens to breach) its material obligation under this Contract, HHSC may be irreparably harmed. In such a circumstance, HHSC may proceed directly to court to pursue equitable remedies.

(2) If a court of competent jurisdiction finds that MCO breached (or attempted or threatened to breach) any such obligations, MCO agrees that without any additional findings of irreparable injury or other conditions to injunctive relief, it will not oppose the entry of an appropriate order compelling performance by MCO and restraining it from any further breaches (or attempted or threatened breaches).

g) Suspension of Contract

(1) HHSC may suspend performance of all or any part of the Contract if:

(i) HHSC determines that MCO has committed a material breach of the Contract;
(ii) HHSC has reason to believe that MCO has committed, or assisted in the commission of, Fraud, Abuse, Waste, malfeasance, misfeasance, or nonfeasance by any party concerning the Contract;
(iii) HHSC determines that the MCO knew, or should have known, of Fraud, Abuse, Waste, malfeasance, or nonfeasance by any party concerning the Contract, and the MCO failed to take appropriate action; or
(iv) HHSC determines that suspension of the Contract in whole or in part is in the best interests of the State of Texas or the HHSC Programs.

(2) HHSC will notify MCO in writing of its intention to suspend the Contract in whole or in part. Such notice will:

(i) Be delivered in writing to MCO;
(ii) Include a concise description of the facts or matter leading to HHSC’s decision; and
(iii) Unless HHSC is suspending the contract for convenience, request a Corrective Action Plan from MCO.
Section 12.03 Termination by HHSC.

This Contract will terminate upon the Expiration Date. In addition, prior to completion of the Contract Term, all or a part of this Contract may be terminated for any of the following reasons:

(a) Termination in the best interest of HHSC.

HHSC may terminate the Contract without cause at any time when, in its sole discretion, HHSC determines that termination is in the best interests of the State of Texas. HHSC will provide reasonable advance written notice of the termination, as it deems appropriate under the circumstances. The termination will be effective on the date specified in HHSC’s notice of termination.

(b) Termination for cause.

HHSC reserves the right to terminate this Contract, in whole or in part, upon the following conditions:

1. Assignment for the benefit of creditors, appointment of receiver, or inability to pay debts.

HHSC may terminate this Contract at any time if MCO:

(i) Makes an assignment for the benefit of its creditors;
(ii) Admits in writing its inability to pay its debts generally as they become due; or
(iii) Consents to the appointment of a receiver, trustee, or liquidator of MCO or of all or any part of its property.

2. Failure to adhere to laws, rules, ordinances, or orders.

HHSC may terminate this Contract if a court of competent jurisdiction finds MCO failed to adhere to any laws, ordinances, rules, regulations or orders of any public authority having jurisdiction and such violation prevents or substantially impairs performance of MCO’s duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.


HHSC may terminate this Contract at any time if MCO breaches confidentiality laws with respect to the Services and Deliverables provided under this Contract.

4. Failure to maintain adequate personnel or resources.

HHSC may terminate this Contract if, after providing notice and an opportunity to correct, HHSC determines that MCO has failed to supply personnel or resources and such failure results in MCO’s inability to fulfill its duties under this Contract. HHSC will provide at least 30 days advance written notice of such termination.

5. Termination for gifts and gratuities.

(i) HHSC may terminate this Contract at any time following the determination by a competent judicial or quasi-judicial authority and MCO’s exhaustion of all legal remedies that MCO, its employees, agents or representatives have either offered or given any thing of value to an officer or employee of HHSC or the State of Texas in violation of state law.

(ii) MCO must include a similar provision in each of its Subcontracts and must enforce this provision against a Subcontractor who has offered or given any thing of value to any of the persons or entities described in this Section, whether or not the offer or gift was in MCO’s behalf.

(iii) Termination of a Subcontract by MCO pursuant to this provision will not be a cause for termination of the Contract unless:

(a) MCO fails to replace such terminated Subcontractor within a reasonable time; and
(b) Such failure constitutes cause, as described in this Subsection 12.03(b).

(iv) For purposes of this Section, a “thing of value” means any item of tangible or intangible property that has a monetary value of more than $50.00 and includes, but is not limited to, cash, food, lodging, entertainment, and charitable contributions. The term does not include contributions to holders of public office or candidates for public office that are paid and reported in accordance with state and/or federal law.

6. Termination for non-appropriation of funds.

Notwithstanding any other provision of this Contract, if funds for the continued fulfillment of this Contract by HHSC are at any time not forthcoming or are insufficient, through failure of any entity to appropriate funds or otherwise, then HHSC will have the right to terminate this Contract at no additional cost and with no penalty whatsoever by giving prior written notice documenting the lack of funding. HHSC will provide at least 30 days advance written notice of such termination. HHSC will use reasonable efforts to ensure appropriated funds are available.

7. Judgment and execution.

(i) HHSC may terminate the Contract at any time if judgment for the payment of money in excess of $500,000.00 that is not covered by insurance, is rendered by any court or governmental body against MCO, and MCO does not:

(a) Discharge the judgment or provide for its discharge in accordance with the terms of the judgment;
(b) Procure a stay of execution of the judgment within 30 days from the date of entry thereof; or 
(c) Perfect an appeal of such judgment and cause the execution of such judgment to be stayed during the appeal, providing such 
financial reserves as may be required under generally accepted accounting principles.

(ii) If a writ or warrant of attachment or any similar process is issued by any court against all or any material portion of the property of 
MCO, and such writ or warrant of attachment or any similar process is not released or bonded within 30 days after its entry, HHSC may 
terminate the Contract in accordance with this Section.

(8) Termination for insolvency.

(i) HHSC may terminate the Contract at any time if MCO: 
(a) Files for bankruptcy;
(b) Becomes or is declared insolvent, or is the subject of any proceedings related to its liquidation, insolvency, or the 
appointment of a receiver or similar officer for it;
(c) Makes an assignment for the benefit of all or substantially all of its creditors; or
(d) Enters into a contract for the composition, extension, or readjustment of substantially all of its obligations.

(ii) MCO agrees to pay for all reasonable expenses of HHSC including the cost of counsel, incident to: 
(a) The enforcement of payment of all obligations of the MCO by any action or participation in, or in connection with a case or 
proceeding under Chapters 7, 11, or 13 of the United States Bankruptcy Code, or any successor statute;
(b) A case or proceeding involving a receiver or other similar officer duly appointed to handle the MCO's business; or
(c) A case or proceeding in a State court initiated by HHSC when previous collection attempts have been unsuccessful.

(9) Termination for Criminal Conviction

HHSC will have the right to terminate the Contract in whole or in part, or require the replacement of a Material Subcontractor, if the MCO or a 
Material Subcontractor is convicted of a criminal offense in a state or federal court: 

(i) Related to the delivery of an item or service; 
(ii) Related to the neglect or abuse of patients in connection with the delivery of an item or service; 
(iii) Consisting of a felony related to fraud, theft, embezzlement, breach of fiduciary responsibility, or other financial misconduct, or 
(iv) resulting in a penalty or fine in the amount of $500,000 or more in a state or federal administrative proceeding.

(10) Termination for MCO’S material breach of the Contract.

HHSC will have the right to terminate the Contract in whole or in part if HHSC determines, at its sole discretion, that MCO has materially breached 
the Contract. HHSC will provide at least 30 days advance written notice of such termination, unless HHSC in its reasonable determination finds 
that a shorter notice period is warranted.

Section 12.04 Termination by MCO.

(a) Failure to pay.

MCO may terminate this Contract if HHSC fails to pay the MCO undisputed charges when due as required under this Contract. Retaining premium, 
recoupment, sanctions, or penalties that are allowed under this Contract or that result from the MCO’s failure to perform or the MCO’s default under the terms 
of this Contract is not cause for termination. Termination for failure to pay does not release HHSC from the obligation to pay undisputed charges for services 
provided prior to the termination date. 

If HHSC fails to pay undisputed charges when due, then the MCO may submit a notice of intent to terminate for failure to pay in accordance with the 
requirements of Subsection 12.04(d). If HHSC pays all undisputed amounts then due within 30 days after receiving the notice of intent to terminate, the 
MCO cannot proceed with termination of the Contract under this Article.

(b) Change to HHSC Uniform Managed Care Manual.

MCO may terminate this agreement if the Parties are unable to resolve a dispute concerning a material and substantive change to the Uniform Managed Care Manual (a change that materially and substantively alters the MCO’s ability to fulfill its obligations under the Contract). MCO must submit a notice of 
intent to terminate due to a material and substantive change in the Uniform Managed Care Manual no later than 30 days after the effective date of the policy 
change. HHSC will not enforce the policy change for the MCO during the period of time between the receipt of the notice of intent to terminate and the effective 
date of termination.

(c) Change to Capitation Rate.

If HHSC proposes a modification to the Capitation Rate that is unacceptable to the MCO, the MCO may terminate the Contract. MCO must submit a written 
notice of intent to terminate due to a change in the Capitation Rate no later than 30 days after HHSC’s notice of the proposed change. HHSC will not enforce 
the rate change against the MCO during the period of
Section 12.05 Termination by mutual agreement.
This Contract may be terminated by mutual written agreement of the Parties.

Section 12.06 Effective date of termination.
Except as otherwise provided in this Contract, termination will be effective as of the date specified in the notice of termination.

Section 12.07 Extension of termination effective date.
The Parties may extend the effective date of termination one (1) or more times by mutual written agreement.

Section 12.08 Payment and other provisions at Contract termination.
(a) In the event of termination pursuant to this Article, HHSC will pay the Capitation Payment for Services and Deliverables rendered through the effective date of termination. All pertinent provisions of the Contract will form the basis of settlement.
(b) MCO must provide HHSC all reasonable access to records, facilities, and documentation as is required to efficiently and expeditiously close out the Services and Deliverables provided under this Contract.
(c) MCO must prepare a Turnover Plan, which is acceptable to and approved by HHSC. The Turnover Plan will be implemented during the time period between receipt of notice and the termination date, in accordance with Attachment B-1, RFP Section 9.

Section 12.09 Modification of Contract in the event of remedies.
HHSC may propose a modification of this Contract in response to the imposition of a remedy under this Article. Any modifications under this Section must be reasonable, limited to the matters causing the exercise of a remedy, in writing, and executed in accordance with Article 8, “Amendments and Modifications.” MCO must negotiate such proposed modifications in good faith.

Section 12.10 Turnover assistance.
Upon receipt of notice of termination of the Contract by HHSC, MCO will provide any turnover assistance reasonably necessary to enable HHSC or its designee to effectively close out the Contract and move the work to another vendor or to perform the work itself.

Section 12.11 Rights upon termination or expiration of Contract.
In the event that the Contract is terminated for any reason, or upon its expiration, HHSC will, at HHSC’s discretion, retain ownership of any and all associated work products, Deliverables and/or documentation in whatever form that they exist.

Section 12.12 MCO responsibility for associated costs.
If HHSC terminates the Contract for Cause, the MCO will be responsible to HHSC for all reasonable costs incurred by HHSC, the State of Texas, or any of its administrative agencies to replace the MCO. These costs include, but are not limited to, the costs of procuring a substitute vendor and the cost of any claim or litigation that is reasonably attributable to MCO’s failure to perform any Service in accordance with the terms of the Contract.

Section 12.13 Dispute resolution.
(a) General agreement of the Parties.
The Parties mutually agree that the interests of fairness, efficiency, and good business practices are best served when the Parties employ all reasonable and informal means to resolve any dispute under this Contract. The Parties express their mutual commitment to using all reasonable and informal means of resolving disputes prior to invoking a remedy provided elsewhere in
(b) Duty to negotiate in good faith.
Any dispute that in the judgment of any Party to this Contract may materially or substantially affect the performance of any Party will be resolved to writing and delivered to the other Party. The Parties must then negotiate in good faith and use every reasonable effort to resolve such dispute and the Parties must not resort to any formal proceedings unless they have reasonably determined that a negotiated resolution is not possible. The resolution of any dispute disposed of by Contract between the Parties must be reduced to writing and delivered to all Parties within ten (10) Business Days.

(c) Claims for breach of Contract.
(1) General requirement. MCO’s claim for breach of this Contract will be resolved in accordance with the dispute resolution process established by HHSC in accordance with Chapter 2260, Texas Government Code.
(2) Negotiation of claims. The Parties expressly agree that the MCO’s claim for breach of this Contract that the Parties cannot resolve in the ordinary course of business or through the use of all available and informal means will be submitted to the negotiation process provided in Chapter 2260, Subchapter B, Texas Government Code.
(i) To initiate the process, MCO must submit written notice to HHSC that specifically states that MCO invokes the provisions of Chapter 2260, Subchapter B, Texas Government Code. The notice must comply with the requirements of Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.
(ii) The Parties expressly agree that the MCO’s compliance with Chapter 2260, Subchapter B, Texas Government Code, will be a condition precedent to the filing of a contested case proceeding under Chapter 2260, Subchapter C, of the Texas Government Code.
(3) Contested case proceedings. The contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be MCO’s sole and exclusive process for seeking a remedy for any and all alleged breaches of contract by HHSC if the Parties are unable to resolve their disputes under Subsection (c)(2) of this Section.

The Parties expressly agree that compliance with the contested case process provided in Chapter 2260, Subchapter C, Texas Government Code, will be a condition precedent to seeking consent to sue from the Texas Legislature under Chapter 107, Civil Practices & Remedies Code. Neither the execution of this Contract by HHSC nor any other conduct of any representative of HHSC relating to this Contract will be considered a waiver of HHSC’s sovereign immunity to suit.

(4) HHSC rules. The submission, processing and resolution of MCO’s claim is governed by the rules adopted by HHSC pursuant to Chapter 2260, Texas Government Code, found at Title 1, Chapter 392, Subchapter B of the Texas Administrative Code.
(5) MCO’s duty to perform. Neither the occurrence of an event constituting an alleged breach of contract nor the pending status of any claim for breach of contract is grounds for the suspension of performance, in whole or in part, by MCO of any duty or obligation with respect to the performance of this Contract. Any changes to the Contract as a result of a dispute resolution will be implemented in accordance with Article 8, “Amendments and Modifications.”

Section 12.14 Liability of MCO.

(a) MCO bears all risk of loss or damage to HHSC or the State due to:
(1) Defects in Services or Deliverables;
(2) Unfitness or obsolescence of Services or Deliverables; or
(3) The negligence or intentional misconduct of MCO or its employees, agents, consultants, Subcontractors, or representatives.

(b) MCO must, at the MCO’s own expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC and State employees, officers, directors, contractors and agents from and against any losses, liabilities, damages, penalties, costs, fees, and expenses from any claim or action for property damage, bodily injury or death, to the extent caused by or arising from the negligence or intentional misconduct of the MCO and its employees, officers, agents, consultants, or Subcontractors. HHSC will not unreasonably withhold approval of counsel selected by MCO.

c) MCO will not be liable to HHSC for any loss, damages or liabilities attributable to or arising from the failure of HHSC or any state agency to perform a service or activity in connection with this Contract.

Section 12.15 Pre-termination Process.

The following process will apply when HHSC terminates the Agreement for any reason set forth in Section 12.03(b), “Termination for Cause,” other than Subpart 6, “Termination for Non-appropriation of Funds.” HHSC will provide the MCO with reasonable advance written notice of the proposed termination, as it deems appropriate under the circumstances. The notice will include the reason for the proposed termination, the proposed effective date of the termination, and the time and place where the parties will meet regarding the proposed termination. During this meeting, the MCO may present written information explaining why HHSC should not affirm the proposed termination. HHSC’s Associate Commissioner for Medicaid and CHIP will consider the written information, if any, and will provide the MCO with a written notice of HHSC’s final
decision affirming or reversing the termination. An affirming decision will include the effective date of termination. The pre-termination process described herein will not limit or otherwise reduce the parties’ rights and responsibilities under Section 12.13, “Dispute Resolution;” however, HHSC’s final decision to terminate is binding and is not subject to review by the State Office of Administrative Hearings under Chapter 2260, Texas Government Code.

**Article 13. Assurances & Certifications**

**Section 13.01 Proposal certifications.**

MCO acknowledges its continuing obligation to comply with the requirements of the following certifications contained in its Proposal, and will immediately notify HHSC of any changes in circumstances affecting these certifications:

1. Federal lobbying;
2. Debarment and suspension;
3. Child support; and

**Section 13.02 Conflicts of interest.**

(a) Representation.
MCO agrees to comply with applicable state and federal laws, rules, and regulations regarding conflicts of interest in the performance of its duties under this Contract. MCO warrants that it has no interest and will not acquire any direct or indirect interest that would conflict in any manner or degree with its performance under this Contract.

(b) General duty regarding conflicts of interest.
MCO will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain. MCO will operate with complete independence and objectivity without actual, potential or apparent conflict of interest with respect to the activities conducted under this Contract.

**Section 13.03 Organizational conflicts of interest.**

(a) Definition.
An organizational conflict of interest is a set of facts or circumstances, a relationship, or other situation under which an MCO or a Subcontractor has past, present, or currently planned personal or financial activities or interests that either directly or indirectly:

1. Impairs or diminishes the MCO’s or Subcontractor’s ability to render impartial or objective assistance or advice to HHSC; or
2. Provides the MCO or Subcontractor an unfair competitive advantage in future HHSC procurements (excluding the award of this Contract).

(b) Warranty.
Except as otherwise disclosed and approved by HHSC prior to the Effective Date of the Contract, MCO warrants that, as of the Effective Date and to the best of its knowledge and belief, there are no relevant facts or circumstances that could give rise to an organizational conflict of interest affecting this Contract. MCO affirms that it has neither given, nor intends to give, at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, at any time during the procurement process or in connection with the procurement process except as allowed under relevant state and federal law.

(c) Continuing duty to disclose.

1. MCO agrees that, if after the Effective Date, MCO discovers or is made aware of an organizational conflict of interest, MCO will immediately and fully disclose such interest in writing to the HHSC project manager. In addition, MCO must promptly disclose any relationship that might be perceived or represented as a conflict after its discovery by MCO or by HHSC as a potential conflict. HHSC reserves the right to make a final determination regarding the existence of conflicts of interest, and MCO agrees to abide by HHSC’s decision.

2. The disclosure will include a description of the actions that MCO has taken or proposes to take to avoid or mitigate such conflicts.

(d) Remedy.
If HHSC determines that an organizational conflict of interest exists, HHSC may, at its discretion, terminate the Contract pursuant to Subsection 12.03(b)(9). If HHSC determines that MCO was aware of an organizational conflict of interest before the award of this Contract and did not disclose the conflict to the contracting officer, such nondisclosure will be considered a material breach of the
Section 13.04 HHSC personnel recruitment prohibition.

MCO has not retained or promised to retain any person or company, or utilized or promised to utilize a consultant that participated in HHSC’s development of specific criteria of the RFP or who participated in the selection of the MCO for this Contract. Unless authorized in writing by HHSC, MCO will not recruit or employ any HHSC personnel who have worked on projects relating to the subject matter of this Contract, or who have had any influence on decisions affecting the subject matter of this Contract, for two (2) years following the completion of this Contract.

Section 13.05 Anti-kickback provision.

MCO certifies that it will comply with the Anti-Kickback Act of 1986, 41 U.S.C. §51-58 and Federal Acquisition Regulation 52.203-7, to the extent applicable.

Section 13.06 Debt or back taxes owed to State of Texas.

In accordance with Section 403.055 of the Texas Government Code, MCO agrees that any payments due to MCO under the Contract will be first applied toward any debt and/or back taxes MCO owes State of Texas. MCO further agrees that payments will be so applied until such debts and back taxes are paid in full.

Section 13.07 Outstanding debts and judgments.

MCO certifies that it is not presently indebted to the State of Texas, and that MCO is not subject to an outstanding judgment in a suit by State of Texas against MCO for collection of the balance. For purposes of this Section, an indebtedness is any amount or sum of money that is due and owing to the State of Texas and is not currently under dispute. A false statement regarding MCO’s status will be treated as a material breach of this Contract and may be grounds for termination at the option of HHSC.

Article 14. Representations & Warranties

Section 14.01 Authorization.

(a) The execution, delivery and performance of this Contract has been duly authorized by MCO and no additional approval, authorization or consent of any governmental or regulatory agency is required to be obtained in order for MCO to enter into this Contract and perform its obligations under this Contract.

(b) MCO has obtained all licenses, certifications, permits, and authorizations necessary to perform the Services under this Contract and currently is in good standing with all regulatory agencies that regulate any or all aspects of MCO’s performance of this Contract. MCO will maintain all required certifications, licenses, permits, and authorizations during the term of this Contract.

Section 14.02 Ability to perform.

MCO warrants that it has the financial resources to fund the capital expenditures required under the Contract without advances by HHSC or assignment of any payments by HHSC to a financing source.

Section 14.03 Minimum Net Worth.

The MCO has, and will maintain throughout the life of this Contract, minimum net worth that complies with standards adopted by TDI. Minimum net worth means the excess total admitted assets over total liabilities, excluding liability for subordinated debt issued in compliance with Chapter 843 of the Texas Insurance Code.

Section 14.04 Insurer solvency.

(a) The MCO must be and remain in full compliance with all applicable state and federal solvency requirements for basic-
service health maintenance organizations, including but not limited to, all reserve requirements, net worth standards, debt-to-equity ratios, or other debt limitations. In the event the MCO fails to maintain such compliance, HHSC, without limiting any other rights it may have by law or under the Contract, may terminate the Contract.

(b) If the MCO becomes aware of any impending changes to its financial or business structure that could adversely impact its compliance with the requirements of the Contract or its ability to pay its debts as they come due, the MCO must notify HHSC immediately in writing.

c) The MCO must have a plan and take appropriate measures to ensure adequate provision against the risk of insolvency as required by TDI. Such provision must be adequate to provide for the following in the event of insolvency:

1. continuation of Covered Services, until the time of discharge, to Members who are confined on the date of insolvency in a hospital or other inpatient facility;
2. payments to unaffiliated health care providers and affiliated healthcare providers whose Contracts do not contain Member “hold harmless” clauses acceptable to the TDI;
3. continuation of Covered Services for the duration of the Contract Period for which a capitation has been paid for a Member;
4. provision against the risk of insolvency must be made by establishing adequate reserves, insurance or other guarantees in full compliance with all financial requirements of TDI and the Contract.

Should TDI determine that there is an immediate risk of insolvency or the MCO is unable to provide Covered Services to its Members, HHSC, without limiting any other rights it may have by law, or under the Contract, may terminate the Contract.

Section 14.05 Workmanship and performance.

(a) All Services and Deliverables provided under this Contract will be provided in a manner consistent with the standards of quality and integrity as outlined in the Contract.

(b) All Services and Deliverables must meet or exceed the required levels of performance specified in or pursuant to this Contract.

(c) MCO will perform the Services and provide the Deliverables in a workmanlike manner, in accordance with best practices and high professional standards used in well-managed operations performing services similar to the Services described in this Contract.

Section 14.06 Warranty of deliverables.

MCO warrants that Deliverables developed and delivered under this Contract will meet in all material respects the specifications as described in the Contract during the period following its acceptance by HHSC, through the term of the Contract, including any subsequently negotiated by MCO and HHSC. MCO will promptly repair or replace any such Deliverables not in compliance with this warranty at no charge to HHSC.

Section 14.07 Compliance with Contract.

MCO will not take any action substantially or materially inconsistent with any of the terms and conditions set forth in this Contract without the express written approval of HHSC.

Section 14.08 Technology Access

(a) MCO expressly acknowledges that State funds may not be expended in connection with the purchase of an automated information system unless that system meets certain statutory requirements relating to accessibility by persons with visual impairments. Accordingly, MCO represents and warrants to HHSC that this technology is capable, either by virtue of features included within the technology or because it is readily adaptable by use with other technology, of:

1. providing equivalent access for effective use by both visual and non-visual means;
2. presenting information, including prompts used for interactive communications, in formats intended for non-visual use; and
3. being integrated into networks for obtaining, retrieving, and disseminating information used by individuals who are not blind or visually impaired.

(b) For purposes of this Section, the phrase "equivalent access" means a substantially similar ability to communicate with or make use of the technology, either directly by features incorporated within the technology or by other reasonable means such as assistive devices or services that would constitute reasonable accommodations under the American with Disabilities Act or similar State or Federal laws. Examples of methods by which equivalent access may be provided include, but are not limited to, keyboard alternatives to mouse commands and other means of navigating graphical displays, and customizable display appearance.
In addition, all technological solutions offered by the MCO must comply with the requirements of Texas Government Code §531.0162. This includes, but is not limited to providing technological solutions that meet federal accessibility standards for persons with disabilities, as applicable.

**Section 14.09 Electronic & Information Resources Accessibility Standards**

(a) **Applicability**

The following Electronic and Information Resources (EIR) requirements apply to the Contract because the MCO perform services that include EIR that: (i) HHSC employees are required or permitted to access; or (ii) members of the public are required or permitted to access. This Section does not apply to incidental uses of EIR in the performance of a Contract, unless the Parties agree that the EIR will become property of the State or will be used by the HHSC’s clients or recipients after completion of the Contract. Nothing in this section is intended to prescribe the use of particular designs or technologies or to prevent the use of alternative technologies, provided they result in substantially equivalent or greater access to and use of a Product.

(b) **Definitions.**

For purposes of this Section:

- "**Accessibility Standards**" means the Electronic and Information Resources Accessibility Standards and the Web Site Accessibility Standards/Specifications.
- "**Electronic and Information Resources**" means information resources, including information resources technologies, and any equipment or interconnected system of equipment that is used in the creation, conversion, duplication, or delivery of data or information. The term includes, but is not limited to, telephones and other telecommunications products, information kiosks, transaction machines, Internet websites, multimedia resources, and office equipment, including copy machines and fax machines.
- "**Electronic and Information Resources Accessibility Standards**" means the accessibility standards for electronic and information resources contained in Volume 1 Texas Administrative Code Chapter 213.
- "**Web Site Accessibility Standards/ Specifications**" means standards contained in Volume 1 Texas Administrative Code Chapter 206.
- "**Product**" means information resources technology that is, or is related to, EIR.

(c) **Accessibility Requirements.**

Under Texas Government Code Chapter 2054, Subchapter M, and implementing rules of the Texas Department of Information Resources, HHSC must procure Products that comply with the Accessibility Standards when such Products are available in the commercial marketplace or when such Products are developed in response to a procurement solicitation. Accordingly, MCO must provide electronic and information resources and associated Product documentation and technical support that comply with the Accessibility Standards.

(d) **Evaluation, Testing, and Monitoring.**

1. HHSC may review, test, evaluate and monitor MCO’s Products and associated documentation and technical support for compliance with the Accessibility Standards. Review, testing, evaluation and monitoring may be conducted before and after the award of a contract. Testing and monitoring may include user acceptance testing.

Neither (1) the review, testing (including acceptance testing), evaluation or monitoring of any Product, nor (2) the absence of such review, testing, evaluation or monitoring, will result in a waiver of the State’s right to contest the MCO’s assertion of compliance with the Accessibility Standards.

2. MCO agrees to cooperate fully and provide HHSC and its representatives timely access to Products, records, and other items and information needed to conduct such review, evaluation, testing and monitoring.

(e) **Representations and Warranties.**

1. MCO represents and warrants that: (i) as of the Effective Date of the Contract, the Products and associated documentation and technical support comply with the Accessibility Standards as they exist at the time of entering the Contract, unless and to the extent the Parties otherwise expressly agree in writing; and (ii) if the Products will be in the custody of the state or an HHS Agency’s client or recipient after the Contract expiration or termination, the Products will continue to comply with such Accessibility Standards after the expiration or termination of the Contract Term, unless HHSC and/or its clients or recipients, as applicable, use the Products in a manner that renders it noncompliant.

2. In the event MCO should have known, becomes aware, or is notified that the Product and associated documentation and technical support do not comply with the Accessibility Standards, MCO represents and warrants that it will, in a timely manner and at no cost to HHSC, perform all necessary steps to satisfy the Accessibility Standards, including but not limited to remediation, replacement, and upgrading of the Product, or providing a suitable substitute.

3. MCO acknowledges and agrees that these representations and warranties are essential inducements on which HHSC relies in awarding this Contract.

4. MCO’s representations and warranties under this subsection will survive the termination or expiration of the
Contract and will remain in full force and effect throughout the useful life of the Product.

(f) Remedies.
(1) Pursuant to Texas Government Code Sec. 2054.465, neither MCO nor any other person has cause of action against HHSC for a claim of a failure to comply with Texas Government Code Chapter 2054, Subchapter M, and rules of the Department of Information Resources.
(2) In the event of a breach of MCO’s representations and warranties, MCO will be liable for direct, consequential, indirect, special, and/or liquidated damages and any other remedies to which HHSC may be entitled under this Contract and other applicable law. This remedy is cumulative of any and all other remedies to which HHSC may be entitled under this Contract and other applicable law.

Article 15. Intellectual Property

Section 15.01 Infringement and misappropriation.
(a) MCO warrants that all Deliverables provided by MCO will not infringe or misappropriate any right of, and will be free of any claim of, any third person or entity based on copyright, patent, trade secret, or other intellectual property rights.
(b) MCO will, at its expense, defend with counsel approved by HHSC, indemnify, and hold harmless HHSC, its employees, officers, directors, contractors, and agents from and against any losses, liabilities, damages, penalties, costs, and fees from any claim or action against HHSC that is based on a claim of breach of the warranty set forth in the preceding paragraph. HHSC will promptly notify MCO in writing of the claim, provide MCO a copy of all information received by HHSC with respect to the claim, and cooperate with MCO in defending or settling the claim. HHSC will not unreasonably withhold, delay or condition approval of counsel selected by the MCO.
(c) In case the Deliverables, or any one (1) or part thereof, is in such action held to constitute an infringement or misappropriation, or the use thereof is enjoined or restricted or if a proceeding appears to MCO to be likely to be brought, MCO will, at its own expense, either:
(1) Procure for HHSC the right to continue using the Deliverables; or
(2) Modify or replace the Deliverables to comply with the Specifications and to not violate any intellectual property rights.

Section 15.02 Exceptions.
MCO is not responsible for any claimed breaches of the warranties set forth in Section 15.01 to the extent caused by:
(a) Modifications made to the item in question by anyone other than MCO or its Subcontractors, or modifications made by HHSC or its contractors working at MCO’s direction or in accordance with the specifications; or
(b) The combination, operation, or use of the item with other items if MCO did not supply or approve for use with the item; or
(c) HHSC’s failure to use any new or corrected versions of the item made available by MCO.

Section 15.03 Ownership and Licenses
(a) Definitions.
For purposes of this Section 15.03, the following terms have the meanings set forth below:
(1) “Custom Software” means any software developed by the MCO: for HHSC; in connection with the Contract; and with funds received from HHSC. The term does not include MCO Proprietary Software or Third Party Software.
(2) “MCO Proprietary Software” means software: (i) developed by the MCO prior to the Effective Date of the Contract, or (ii) software developed by the MCO after the Effective Date of the Contract that is not developed: for HHSC; in connection with the Contract; and with funds received from HHSC.
(3) “Third Party Software” means software that is: developed for general commercial use; available to the public; or not developed for HHSC. Third Party Software includes without limitation: commercial off-the-shelf software; operating system software; and application software, tools, and utilities.
(b) Deliverables.
The Parties agree that any Deliverable, including without limitation the Custom Software, will be the exclusive property of HHSC.
(c) Ownership rights.
(1) HHSC will own all right, title, and interest in and to its Confidential Information and the Deliverables provided by the MCO, including without limitation the Custom Software and associated documentation. For purposes of this Section 15.03, the Deliverables will not include MCO Proprietary Software or Third Party Software. MCO will take all actions necessary and transfer ownership of the Deliverables to HHSC, including, without limitation, the Custom Software and associated documentation prior to Contract termination.
(2) MCO will furnish such Deliverables, upon request of HHSC, in accordance with applicable State law. All
Deliverables, in whole and in part, will be deemed works made for hire of HHSC for all purposes of copyright law, and copyright will belong solely to HHSC. To the extent that any such Deliverable does not qualify as a work for hire under applicable law, and to the extent that the Deliverable includes materials subject to copyright, patent, trade secret, or other proprietary right protection, MCO agrees to assign, and hereby assigns, all right, title, and interest in and to Deliverables, including without limitation all copyrights, inventions, patents, trade secrets, and other proprietary rights therein (including renewals thereof) to HHSC.

(3) MCO will, at the expense of HHSC, assist HHSC or its nominees to obtain copyrights, trademarks, or patents for all such Deliverables in the United States and any other countries. MCO agrees to execute all papers and to give all facts known to it as necessary to secure United States or foreign country copyrights and patents, and to transfer or cause to transfer to HHSC all the right, title, and interest in and to such Deliverables. MCO also agrees not to assert any moral rights under applicable copyright law with regard to such Deliverables.

(d) License Rights
HHSC will have a royalty-free and non-exclusive license to access the MCO Proprietary Software and associated documentation during the term of the Contract. HHSC will also have ownership and unlimited rights to use, disclose, duplicate, or publish all information and data developed, derived, documented, or furnished by MCO under or resulting from the Contract. Such data will include all results, technical information, and materials developed for and/or obtained by HHSC from MCO in the performance of the Services hereunder, including but not limited to all reports, surveys, plans, charts, recordings (video and/or sound), pictures, drawings, analyses, graphic representations, computer printouts, notes and memoranda, and documents whether finished or unfinished, which result from or are prepared in connection with the Scope of Work performed as a result of the Contract.

(e) Proprietary Notices
MCO will reproduce and include HHSC’s copyright and other proprietary notices and product identifications provided by MCO on such copies, in whole or in part, or on any form of the Deliverables.

(f) State and Federal Governments
In accordance with 45 C.F.R. §95.617, all appropriate State and Federal agencies will have a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, translate, or otherwise use, and to authorize others to use for Federal Government purposes all materials, the Custom Software and modifications thereof, and associated documentation designed, developed, or installed with federal financial participation under the Contract, including but not limited to those materials covered by copyright, all software source and object code, instructions, files, and documentation.

**Article 16. Liability**

**Section 16.01 Property damage.**

(a) MCO will protect HHSC’s real and personal property from damage arising from MCO’s, its agent’s, employees.’ Consultants’, and Subcontractors’ performance of the Scope of Work, and MCO will be responsible for any loss, destruction, or damage to HHSC’s property that results from or is caused by MCO’s, its agents’, employees’, consultant’s, or Subcontractors’ negligent or wrongful acts or omissions. Upon the loss of, destruction of, or damage to any property of HHSC, MCO will notify the HHSC Project Manager thereof and, subject to direction from the Project Manager or her or his designee, will take all reasonable steps to protect that property from further damage.

(b) MCO agrees to observe and encourage its employees and agents to observe safety measures and proper operating procedures at HHSC sites at all times.

(c) MCO will distribute a policy statement to all of its employees and agents that directs the employee or agent to promptly report to HHSC or to MCO any special defect or unsafe condition encountered while on HHSC premises. MCO will promptly report to HHSC any special defect or an unsafe condition it encounters or otherwise learns about.

**Section 16.02 Risk of Loss.**

During the period Deliverables are in transit and in possession of MCO, its carriers or HHSC prior to being accepted by HHSC, MCO will bear the risk of loss or damage thereto, unless such loss or damage is caused by the negligence or intentional misconduct of HHSC. After HHSC accepts a Deliverable, the risk of loss or damage to the Deliverable will be borne by HHSC, except loss or damage attributable to the negligence or intentional misconduct of MCO’s agents, employees, consultants, or Subcontractors.

**Section 16.03 Limitation of HHSC’s Liability.**

HHSC WILL NOT BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHER LEGAL THEORY. THIS WILL APPLY REGARDLESS OF THE CAUSE OF ACTION AND EVEN IF HHSC HAS BEEN
ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

HHSC’S LIABILITY TO MCO UNDER THE CONTRACT WILL NOT EXCEED THE TOTAL CHARGES TO BE PAID BY HHSC TO MCO UNDER THE CONTRACT, INCLUDING CHANGE ORDER PRICES AGREED TO BY THE PARTIES OR OTHERWISE ADJUDICATED.

MCO’s remedies are governed by the provisions in Article 12.

Article 17. Insurance & Bonding

Section 17.01 Insurance Coverage.

(a) Statutory and General Coverage
MCO will maintain, at the MCO’s expense, the following insurance coverage:

(1) Business Automobile Liability Insurance for all owned, non-owned, and hired vehicles for bodily injury and property damage;
(2) Comprehensive General Liability Insurance of at least $1,000,000.00 per occurrence and $5,000,000.00 in the aggregate (including Bodily Injury coverage of $100,000.00 per each occurrence and Property Damage Coverage of $25,000.00 per occurrence); and
(3) If MCO’s current Comprehensive General Liability insurance coverage does not meet the above stated requirements, MCO will obtain Umbrella Liability Insurance to compensate for the difference in the coverage amounts. If Umbrella Liability Insurance is provided, it must follow the form of the primary coverage.

(b) Professional Liability Coverage.
(1) MCO must maintain, or cause its Network Providers to maintain, Professional Liability Insurance for each Network Provider of $100,000.00 per occurrence and $300,000.00 in the aggregate, or the limits required by the hospital at which the Network Provider has admitting privileges.
(2) MCO must maintain an Excess Professional Liability (Errors and Omissions) Insurance Policy for the greater of $3,000,000.00 or an amount (rounded to the nearest $100,000.00) that represents the number of Members enrolled in the MCO in the first month of the applicable State Fiscal Year multiplied by $150.00, not to exceed $10,000,000.00.

(c) General Requirements for All Insurance Coverage
(1) Except as provided herein, all exceptions to the Contract’s insurance requirements must be approved in writing by HHSC. HHSC’s written approval is not required in the following situations:
   (i) An MCO or a Network Provider is not required to obtain the insurance coverage described in Section 17.01 if the MCO or Network Provider qualifies as a state governmental unit or municipality under the Texas Tort Claims Act, and is required to comply with, and subject to the provisions of, the Texas Tort Claims Act.
   (ii) An MCO may waive the Professional Liability Insurance requirement described in Section 17.01(b)(1) for a Network Provider of Community-based Long-term Services and Supports. An MCO may not waive this requirement if the Network Provider provides other Covered Services in addition to Community-based Long Term Services and Supports, or if a Texas licensing entity requires the Network Provider to carry such Professional Liability coverage. An MCO that waives the Professional Liability Insurance requirement for a Network Provider pursuant to this provision is not required to obtain such coverage on behalf of the Network Provider.
(2) MCO or the Network Provider is responsible for any and all deductibles stated in the insurance policies.
(3) Insurance coverage must be issued by insurance companies authorized to conduct business in the State of Texas.
(4) With the exception of Professional Liability Insurance maintained by Network Providers, all insurance coverage must name HHSC as an additional insured. In addition, with the exception of Professional Liability Insurance maintained by Network Providers and Business Automobile Liability Insurance, all insurance coverage must name HHSC as a loss payee.
(5) Insurance coverage kept by the MCO must be maintained in full force at all times during the Term of the Contract, and until HHSC’s final acceptance of all Services and Deliverables. Failure to maintain such insurance coverage will constitute a material breach of this Contract.
(6) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must have extended reporting periods of two (2) years. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, the Contract Effective Date.
(7) With the exception of Professional Liability Insurance maintained by Network Providers, the insurance policies described in this Section must provide that prior written notice be given to HHSC at least 30 calendar days before coverage is reduced below minimum HHSC contractual requirements, canceled, or non-renewed. MCO must submit a new coverage binder to HHSC to ensure no break in coverage.
(8) The Parties expressly understand and agree that any insurance coverages and limits furnished by MCO will in no way expand or limit MCO’s liabilities and responsibilities specified within the Contract documents or by applicable
law.

(9) MCO expressly understands and agrees that any insurance maintained by HHSC will apply in excess of and not contribute to insurance provided by MCO under the Contract.

(10) If MCO, or its Network Providers, desire additional coverage, higher limits of liability, or other modifications for its own protection, MCO or its Network Providers will be responsible for the acquisition and cost of such additional protection. Such additional protection will not be an Allowable Expense under this Contract.

(11) MCO will require all insurers to waive their rights of subrogation against HHSC for claims arising from or relating to this Contract.

(d) Proof of Insurance Coverage

(1) Except as provided in Section 17.01(d)(2), the MCO must furnish the HHSC Project Manager original Certificates of Insurance evidencing the required insurance coverage on or before the Effective Date of the Contract. If insurance coverage is renewed during the Term of the Contract, the MCO must furnish the HHSC Project Manager renewal certificates of insurance, or such similar evidence, within five (5) Business Days of renewal. The failure of HHSC to obtain such evidence from MCO will not be deemed to be a waiver by HHSC and MCO will remain under continuing obligation to maintain and provide proof of insurance coverage.

(2) The MCO is not required to furnish the HHSC Project Manager proof of Professional Liability Insurance maintained by Network Providers on or before the Effective Date of the Contract, but must provide such information upon HHSC’s request during the Term of the Contract.

Section 17.02 Performance Bond.

(a) The MCO must obtain a performance bond with a one (1) year term. The performance bond must be renewable and renewal must occur no later than the first day of each subsequent State Fiscal Year. The performance bond must continue to be in effect for one (1) year following the expiration of the final renewal period. MCO must obtain and maintain the performance bonds in the form prescribed by HHSC and approved by TDI, naming HHSC as Obligee, securing MCO’s faithful performance of the terms and conditions of this Contract. The performance bonds must comply with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. At least one (1) performance bond must be issued. The amount of the performance bond(s) should total $100,000.00 for each MCO Program within each Service Area that the MCO covers under this Contract. Performance bonds must be issued by a surety licensed by TDI, and specify cash payment as the sole remedy. MCO must deliver each renewal prior to the first day of the State Fiscal Year.

(b) Since the CHIP Perinatal Program is a subprogram of the CHIP Program, neither a separate performance bond for the CHIP Perinatal Program nor a combined performance bond for the CHIP and CHIP Perinatal Programs is required. The same bond that the MCO obtains for its CHIP Program within a particular Service Area also will cover the MCO’s CHIP Perinatal Program in that same Service Area.

Section 17.03 TDI Fidelity Bond

The MCO will secure and maintain throughout the life of the Contract a fidelity bond in compliance with Chapter 843 of the Texas Insurance Code and 28 T.A.C. §11.1805. The MCO must promptly provide HHSC with copies of the bond and any amendments or renewals thereto.
## DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS1</th>
<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION3</th>
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<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Sections 1 – 5, “Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 1.3 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC. Section 1.8.1 is modified to clarify that Medicaid Wrap Services will become covered services at a future date to be determined by HHSC.</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Sections 1–5, &quot;Introduction; Procurement Strategy; General Instructions &amp; Requirements; Submission Requirements; and Evaluation Process &amp; Criteria.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Section 1.6.1 is modified to replace reference to the 1915(b) waiver with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.6.2 is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. Section 1.8 is modified to reference the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC’s administrative rules for identification of eligible populations. Section 1.8.1 STAR Program Eligibility is deleted in its entirety. Section 1.8.2 STAR+PLUS Eligibility is deleted in its entirety. Section 1.8.3 CHIP Program Eligibility is deleted in its entirety.</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

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1. Introduction

1.1 Point-of-Contact

The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission
Enterprise Contracts and Procurement Services
4405 North Lamar Blvd
Austin, Texas 78756-3422
ATT: Alice Hanna, Purchaser
(512) 206-5277
alice.hanna@hhsc.state.tx.us

All communications relating to this RFP must be directed to the HHSC contact person named above. All communications between Respondents and other HHSC staff members concerning this RFP are strictly prohibited. **Failure to comply with these requirements may result in proposal disqualification.**

1.2 Procurement Schedule

The following table documents the critical pre-award events for the procurement. All dates are subject to change at HHSC’s discretion.
### 1.3 Purpose

The State of Texas, by and through the Texas Health and Human Services Commission (HHSC), is soliciting competitive proposals for managed care services for recipients who participate in the following managed care programs:

- Medicaid State of Texas Access Reform Program (STAR);
- Medicaid STAR+PLUS Program;
- Children’s Health Insurance Program (CHIP), including the CHIP Perinatal subprogram.

In order to ensure that recipients have a choice of health plans in all MCO Programs, HHSC will select at least two (2) managed care organizations (MCOs) per MCO Program and Service Area.

Through this Request for Proposals (RFP), HHSC is expanding both the scope of services and the geographical areas covered by its current managed care programs. New features include:

- Expansion of STAR into two (2) new regions, the Hidalgo Service Area and Medicaid Rural Service Area (MRSA).
- Expansion of STAR+PLUS into the El Paso and Lubbock Service Areas, as well as the new Hidalgo Service Area.
- Adjustments to the Service Area boundaries for STAR, STAR+PLUS and CHIP Service Areas, so that the Service Areas are consistent for all Programs.
- The addition of prescription drug benefits to the managed care structure. The prescription drug benefit will no longer be carved-out of managed care and paid through HHSC’s Vendor Drug Program. Medicaid and CHIP MCOs will be responsible for recruiting and maintaining pharmacy providers and paying for pharmacy benefits.
- The addition of inpatient facility services to the managed care structure for STAR+PLUS.
- For Dual Eligible Members in the STAR+PLUS Program, the addition of Medicaid Wrap Services to the scope of Covered Services at a date determined by HHSC.

*Attachments B-5, 5.1, and 5.2 include maps of the planned STAR, STAR+PLUS and CHIP Service Areas.*

### 1.4 Mission Statement
HHSC’s mission is to create a customer-focused, innovative, and adaptable managed care system that provides the highest quality of care to clients while at the same time ensures access to services. Through this procurement, HHSC seeks to accomplish its mission by contracting for measurable results that improve Member access and satisfaction; maximize program efficiency, effectiveness, and responsiveness; and limit operational costs.

1.5 Mission Objectives

To accomplish the HHSC’s mission, HHSC will prioritize desired outcomes and benefits for the managed care programs, and will focus its monitoring efforts on the MCOs’ ability to provide satisfactory results in the following areas.

1. Network adequacy and access to care

All Members must have timely access to quality of care through a Network of Providers designed to meet the needs of the population served. The MCO will be held accountable for creating and maintaining a Network capable of delivering all Covered Services to Members. The MCO must provide Members with access to qualified Network Providers within the travel distance and waiting time for appointment standards defined in this RFP.

2. Quality

HHSC is accountable to Texans for ensuring that all Members receive quality services in the most efficient and effective manner possible. Accordingly, the MCO will be responsible for providing high quality services in a professional and ethical manner. HHSC expects the MCO to implement new and creative approaches that ensure quality services, cost-effective service delivery, and careful stewardship of public resources.

3. Timeliness of claim payment

The MCO’s ability to ensure that Network Providers receive timely and fair payment for services rendered is a key component of their success in the STAR, STAR+PLUS, and CHIP programs. The MCO must have the ability to timely comply with HHSC’s claims adjudication requirements, as set forth in the Uniform Managed Care Manual. Therefore, HHSC will require strict adherence to claims adjudication standards during the term of the Contract. HHSC also encourages MCOs to provide a no-cost alternative for providers to allow billing without the use of a clearinghouse, and to include attendant care payments as part of the regular claims payment process.

4. Timeliness with which prenatal care is initiated

STAR Program data has revealed that 83% of pregnant women received prenatal care in the first trimester or within 42 days of enrollment. While this rate approximates the Medicaid managed care national average, HHSC believes that the high prevalence of births in the STAR population warrants efforts to improve timeliness of prenatal care initiation.

5. Behavioral health services

Members must have timely access to Medically Necessary Behavioral Health Services, such as mental health counseling and treatment, as well as timely and appropriate follow-up care.

6. Delivery of health care to diverse populations

Member populations in Texas are as diverse as those of any state in the nation. Health Care Services must be delivered without regard to racial or ethnic factors. HHSC expects the MCO to implement intervention strategies to avoid disparities in the delivery of Health Care Services to diverse populations and provide services in a culturally competent manner as described in Section 8.1.5.8 of the RFP.

7. Disease management requirements

The MCO must provide a comprehensive disease management program or coverage for Disease Management (DM) services for asthma, diabetes, and other chronic diseases identified by the MCO, based upon an evaluation of the prevalence of the diseases within the MCO’s membership. Please refer to the Uniform Managed Care Manual, Chapter 9.1 “Disease
8. Service Coordination

The integration of Acute Care services and Community-based Long-Term Services and Supports is an essential feature of STAR+PLUS. A STAR+PLUS MCO must demonstrate that there are sufficient levels of qualified and competent personnel devoted to Service Coordination to meet the everyday needs of STAR+PLUS Members, including Dual Eligibles.

9. Continuity Of Care

HHSC expects that established Member/Provider relationships, existing treatment protocols, and ongoing care plans will not be impacted significantly by this procurement. Transition to the MCO must be as seamless as possible for Members and their Providers.

1.6 Overview of the HHSC MCO Programs

House Bill 7 from the 72nd Regular Session of the Texas Legislature mandated the establishment of Medicaid managed care pilot projects that utilized proven approaches for delivering comprehensive health care. In 1991, the Texas Department of Health created the Bureau of Managed Care. Since that time, Texas has administered a comprehensive set of managed care programs to serve low income Texans. These programs, as presently constituted and administered by HHSC, include the STAR, STAR+PLUS, and CHIP Programs as described in this section.

1.6.1 STAR

STAR is currently HHSC’s primary managed care program for Medicaid Eligibles and operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. It grew out of a pilot project in Travis County in 1993.

STAR is currently available in Bexar, Dallas, El Paso, Harris, Nueces, Jefferson, Lubbock, Tarrant, and Travis regions. Total STAR enrollment as of August 1, 2010 was 1,452,531.

All non-STARS counties in Texas (primarily rural areas) are currently served by the Medicaid Primary Care Case Management Program (PCCM). Total PCCM enrollment as of August 1, 2010 was 840,172. As a result of this procurement, PCCM will be replaced by STAR in the Hidalgo Service Area and the Medicaid Rural Service Area (MRSA). Note, however, that in the Hidalgo Service Area, HHSC will secure legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR Program. Refer to the Procurement Library for current and projected STAR enrollment by Service Area.

1.6.2 STAR+PLUS

STAR+PLUS is a Texas Medicaid program integrating the delivery of Acute Care services and Community-based Long-Term Services and Supports to aged, blind, and disabled (ABD) Medicaid recipients through a managed care system. STAR+PLUS began as a Medicaid pilot project in Harris County in 1998. The STAR+PLUS program operates under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver. The waivers allow the state to provide home and community-based services for Supplemental Security Income (SSI) eligible and SSI-related Medicaid clients, and to mandate managed care participation for SSI/SSI-related eligible clients who are 21 years of age and older. Enrollment in STAR+PLUS is voluntary for clients who are 20 years of age and younger.

As of August 1, 2010, STAR+PLUS MCOs served 169,873 Members in the Bexar, Harris, Nueces, and Travis Service Areas. Through this procurement, HHSC intends to expand STAR+PLUS to the El Paso, Hidalgo, and Lubbock Service Areas (see Attachment B-5.2 STAR+PLUS Service Area Map). As in STAR, HHSC will seek legislative direction before including Cameron, Hidalgo, and Maverick Counties in the STAR+PLUS Hidalgo Service Area. Refer to the Procurement Library for current and projected STAR+PLUS enrollment by Service Area.

Section 1.6.2 modified by Version 2.3
1.6.3 CHIP

CHIP is HHSC’s program to help Texas families obtain affordable coverage for their uninsured children (from birth through the month of their 19th birthday). In 1999, the 76th Texas Legislature authorized the state’s participation in the federal CHIP program. The principal objective of the state legislation was to provide primary and preventative health care to low-income, uninsured children of Texas, including Children with Special Health Care Needs (CSHCN) who were not served by or eligible for other state-assisted health insurance programs.

HHSC began operating CHIP in 2000. CHIP Members are currently covered through two (2) types of managed care entities – health maintenance organizations (HMOs) licensed by the Texas Department of Insurance (TDI) and exclusive provider organizations (EPOs) with TDI-approved exclusive provider benefit plans (EPBPs). HMOs serve CHIP Members in eight (8), primarily urban Service Areas. EPOs serve the remaining CHIP Members, who reside primarily in the 174-county rural service area (the CHIP RSA). As of September 1, 2010, 523,895 children were enrolled in CHIP. Of these, 400,243 were enrolled in HMOs. The balance of the CHIP enrollment is in the EPOs serving the CHIP RSA. Refer to the Procurement Library for current and projected CHIP enrollment by Service Area.

The CHIP Perinatal Program, a subprogram of CHIP, is for unborn children of women who are not eligible for Medicaid. The 2006-07 General Appropriations Act (Article II, Health and Human Services Commission, Rider 70, S.B. 1, 79th Legislature, Regular Session, 2005) authorized HHSC to expend funds to provide unborn children with health benefit coverage under CHIP. The result was the CHIP Perinatal Program, which began in January 2007. This benefit allows pregnant women who are ineligible for Medicaid due to income (whose income is greater than 185 percent and up to 200 percent of FPL) or immigration status (and whose income is below 200 percent of FPL) to receive prenatal care for their unborn children. Upon delivery, newborns in families with incomes at or below 185 percent of the Federal Poverty Level (FPL) move from the CHIP Perinatal Program to Medicaid, where they receive 12-months of continuous Medicaid coverage. CHIP Perinatal newborns in families with incomes above 185 percent FPL up to and including 200 percent FPL remain in the CHIP Perinatal Program and receive CHIP benefits for a 12-month coverage period, beginning on the date of enrollment as an unborn child. CHIP Perinatal Program Members are exempt from the 90-day waiting period, the asset test, and all cost-sharing that applies to traditional CHIP Members, including enrollment fees and co-pays, for the duration of their coverage period. As of September 1, 2010, 33,860 CHIP Perinates (unborn children) and 19,076 CHIP Perinate Newborns were enrolled in this subprogram.

Throughout this RFP, references to “CHIP” apply to both the traditional CHIP Program and the CHIP Perinatal subprogram unless the context indicates otherwise.

1.7 Other HHSC Managed Care Programs

The following managed care options are not included in the scope of this procurement:

CHIP Rural Service Area (RSA): 174 primarily-rural counties.

Medicaid and CHIP Dental Programs: The Medicaid State Plan encourages eligible individuals to improve and maintain good oral health by providing access to comprehensive dental care. The CHIP Dental Program is a statewide program that provides services such as routine check-ups, cleanings, X-rays, sealants, fillings, tooth removal, crowns/caps and root canals for all CHIP children. HHSC has issued a managed care procurement with an anticipated operational start date of March 1, 2012 for both the Medicaid and CHIP Dental Programs.

STAR+PLUS Program in the Dallas and Tarrant Service Areas: Effective February 1, 2011, STAR+PLUS began serve approximately 78,000 Medicaid clients in the Dallas and Tarrant Service Areas.

STAR Health Program: On April 1, 2008, HHSC launched the STAR Health program as the first comprehensive health and medical network for children who are in the state’s foster care system. The goal is to give children health care services that are coordinated, comprehensive, easy to find, and uninterrupted when the child moves.

NorthSTAR: NorthSTAR is an integrated behavioral health delivery system for Medicaid Eligibles in the Dallas Service Area. It is an initiative of the Texas Department of Mental Health and Mental Retardation and the Texas Commission on Alcohol and Drug Abuse. Behavioral Health Services are provided by a licensed behavioral health organization. Due to the presence of NorthSTAR in the Dallas Service Area, MCOs in the Service Area will not be required to provide Behavioral Health Services.
1.8 Eligible Populations for HHSC MCO Programs

The Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver and HHSC's administrative rules identify the populations that are eligible for STAR and STAR+PLUS, and the CHIP State Plan identifies the populations eligible for CHIP.

Federal law requires a choice of Medicaid managed care health plans in any given Service Area. For the STAR Program, during the period after which the Medicaid eligibility determination has been made, but prior to enrollment in the MCO, Medicaid Eligibles, with the exception of certain newborns and pregnant women will be enrolled under the traditional fee-for-service Medicaid program (see Article 5 of Attachment A, Uniform Managed Care Contract Terms and Conditions of the RFP). All such Medicaid Eligibles will remain in the fee-for-service Medicaid program until enrolled in or assigned to a STAR or STAR+PLUS MCO, as applicable. For the CHIP MCO Program, there is no benefit coverage for CHIP-eligible children prior to enrollment in a CHIP MCO.

1.9 Authorization

The Texas Legislature has designated HHSC as the single state agency to administer the Medicaid and CHIP Programs in the State of Texas. HHSC has authority to contract with MCOs to carry out the duties and functions of the Medicaid Managed Care Program under Title XIX of the Social Security Act; §12.011 and §12.02, Texas Health and Safety Code; and Chapter 533, Texas Government Code. HHSC has the authority to contract with MCOs to carry out the duties of the CHIP Managed Care Program under Title XXI of the Social Security Act, and Chapter 62, Texas Health and Safety Code.

Contracts awarded under this RFP are subject to all necessary federal and state approvals, including, but not limited to, Centers for Medicare and Medicaid Services (CMS) approval.

1.10 Eligible Respondents

Except as provided herein, eligible Respondents include insurers that are licensed by the TDI as HMOs in accordance with Chapter 843 of the Texas Insurance Code, or a certified Approved Non-Profit Health Corporation (ANHC), formed in compliance with Chapter 844 of the Texas Insurance Code.

For the STAR and STAR+PLUS Hidalgo Service Area, eligible respondents include HMOs, ANHCs, and EPOs with TDI-approved EPBPs. Note that under current state law, HHSC is precluded from providing services to Medicaid recipients through an HMO model in the following three (3) counties in the Hidalgo Service Area: Cameron, Hidalgo, and Maverick. HHSC will not implement any form of capitated managed care in these three (3) counties in the Hidalgo Service Area without guidance from the Texas Legislature. Respondents who are interested in bidding on the Hidalgo Service Area should nevertheless pursue one or more forms of TDI approval appropriate to these counties.

For the Medicaid Rural Service Area for STAR, eligible respondents include HMOs, ANHCs, EPOs with TDI-approved EPBPs. Note that under current state law, HHSC is precluded from providing services to Medicaid recipients through an HMO model in the following three (3) counties in the Hidalgo Service Area without guidance from the Texas Legislature. Respondents who are interested in bidding on the Hidalgo Service Area should nevertheless pursue one or more forms of TDI approval appropriate to these counties.

For the Medicaid Rural Service Area for STAR, eligible respondents include HMOs, ANHCs, EPOs with TDI-approved EPBPs. Note that under current state law, HHSC is precluded from providing services to Medicaid recipients through an HMO model in the following three (3) counties in the Hidalgo Service Area without guidance from the Texas Legislature. Respondents who are interested in bidding on the Hidalgo Service Area should nevertheless pursue one or more forms of TDI approval appropriate to these counties.

Throughout this RFP, the term “MCO” is used to refer to HMOs, ANHCs, and EPOs.

A Respondent that has submitted its application for licensure as an HMO, for certification as an ANHC, or for approval of an EPBP prior to the Proposal due date is also eligible to respond to this RFP; however, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract (see Section 1.2, “Procurement Schedule”). Failure to receive the required approval within 60 days after HHSC executes the Contract will result in the cancellation of the award.

For more information on the reasons for HHSC’s disqualification of Respondents, see Section 3.3.2, “Conflicts of Interest,”
1.11 Term of Contract

The Initial Contract Period will begin on the Contract’s Effective Date (generally the date HHSC signs the contract) and will continue through August 31, 2015 (the “Initial Contract Period”). HHSC may, at its option, extend the Contract for an additional period or periods, not to exceed a total of eight (8) operational years. All reserved Contract extensions beyond the Initial Contract Period will be subject to good faith negotiation between the parties.

1.12 Development of Contracts

HHSC intends to execute one (1) Contract per MCO, which will include all awarded MCO Programs and Service Areas. For reference only, HHSC has included a copy of the standard Managed Care Contract in the Procurement Library. The Managed Care Contract identifies an MCO’s awarded MCO Programs and Service Areas, and identifies all documents that will become part of the agreement, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

1.13 Medicaid and CHIP Service Areas

In this RFP, HHSC distinguishes areas of Texas by MCO Program Service Areas. If a Respondent proposes to participate in an HHSC MCO Program Service Area, the Respondent must propose to serve all counties in the HHSC-defined Service Area, with the following exception. As described above, Respondents may choose to serve all or part of the STAR Medicaid Rural Service Area. Maps and tables depicting the Service Area configuration for each of the MCO Programs can be found in Attachments B-5, 5.1, and 5.2. The tables indicate the counties included in each of the designated Service Areas. The following chart summarizes the MCO Program options included in the scope of this procurement, by Service Area.

<table>
<thead>
<tr>
<th>Service Areas</th>
<th>STAR</th>
<th>STAR+PLUS</th>
<th>CHIP MCO</th>
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<tbody>
<tr>
<td>Bexar</td>
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<td>√</td>
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<td>Dallas</td>
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<tr>
<td>El Paso</td>
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<td>Harris</td>
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<td>Hidalgo</td>
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<tr>
<td>Jefferson</td>
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<tr>
<td>Lubbock</td>
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<tr>
<td>Medicaid RSA (Entire Service Area)</td>
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<tr>
<td>West Texas</td>
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<td>Tarrant</td>
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<td>Travis</td>
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</table>

As described above, HHSC intends to expand the STAR Program to include the Hidalgo Service Area and Medicaid RSA, and the STAR+PLUS MCO Program to include the El Paso, Hidalgo, and Lubbock Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.

2. Procurement Strategy and Approach

HHSC seeks to contract with at least two (2) MCOs for each MCO Program and Service Areas to provide for client choice. It
is possible that a Service Area could have more than two (2) MCOs. HHSC reserves the right to enter into Contracts with more than two (2) MCOs in any Service Area based on:

- the number of managed care Eligibles in the Service Area compared to the combined capacity of qualified MCO Respondents, and
- statutory requirements, such as HHSC’s consideration of Proposals from an MCO owned or operated by a hospital district.

Section 2155.144, Texas Government Code obligates HHSC to purchase goods and services on the basis of best value. HHSC rules define “best value” as the optimum combination of economy and quality that is the result of fair, efficient, and practical procurement decision-making and that achieves health and human services procurement objectives (see 1 TAC §391.31). HHSC will evaluate proposals using the best value criteria set forth in Section 5 of this RFP.

2.1 HHSC Model Management Strategy

HHSC has identified performance measures and objectives that it expects the MCO to address during the term of the Contract (see Section 1.5, “Mission Objectives” and Section 8, “Operations Phase Requirements.”)

HHSC has further focused its performance measurement efforts by developing a Performance Indicator Dashboard, which is a series of performance measures that identify key aspects of performance to ensure the MCO’s accountability. The Performance Indicator Dashboard is included in the Uniform Managed Care Manual Chapter 10.1.1, “Performance Indicator Dashboard.” The Performance Indicator Dashboard is not an all-inclusive set of performance measures; HHSC will measure other aspects of the MCO’s performance as well. Rather, the Performance Indicator Dashboard assembles performance indicators that assess many of the most important dimensions of the MCO’s performance, and includes measures that, when publicly shared, will also serve to incentivize excellence.

As described in Section 8.1.1.1, “Performance Evaluation,” after Rate Year 1 HHSC will also collaborate with each MCO to establish an annual series of performance improvement projects. The MCO will be committed to making its best efforts to achieve the established goals.

HHSC may establish some or all of the annual performance improvement projects. HHSC and each MCO will negotiate any remaining projects or goals. These projects will be highly specified and measurable. The projects will reflect areas that present significant opportunities for performance improvement. Once finalized and approved by HHSC, the projects will become part of each MCO’s annual plan for its Quality Assurance and Performance Improvement (QAPI) Program, as defined in Section 8.1.7, “Quality Assessment and Performance Improvement,” and will be incorporated by reference into the Contract.

HHSC recognizes the importance of applying a variety of financial and non-financial incentives and disincentives for demonstrated MCO performance. It is HHSC’s objective to recognize and reward both excellence in performance and improvement in performance within existing state and federal financial constraints. It is likely that this approach will be modified over time based on several variables, including accumulated experience by HHSC and the MCO, changes in the status of state finances, and changes in each MCO’s performance levels. Section 6.3, “Performance Incentives and Disincentives,” describes the incentive and disincentive approach in additional detail.

The incentives and disincentives will be linked to some of the measures in the Performance Indicator Dashboard. The MCO’s performance relative to the annual performance improvement projects may be used by HHSC to identify and reward excellence and improvement by the MCO in subsequent years.

Finally, HHSC plans to improve methods for sharing information regarding the Texas Medicaid and CHIP Programs with all of the MCOs through HHSC-sponsored workgroups and other initiatives.

2.2 Performance Measures and Associated Remedies

The MCO must provide all services and deliverables under the Contract at an acceptable quality level and in a manner consistent with acceptable industry standard, custom, and practice. Failure to do so may result in HHSC’s assessment of contractual remedies, including liquidated damages, as set forth in Attachment B-4, “Deliverables/Liquidated Damages.”
3. General Instructions and Requirements

3.1 Strategic Elements

3.1.1 Contract Elements

The term “Contract” means the contract awarded as a result of this RFP and all exhibits thereto. At a minimum, the following documents will be incorporated into the contract: this RFP and all attachments and exhibits; any modifications, addendum or amendments issued in conjunction with this RFP; HHSC’s “Uniform Managed Care Contract Terms and Conditions;” and the MCO’s Proposal.

Respondents are responsible for reviewing all parts of the Contract, including the “Uniform Managed Care Contract Terms and Conditions,” and noting any exceptions, reservations, and limitations on the Respondent Information and Disclosures Form.

3.1.2 HHSC’s Basic Philosophy: Contracting for Results

HHSC’s fundamental commitment is to contract for results. HHSC defines a successful result as the generation of defined, measurable, and beneficial outcomes that satisfy the Contract requirements and support HHSC’s missions and objectives. This RFP describes what is required of the MCO in terms of services, deliverables, performance measures, and outcomes, and unless otherwise noted in the RFP, places the responsibility for how they are accomplished on the MCO.

3.2 External Factors

External factors may affect the project, including budgetary and resource constraints. Any contract resulting from the RFP is subject to the availability of state and federal funds. As of the issuance of this RFP, HHSC anticipates that budgeted funds will be available to reasonably fulfill the project requirements. If, however, funds are not available, HHSC reserves the right to withdraw the RFP or terminate the resulting contract without penalty.

3.3 Legal and Regulatory Constraints

3.3.1 Delegation of Authority

State and federal laws generally limit HHSC’s ability to delegate certain decisions and functions to a vendor, including, but not limited to: (1) policy-making authority, and (2) final decision-making authority on the acceptance or rejection of contracted services.

3.3.2 Conflicts of Interest

A conflict of interest is a set of facts or circumstances in which either a Respondent or anyone acting on its behalf in connection with this procurement has past, present, or currently planned personal, professional, or financial interests or obligations that, in HHSC’s determination, would actually or apparently conflict or interfere with the Respondent’s contractual obligations to HHSC. A conflict of interest would include circumstances in which a party’s personal, professional, or financial interests or obligations may directly or indirectly:

• make it difficult or impossible to fulfill its contractual obligations to HHSC in a manner that is consistent with the best interests of the State of Texas;
• impair, diminish, or interfere with that party’s ability to render impartial or objective assistance or advice to HHSC;
and/or
• provide the party with an unfair competitive advantage in future HHSC procurements.

Neither the Respondent nor any other person or entity acting on its behalf, including, but not limited to subcontractors, employees, agents, and representatives, may have a conflict of interest with respect to this procurement. Before submitting a proposal, Respondents should carefully review Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for additional information concerning conflicts of interests.

A Respondent must certify that it does not have personal or business interests that present a conflict of interest with respect to this RFP and resulting contract (see the Required Certifications form). Additionally, if applicable, the Respondent must disclose all potential conflicts of interest. The Respondent must describe the measures it will take to ensure that there will be no actual conflict of interest and that its fairness, independence, and objectivity will be maintained (see the Respondent Information and Disclosures Form). HHSC will determine to what extent, if any, a potential conflict of interest can be mitigated and managed during the term of the Contract. **Failure to identify potential conflicts of interest may result in HHSC’s disqualification of a proposal or termination of the Contract.**

### 3.3.3 Former Employees of a State Agency

Respondents must comply with Texas and federal laws and regulations relating to the hiring of former state employees (see e.g., Texas Government Code §572.054 and 45 C.F.R. §74.43). Such “revolving door” provisions generally restrict former agency heads from communicating with or appearing before the agency on certain matters for two (2) years after leaving the agency. The revolving door provisions also restrict some former employees from representing clients on matters that the employee participated in during state service or matters that were in the employees’ official responsibility.

As a result of such laws and regulations, a Respondent must certify that it has complied with all applicable laws and regulations regarding former state employees (see the Required Certifications Form). Furthermore, a Respondent must disclose any relevant past state employment of the Respondent’s or its subcontractors’ employees and agents in the Respondent Information and Disclosure Form.

### 3.4 HHSC Amendments and Announcements Regarding this RFP

HHSC will post all official communication regarding this RFP on its website, including the notice of tentative award. HHSC reserves the right to revise the RFP at any time. Any changes, amendments, or clarifications will be made in the form of written responses to Respondents’ questions, amendments, or addendum issued by HHSC on its website. Respondents should check the website frequently for notice of matters affecting the RFP. To access the website, go to the “HHSC Contracting Opportunities” page and enter a search for this procurement.

### 3.5 RFP Cancellation/Partial Award/Non-Award

HHSC reserves the right to cancel this RFP, to make a partial award, or to make no award if it determines that such action is in the best interest of the State of Texas.

### 3.6 Right to Reject Proposals or Portions of Proposals

HHSC may, in its discretion, reject any and all proposals or portions thereof.

### 3.7 Costs Incurred

Respondents understand that issuance of this RFP in no way constitutes a commitment by HHSC to award a contract or to pay any costs incurred by a Respondent in the preparation of a response to this RFP. HHSC is not liable for any costs incurred by a
Respondent prior to issuance of or entering into a formal agreement, contract, or purchase order. Costs of developing proposals, preparing for or participating in oral presentations and site visits, or any other similar expenses incurred by a Respondent are entirely the responsibility of the Respondent, and will not be reimbursed in any manner by the State of Texas.

3.8 Protest Procedures

Texas Administrative Code, Title 1, Part 15, Chapter 392, Subchapter C outlines HHSC’s Respondent protest procedures.

3.9 Vendor Conference

HHSC will hold a vendor conference according to the time and date in Section 1.2, “Procurement Schedule” in the Lone Star Conference Room located at 11209 Metric Blvd, Building H, Austin, Texas. Vendor conference attendance is strongly recommended, but is not required.

Respondents may email questions for the conference to the HHSC Point of Contact (see Section 1.1) no later than five (5) days before the conference. HHSC will also give Respondents the opportunity to submit written questions at the conference. All questions should reference the appropriate RFP page and section number. HHSC will attempt to respond to questions at the vendor conference, but responses are not official until posted in final form on the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

3.10 Questions and Comments

All questions and comments regarding this RFP should be sent to the HHSC Point of Contact (see Section 1.1). Questions should reference the appropriate RFP page and section number, and must be submitted by the deadline set forth in Section 1.2. HHSC will not respond to questions received after the deadline. HHSC’s responses to Respondent questions will be posted to the HHSC website. HHSC reserves the right to amend answers prior to the proposal submission deadline.

Respondents must notify HHSC of any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in the RFP by the deadline for submitting questions and comments. If a Respondent fails to notify HHSC of these issues, it will submit a proposal at its own risk, and if awarded a contract:

1. must have waived any claim of error or ambiguity in the RFP or resulting contract;
2. must not contest HHSC’s interpretation of such provision(s); and
3. must not be entitled to additional compensation, relief, or time by reason of the ambiguity, error, or its later correction.

3.11 Modification or Withdrawal of Proposal

Prior to the proposal submission deadline set forth in Section 1.2, a Respondent may: (1) withdraw its proposal by submitting a written request to the HHSC Point of Contact, or (2) modify its proposal by submitting a written amendment to the HHSC Point of Contact. HHSC may request proposal modifications at any time.

HHSC reserves the right to waive minor informalities in a proposal and award a contract that is in the best interest of the State of Texas. A “minor informality” is an omission or error that, in HHSC’s determination, if waived or modified when evaluating proposals, would not give a Respondent an unfair advantage over other Respondents or result in a material change in the proposal or RFP requirements. When HHSC determines that a proposal contains a minor informality, it may at its discretion provide the Respondent with the opportunity to correct.

3.12 News Releases

Prior to tentative award, a Respondent may not issue a press release or provide any information for public consumption regarding its participation in the procurement. After tentative award, a Respondent must receive prior written approval from HHSC before issuing a press release or providing information for public consumption regarding its participation in the
procurement. Requests should be directed to the HHSC Point of Contact identified in Section 1.1.

Section 3.12 does not preclude business communications necessary for a Respondent to develop a proposal, or required reporting to shareholders or governmental authorities.

3.13 Incomplete Proposals

HHSC may reject without further consideration a proposal that does not include a complete, comprehensive, or total solution as requested by this RFP.

3.14 State Use of Proposal Information

HHSC reserves the right to use any and all ideas and information presented in a proposal. A Respondent may not object to HHSC’s use of such information.

3.15 Property of HHSC

Except as otherwise provided in this RFP or the resulting Contract, all products produced by a Respondent, including without limitations the proposal, all plans, designs, software, and other contract deliverables, become the sole property of HHSC. See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 15 for additional information concerning intellectual property rights.

3.16 Copyright Restriction

HHSC will not consider any proposal that is copyrighted by the Respondent, in whole or part.

3.17 Additional Information

By submitting a proposal, the Respondent grants HHSC the right to obtain information from any lawful source regarding the Respondent’s and its directors’, officers’, and employees’:

(1) past business history, practices, and conduct;
(2) ability to supply the goods and services; and
(3) ability to comply with Contract requirements.

By submitting a proposal, a Respondent generally releases from liability and waives all claims against any party providing HHSC information about the Respondent. HHSC may take such information into consideration in evaluating proposals.

3.18 Multiple Responses

A Respondent may only submit one (1) proposal as a prime contractor. If a Respondent submits more than one (1) proposal, HHSC may reject one or more of the submissions. This requirement does not limit a subcontractor’s ability to collaborate with one (1) or more Respondents submitting proposals.

A Respondent may not entice or require a subcontractor to enter into an exclusive subcontract for the purpose of this procurement. Any subcontract entered into by a Respondent with a third party to meet a requirement of this RFP must not include any provision that would prevent or bar that subcontractor from entering into a comparable contractual relationship with another Respondent submitting a proposal under this procurement. This prohibition against exclusive subcontracts does not apply to professional services that solely pertain to development of the proposal, including gathering of competitive intelligence.
3.19 No Joint Proposals

HHSC will not consider joint or collaborative proposals that require it to contract with more than one (1) Respondent.

3.20 Use of Subcontractors

Subcontractors providing services under the Contract must meet the same requirements and level of experience as required of the Respondent. No subcontract under the Contract must relieve the Respondent of the responsibility for ensuring the requested services are provided. Respondents planning to subcontract all or a portion of the work to be performed must identify the proposed subcontractors and describe the subcontracted functions in their proposals.

3.21 Texas Public Information Act

Proposals will be subject to the Texas Public Information Act (the Act), located in Chapter 552 of the Texas Government Code, and may be disclosed to the public upon request. By submitting a proposal, the Respondent acknowledges that all information and ideas presented in the proposal are public information and subject to disclosure under the Texas Public Information Act, with the limited exception of Social Security Numbers and certain non-public financial reports or information submitted in response to RFP Sections 4.2.3.3 and 4.2.3.4.

If the Respondent asserts that financial reports or information provided in response to RFP Sections 4.2.3.3 and 4.2.3.4 contains trade secret or other confidential information, it must be clearly marked such information in boldface type and include the words “confidential” or “trade secret” at top of the page. Furthermore, the Respondent must identify the financial reports or information, and provide an explanation of why the reports or information are excepted from public disclosure, on the Respondent Information and Disclosures form.

HHSC will process any request from a member of the public in accordance with the procedures outlined in the Act. Respondents should consult the Texas Attorney General’s website (www.oag.state.tx.us) for information concerning the Act’s application to applications and potential exceptions to disclosure.

3.22 Inducements

HHSC submits this RFP setting forth certain information regarding the objectives of the Contract and HHSC’s desire to mitigate risk throughout the life of the Contract by use of expert MCO services.

Therefore, HHSC will consider all representations contained in a Respondent’s proposal, oral or written presentations, correspondence, discussions, and negotiations as representations of the Respondent’s expertise. HHSC accepts these representations as inducements to contract.

3.23 Definition of Terms

Defined terms must have the meaning stated as described in the Attachment A, “Uniform Managed Care Contract Terms and Conditions,” unless the context clearly indicates otherwise. Defined terms are capitalized throughout this RFP. For example, the word “Provider,” when capitalized, refers to Network provider. When the word “provider” is not capitalized, the connotation is all providers, whether Network or Out-of-Network.

4. Submission Requirements
To be considered for award, the Respondent must address all applicable RFP specifications to HHSC’s satisfaction. If requested by HHSC, the Respondent must provide HHSC with information necessary to validate any statements made in its Proposal. This includes, but may not be limited to, granting permission or access for HHSC to verify information with third parties, whether identified by the Respondent or HHSC. If any requested information is not provided within the timeframe allotted, HHSC may reject the Proposal.

Respondents must prepare and submit proposals in accordance with the provisions of this section. Proposals received that do not follow these instructions may be evaluated as non-responsive and may not be considered for award.

4.1 General Instructions

For Respondents bidding on more than one MCO Program, i.e., STAR, STAR+PLUS, or CHIP Program, HHSC has attempted to minimize the need for Respondents to submit multiple copies of the same information.

Each bid for participation in the STAR Program, the STAR+PLUS Program, and/or the CHIP Program must include the following two (2) components:

1. Business Specifications; and
2. General Programmatic Proposal.

Respondents proposing to participate in multiple MCO Programs do not need to submit multiple copies of the Business Specifications or the General Programmatic Proposal. However, these Respondents will need to carefully read each submission requirement to ensure that they provide specific information for each MCO Program bid and Service Area, as applicable, when completing any element of their Proposals.

All Proposal information must be submitted on 8 ½ x 11 inch, white bond paper, three (3)-hole punched, and placed in sturdy three (3) ring binders. Text must be no smaller than 11-point font, single-spaced. Figures may not incorporate text smaller than 8-pt font. All pages must have one-inch margins and page numbering must be sequential per section. Where practical, pages should be double-sided. Each binder must be clearly labeled with the title of this RFP, the Respondent’s legal name, and the title of the document contained in the binder, e.g., Business Proposal or Programmatic Proposal.

Proposals must be organized and numbered in a manner that facilitates reference to this RFP and its requirements. Respondents must respond to each item in the order it appears in the RFP. The response must include headings and numbering to match the corresponding section of the RFP. Respondents may place attachments and appendices in a separate section if the RFP provides that such attachments are not included in the section’s specified page limits.

4.1.1 Economy of Presentation

Unnecessarily elaborate Proposals beyond those sufficient to provide a complete and effective response to this RFP are not desired and may be construed as an indication of the Respondent’s lack of ability to provide efficient work products.

The Respondent must adhere to page limits where specified. Page limits are listed in parentheses at the end of the title of the section. A three (3) page limit, for example, means that the response should not be in excess of three (3) one-sided pages that meet the size, font, and margin requirements specified in the General Instructions in Section 4.1 above.

Some page limits are identical regardless of the number of MCO Programs in which a Respondent is proposing to participate. If a page limit is listed but does not include the phrase “per MCO Program,” the page limit applies to the entire response regardless of the number of MCO Programs bid. In these cases, the page limit will be indicated as a set number, e.g., “3 pages.”

In some cases, additional pages are provided for Respondents proposing to serve more than one MCO Program. For example, “3 pages plus 1 additional page per additional MCO Program” indicates that a Respondent proposing to serve one (1) MCO Program has a three (3) page limit, a Respondent proposing to serve two (2) MCO Programs has a four (4) page limit, and a Respondent proposing to serve all three (3) MCO Programs has a five (5) page limit. This page limit approach is designed to give Respondents submitting a Proposal for multiple MCO Programs sufficient space to respond to the submission requirement when submission responses differ across MCO Programs. Respondents proposing to serve multiple programs should have
similar or identical approaches across MCO Programs where administrative efficiencies are possible and appropriate. Respondents must clearly indicate differences, if any, in their response to each submission requirement for each applicable MCO Program.

In other cases, additional pages may be provided based on certain aspects of the Respondent’s Proposal or organization, such as the number of organizational charts submitted reflecting arrangements with Material Subcontractors, or the number of Key Contract Personnel included in the Proposal for Respondents proposing to serve more than one MCO Program.

Finally, some page limits are by MCO Program, e.g., two (2) pages per MCO Program means that a Respondent proposing to serve all three (3) MCO Programs would have a six (6) page limit for that requirement.

If the Respondent chooses to repeat the RFP question in its Proposal, the question text will be included in the page limit.

In responding to questions in Section 4.2 (“Business Proposal”) and Section 4.3 (“Programmatic Proposal”) for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement, and up to one (1) page may be used to describe each Action Plan. These pages are outside of the page limit instructions for the specific submission requirement.

HHSC reserves the right not to review information provided in excess of the page limits. Respondents need not feel compelled to submit unnecessary text in order to reach the page limits.

Attachments required by the RFP, such as certain policies and procedures, are not counted in calculating the Respondent’s page limits. Respondents must not submit information or attachments that are not explicitly requested in the RFP. Elaborate artwork, expensive paper and bindings, and expensive visual or other presentation aids are neither necessary nor desired.

4.1.2 Number of Copies and Packaging

Respondents must submit one (1) hardbound original and eight (8) hardbound copies of the Proposal. The original must be clearly labeled “Original” on the outside of the binder. In addition to the hardbound original and copies, Respondents must submit 22 electronic copies of each Proposal component. At the Respondent’s option, it may produce only electronic copies of certain attachments and appendices. This exception applies to attachments and appendices that exceed ten (10) pages, such as GeoAccess tables, Significant Traditional Provider (STP) files, TDI filings, and other financial documents. The exception does not apply to the attachments referenced in Section 4.2, Section 5, “HUB Subcontracting Plan,” or Section 6, “Certifications and Other Required Forms,” which must be included in both the hardbound and electronic copies of the Proposal. If the Respondent produces only an electronic copy of an attachment or appendix, the hardbound Proposals should refer the reader to the electronic Proposal for the required information.

For the electronic copies, the Proposal, attachments, financial documents, signed forms, pamphlets, and all other documents included in the proposal hardcopy must be submitted on CDs compatible with Microsoft Office 2000 files. PDF files should be prepared in a format that allows for OCR text recognition. HHSC will not accept Proposals by facsimile or e-mail.

4.1.3 Due Date, Time, and Location

Submit all copies of the Proposal to HHSC’s Enterprise Contracts and Procurement Services (ECPS) no later than 2:00 p.m. Central Time (CT) according to the timeline in Section 1.2, “Procurement Schedule.” All submissions will be date and time stamped when received by ECPS. The clock in the ECPS office is the official timepiece for determining compliance with the deadlines in this procurement. HHSC reserves the right to reject late submissions. It is the Respondent’s responsibility to appropriately mark and deliver the Proposal to HHSC by the specified date and time. The sole point of contact for inquiries concerning this RFP is:

Texas Health and Human Services Commission  
Enterprise Contracts and Procurement Services  
4405 North Lamar Blvd  
Austin, Texas 78756-3422  
ATT: Alice Hanna, Purchaser  
(512) 206-5277
4.2 Part 1 – Business Proposal

The Business Proposal must include the following:

- Section 1 – Executive Summary
- Section 2 – Respondent Identification and Information
- Section 3 – Corporate Background and Experience
- Section 4 – Material Subcontractor Information
- Section 5 – HUB Subcontracting Plan
- Section 6 – Certifications and Other Required Forms

4.2.1 Section 1 – Executive Summary

(2 pages, excluding Table 1)

In this section, condense and highlight the content of the Business Proposal to provide HHSC with a broad understanding of the respondent’s approach to meeting the RFP’s business requirements. The summary must demonstrate an understanding of HHSC’s goals and objectives for this procurement. Please identify the Respondent’s proposed MCO Program(s) and the Service Areas. The Respondent should complete Table 1 by placing an “X” in all Service Areas and MCO Programs bid. (The Service Areas are described in the Attachments B-5, 5.1, 5.2, and 5.3. A Respondent may elect to bid on some, all, or none of the Service Areas.) Respondents should note that, for purposes of bidding, HHSC has subdivided the Medicaid Rural Service Area into three (3) areas – West, Central, and Northeast Texas. Respondents may bid on one (1) or more of these areas; however, HHSC will more favorably evaluate responses that propose to serve all three (3) areas.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Proposal for STAR</th>
<th>Proposal for STAR+PLUS</th>
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4.2.2 Section 2 – Respondent Identification and Information

(no page limit)

Submit the following information:
1. Respondent identification and basic information.
   
a. The Respondent’s legal name, trade name, dba, acronym, and any other name under which the Respondent does business.
   
b. The physical address, mailing address, and telephone number of the Respondent’s headquarters office.
   
2. TDI Authority. A copy of the MCO’s licensure, certification, or approval to operate as an HMO, ANHC, or EPBP. If the Respondent has not received TDI approval, then submit a copy of the application filed with TDI. In accordance with RFP Section 7.2.9, the Respondent must receive TDI approval no later than 60 days after HHSC executes the Contract.
   
3. Authorized Counties. Indicate whether the Respondent is currently authorized by TDI to operate as an MCO in each county in the Service Area with a “Yes-MCO,” “No MCO,” or “Partial MCO.” If the Respondent is not authorized to conduct business as an MCO in all or part of a county, it should list those areas in Column C.
   
For each county listed in Column C, the Respondent must document that it applied to TDI for such approval prior to the submission of a Proposal for this RFP. The Respondent must indicate the date that it applied for such approval and the status of its application to get TDI approval in the relevant counties in this section of its submission to HHSC.

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4. Texas Comptroller Certificate. A current Certificate of Good Standing issued by the Texas Comptroller of Public Accounts, or an explanation for why this form is not applicable to the Respondent.

5. Respondent Legal Status and Ownership.
a. The type of ownership of the Respondent by its ultimate parent:

• wholly-owned subsidiary of a publicly-traded corporation;
• wholly-owned subsidiary of a private (closely-held) stock corporation;
• subsidiary or component of a non-profit foundation;
• subsidiary or component of a governmental entity such as a County Hospital District;
• independently-owned member of an alliance or cooperative network;
• joint venture (describe ultimate owners)
• stand-alone privately-owned corporation (no parents or subsidiaries); or
• other (describe).

b. The legal status of the Respondent and its parent (any/all that may apply):

(i.) Respondent is a corporation, partnership, sole proprietor, or other (describe);
• Respondent is for-profit, or non-profit;
• the Respondent’s ultimate parent is for-profit, or non-profit;
• the Respondent’s ultimate parent is privately-owned, listed on a stock exchange, a component of government, or other (describe).

c. The legal name of the Respondent’s ultimate parent (e.g., the name of a publicly-traded corporation, or a County Hospital District, etc.).

d. The name and address of any other sponsoring corporation, or others (excluding the Respondent’s parent) who provide financial support to the Respondent, and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

6. Hospital District/Non-Profit Corporation. Section 5 of the RFP requires Respondents who believe they qualify for mandatory STAR or STAR+PLUS contracts under Texas Government Code §533.004 to submit notice to HHSC no later than April 28, 2011, explaining the basis for this belief for each proposed Service Area. Please indicate whether the Respondent provided such notice to HHSC.

7. The name and address of any health professional that has at least a five percent (5%) financial interest in the Respondent, and the type of financial interest.

8. The full names and titles of the Respondent’s officers and directors.

9. The state in which the Respondent is incorporated, and the state(s) in which the Respondent is licensed to do business as an MCO. The Respondent must also indicate the state where it is commercially domiciled, if outside Texas.

10. The Respondent’s federal taxpayer identification number.

11. If any change of ownership of the Respondent’s company or its parent is anticipated during the 12 months following the Proposal Due Date, the Respondent must describe the circumstances of such change and indicate when the change is likely to occur.
12. Whether the Respondent or its parent (including other managed care subsidiaries of the parent) had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues and the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem(s) that may have led to the termination or non-renewal.

13. Whether the Respondent has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation status, and if it has or is, indicate:

- its current NCQA or URAC accreditation status;
- if NCQA or URAC accredited, its accreditation term effective dates; and
- if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Contractor.

14. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Respondent, including any that the Respondent may have contracted to be run by another entity. If the Respondent has a parent, then also provide the same for the parent, and any parent(s) of the parent. If none exist, provide a clear and definitive statement to that effect.

4.2.3 Section 3 – Corporate Background and Experience

(no page limit)

1. Provide the following information on all publicly-funded managed care contracts (if the Respondent does not have publicly-funded managed care contracts, it may include information on privately-funded managed care contracts). Include information for all current contracts, as well as work performed in the past three (3) years:

   a. client name and address;
   b. name, telephone, and e-mail address of the person HHSC could contact as a reference that can speak to the Respondent’s performance;
   c. contract size: average monthly covered lives and annual revenues;
   d. whether payments under the contract were capitated or non-capitated;
   e. contract start date and duration;
   f. whether work was performed as a prime contractor or subcontractor; and
   g. a general and brief description of the scope of services provided by the Respondent; including the covered population and services (e.g., Medicaid, CHIP, state-funded program).

2. With respect to the Respondent and its parent (and including other managed care subsidiaries of the parent), briefly describe any regulatory actions, sanctions, and/or fines imposed by any federal or Texas regulatory entity, or a regulatory entity in another state, within the last three (3) years. Include a description of any letters of deficiencies, corrective actions, findings of non-compliance, and/or sanctions. Please indicate which of these actions or fines, if any, were related to Medicaid or CHIP programs. HHSC may, at its option, contact these clients or regulatory agencies and any other individual or organization whether or not identified by the Respondent.

Respondents should not include letters of support or endorsement from any individual, organization, agency, interest group, or other identified entity in this section or other parts of the Proposal.

When evaluating proposals, HHSC may consider a current or past contractor's performance under an agreement with an HHS agency in Texas, including but not limited to any corrective actions or liquidated damages imposed by HHSC or another HHS agency.
4.2.3.1 Organizational Chart

(1 page narrative for each organizational chart, excluding organizational chart itself)

Respondents should submit the following:

1. an organizational chart (Chart A), showing the corporate structure and lines of responsibility and authority in the administration of the Respondent’s business as a health plan;

2. an organizational chart (Chart B) showing the Texas organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level. If Chart A represents the entire organizational structure, label the submission as Charts A and B;

3. an organizational chart (Chart C) showing the Management Information System (MIS) staff organizational structure and how it relates to the proposed Service Area(s), including staffing and functions performed at the local level;

4. if the Respondent is proposing to use one or more Material Subcontractors, the Respondent must include an organizational chart demonstrating how the Material Subcontractor(s) will be managed within the Respondent’s Texas organizational structure, including the primary individuals at the Respondent’s organization and at each Material Subcontractor organization responsible for overseeing such Material Subcontract. This information may be included in Chart B, or in a separate organizational chart(s); and

5. submit a brief narrative explaining the organizational charts submitted, and highlighting the key functional responsibilities and reporting requirements of each organizational unit relating to the Respondent’s proposed management of the MCO Program(s), including its management of any proposed Material Subcontractors.

4.2.3.2 Résumés

(1 page per Key Personnel, excluding résumés)

Identify and describe the Respondent’s and its Subcontractor’s proposed labor skill set, years of experience, and provide résumés of all proposed key personnel. Résumés must demonstrate experience germane to the position proposed. Résumés should include work on projects cited under the respondent’s corporate experience, and the specific functions performed on such projects. Each résumé should include at least three (3) references from recent projects, if the projects were performed for unaffiliated parties. References may not be the Respondent’s or Subcontractor’s employees.

Key personnel include: Executive Director (as defined in Attachment A, Article 4), Medical Director (as defined in Attachment A, Article 4), Member Services Manager, Service Coordination Manager (STAR+PLUS only), Management Information Systems Manager, Claims Processing Manager, Provider Network Development Manager, Benefit Administration and Utilization Management Manager, Quality Improvement Manager, Behavioral Health Services Manager, Financial Functions Manager, and Reporting Manager.

STAR+PLUS Service Coordinators. Please refer to Section 8.3.2.1 for a description of Service Coordinator responsibilities. In addition to the Service Coordinator Manager, please submit the following for each Service Coordinator function:

1. a job description and qualifications; and

2. the anticipated maximum caseload for each Service Coordinator (number of Members per Service Coordinator) and the assumptions the Respondent used in developing the maximum caseload estimate.

4.2.3.3 Financial Capacity

(no page limit)
Submit the following financial documents to demonstrate the Respondent’s financial solvency, and its capacity to comply with Section 6, “Premium Payment, Incentives, and Disincentives,” and Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Contract Terms and Conditions”:

1. Audited Financial Statements covering the two (2) most recent years of the Respondent’s financial results. These statements must include the independent auditor’s report (audit opinion letter to the Board or shareholders), the notes to the financial statements, any written description(s) of legal issues or contingencies, and any management discussion or analysis.

Make sure that the name and address of the firm that audits the Respondent is shown. State the date of the most-recent audit, and whether the Respondent is audited annually or otherwise. State definitively if there has, or has not, been any of the following:

- a “going concern” statement was issued by any auditor in the last three (3) years;
- a qualified opinion was issued by any auditor in the last three (3) years;
- a change of audit firms in the last three (3) years; and
- any significant delay (two (2) months or more) in completing the current audit.

2. The most recent quarterly and annual financial statements filed with the TDI, and if the Respondent is domiciled in another state, the financial statements filed with the state insurance department in its state of domicile. The annual financial statement must include all schedules, attachments, supplements, management discussion, analysis and actuarial opinions.

3. The most recent financial examination report issued by TDI, and also by any state insurance department in states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If any submitted financial examination report is two (2) or more years old, or if Respondent has never had a financial examination report issued, submit the anticipated approximate date of the next issuance of a TDI or state department of insurance financial examination report.

4. The most recent Form B Registration Statement disclosure filed by Respondent with TDI, and any similar form filed with any state insurance department in other states where the Respondent operates a Medicaid, CHIP, or comparable managed care product. If Respondent is exempt from the TDI Form B filing requirement, demonstrate this and explain the nature of the exemption.

5. Other related documents, as applicable:

   a. SEC Form 10-K and 10-Q. If Respondent is a publicly-traded (stock-exchange-listed) corporation, then submit the most recent United States Securities and Exchange Commission (SEC) Form 10K Annual Report, and the most-recent 10-Q Quarterly report.

   b. IRS Form 990. If the Respondent is a non-profit entity, then submit the most recent annual Internal Revenue Service (IRS) Form 990 filing, complete with any and all attachments or schedules. If Respondent is a non-profit entity that is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.

   c. If the Respondent is a non-profit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the most recent annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for Respondent, including all attachments, schedules, and supplements.

   d. Bond or debt rating analysis. If Respondent has been, in the last three (3) years, the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most-recent detailed report from each rating entity that has produced such a report.
e. Annual Report. If Respondent produces any written “annual report” or similar item that is in addition to the above-referenced documents, submit the most recent version. This might be a yearly report or letter to shareholders, the community, regulators, lenders, customers, employees, the Respondent’s owner, or other constituents.

f. If the Respondent has issued any press releases in the 12 months prior to the submission due date, wherein the press release mentions or discusses financial results, acquisitions, divestitures, new facilities, closures, layoffs, significant contract awards or losses, penalties/fines/sanctions, expansion, new or departing officers or directors, litigation, change of ownership, or other very similar issues, provide a copy of each such press release. HHSC does not wish to receive other types of press releases that are primarily promotional in nature.

With respect to items 5(a) through (e) above, Respondent must also submit a schedule that shows for each of the five (5) categories: whether there is any applicable filing or report; the name(s) of the entity that does the filing or report; and the regular or estimated filing/distribution date(s).

At a minimum, the financial statements and reports submitted hereunder must include:

1. balance sheet;
2. statement of income and expense;
3. statement of cash flows;
4. statement of changes in financial position (capital & surplus; equity);
5. independent auditor’s letter of opinion;
6. description of organization and operation, including ownership, markets served, type of entity, number of locations and employees, and, dollar amount and type of any Respondent business outside of that with HHSC; and
7. disclosure of any material contingencies, and any current, recent past, or known potential material litigation, regulatory proceedings, legal matters, or similar issues.

The Respondent must include key non-financial metrics and descriptions, such as facilities, number of covered lives, area of geographic coverage, years in business, material changes in business situation, key risks and prospective issues, etc.

4.2.3.4 Financial Report of Parent Organization and Corporate Guarantee

(no page limit)

If another corporation or entity either substantially or wholly owns the Respondent, submit the most recent detailed financial reports (as required above in Section 4.2.3.3) for the parent organization. If there are one (1) or more intermediate owners between the Respondent and the ultimate owner, this additional requirement is applicable only to the ultimate owner.

The Respondent must also include a statement that the parent organization will unconditionally guarantee performance by the Respondent of each and every obligation, warranty, covenant, term and condition of the Contract. This guarantee is not required for Respondents owned by political subdivisions of the State (i.e., hospital districts).

If HHSC determines that an entity does not have sufficient financial resources to guarantee the Respondent’s performance, HHSC may require the Respondent to obtain another acceptable financial instrument or resource from such entity, or to obtain an acceptable guarantee from another entity with sufficient financial resources to guarantee performance.

4.2.3.5 Bonding

The Respondent must submit a statement that, if selected as a Contractor, the Respondent agrees to:
1. secure and maintain throughout the life of the Contract, fidelity bonds required by the Texas Department of Insurance in compliance with §843.402, Texas Insurance Code; and

2. secure and maintain throughout the life of the Contract, a performance bond in accordance with the Attachment A, “Uniform Managed Care Contract Terms and Conditions” and 28 T.A.C. §11.1805.

4.2.4 Section 4 – Material Subcontractor Information

(no page limit)

See Attachment A, “Uniform Managed Care Contract Terms and Conditions,” for contractual definition of Material Subcontractor. Organize this information by Material Subcontractor, and list them in descending order of estimated annual payments. For each Material Subcontractor, the MCO must provide:

1. The Material Subcontractor’s legal name, trade name, acronym, d.b.a., and any other name under which the Material Subcontractor does business.

2. The Respondent’s estimated annual payments to the Material Subcontractor, by MCO Program.

3. The physical address, mailing address, and telephone number of the Material Subcontractor’s headquarters office, and the name of its Chief Executive Officer.

4. Whether the Material Subcontractor is an Affiliate of the Respondent or an unrelated third party (see the “Uniform Managed Care Contract Terms and Conditions” for the definition of “Affiliate.”)

5. If the Material Subcontractor is an Affiliate, then provide:
   a. the name of the Material Subcontractor’s parent organization, and the Material Subcontractor’s relationship to the Respondent;
   b. the proportion, if any, of the Material Subcontractor’s total revenues that are received from non-Affiliates. If the Material Subcontractor has significant revenues from non-Affiliates, then also indicate the portion, if any, of those external (non-Affiliate) revenues that are for services similar to those that the Respondent would procure under the proposed Subcontract;
   c. a description of the proposed method of pricing under the Subcontract;
   d. indicate if the Respondent presently procures, or has ever procured, similar services from a non-Affiliate;
   e. the number of employees (staff and management) who are dedicated full-time to the Affiliate’s business;
   f. whether the Affiliate’s office facilities are completely separate from the Respondent and the Respondent’s parent. If not, identify the approximate number of square feet of office space that are dedicated solely to the Affiliate’s business;
   g. attach an organization chart for the Affiliate, showing head count, Key Personnel names, titles, and locations; and
   h. indicate if the staff and management of the Affiliate are directly employed by the Affiliate itself, or are they actually, from a technical legal perspective, employed by a different legal entity (such as a parent corporation). What corporation’s name shows up on the employee’s W2 form?

6. A description of each Material Subcontractor’s corporate background and experience, including its estimated annual revenues from unaffiliated parties, number of employees, location(s), and identification of three (3) major clients.
7. A signed letter of commitment from each Material Subcontractor that states the Material Subcontractor’s willingness to enter into a Subcontractor agreement with the Respondent, and a statement of work for activities to be subcontracted. Letters of Commitment must be provided on the Material Subcontractor’s official company letterhead, signed by an official with the authority to bind the company for the subcontracted work. The Letter of Commitment must state, if applicable, the company’s certified HUB status.

8. The type of ownership [e.g., wholly-owned subsidiary of a publicly-traded corporation; wholly-owned subsidiary of a private (closely-held) stock corporation; subsidiary or component of a non-profit foundation; subsidiary or component of a governmental entity such as a County Hospital District; independently-owned member of an alliance or cooperative network; joint venture (describe owners); etc.] Indicate the name of the ultimate owner (e.g., the name of a publicly-traded corporation or a County Hospital District).

9. Indicate status (any/all that may apply): sole proprietor, partnership, corporation, for-profit, non-profit, privately owned, and/or listed on a stock exchange. If a Subsidiary or Affiliate, name of the direct and ultimate parent organization.

10. The name and address of any sponsoring corporation or others who provide financial support to the Material Subcontractor and the type of support, e.g., guarantees, letters of credit, etc. Indicate if there are maximum limits of the additional financial support.

11. The name and address of any health professional that has at least a five percent (5%) financial interest in the Material Subcontractor and the type of financial interest.

12. The state in which the Material Subcontractor is incorporated, commercially domiciled, and the state(s) in which the organization is licensed to do business.

13. The Material Subcontractor’s federal taxpayer identification number.

14. Whether the Material Subcontractor had a managed care contract terminated or not renewed for any reason within the past five (5) years. In such instance, the Respondent must describe the issues, the parties involved, and provide the address and telephone number of the principal terminating party. The Respondent must also describe any corrective action taken to prevent any future occurrence of the problem that may have lead to the termination.

15. Whether the Material Subcontractor has ever sought, or is currently seeking, National Committee for Quality Assurance (NCQA) or American Accreditation HealthCare Commission (URAC) accreditation or certification status, and if it has or is, indicate:
   • its current NCQA or URAC accreditation or certification status;
   • if NCQA or URAC accredited or certified, its accreditation or certification term effective dates; and
   • if not accredited, a statement describing whether and when NCQA or URAC accreditation status was ever denied the Material Subcontractor.

16. The website address (URL) for the homepage(s) of any website(s) operated, owned, or controlled by the Material Subcontractor, including any websites run by another entity on the Material Subcontractor’s behalf. If the Material Subcontractor has a parent, then also provide the same for the parent organization, and any parent(s) of the parent organization. If none exist, provide a clear and definitive statement to this effect.

4.2.5 Section 5 – Historically Underutilized Business (HUB) Participation

In accordance with Texas Government Code §2162.252, a proposal that does not contain a HUB Subcontracting Plan (HSP) is non-responsive and will be rejected without further evaluation. In addition, if HHSC determines that the HSP was not developed in good faith, it will reject the proposal for failing to comply with material RFP specifications.

4.2.5.1 Introduction

HHSC is committed to promoting full and equal business opportunities for businesses in state contracting in accordance with the goals specified in the State of Texas Disparity Study. HHSC encourages the use of HUBs through race, ethnic and gender-
neutral means. HHSC has adopted administrative rules relating to HUBs, and a policy on the Utilization of HUBs, which is located on HHSC’s website.

Pursuant to Texas Government Code §2161.181 and §2161.182, and HHSC’s HUB policy and rules, HHSC is required to make a good faith effort to increase HUB participation in its contracts. HHSC may accomplish the goal of increased HUB participation by contracting directly with HUBs or indirectly through subcontracting opportunities.

4.2.5.2 HHSC’s Administrative Rules

HHSC has adopted the Comptroller of Public Accounts’ (CPA) HUB rules as its own. HHSC’s rules are located in Title 1, Part 15, Chapter 392, Subchapter J of the Texas Administrative Code, and the CPA rules are located in Title 34, Part 1, Chapter 20, Subchapter C. If there are any discrepancies between HHSC’s administrative rules and this RFP, the rules will take priority.

4.2.5.3 HUB Participation Goal

The CPA has established statewide HUB participation goals for different categories of contracts in 34 T.A.C. §20.13. In order to meet or exceed the HUB participation goals, HHSC encourages outreach to certified HUBs. Contractors must make a good faith effort to include certified HUBs in the procurement process.

This contract is classified as an “All Other Services” contract under the CPA rule, and therefore has a HUB Annual Procurement Utilization Goal of 33% per fiscal year. This goal applies to MCO Administrative Services, as defined below.

4.2.5.4 Required HUB Subcontracting Plan

HHSC has determined that subcontracting opportunities are probable for this RFP for MCO Administrative Services. MCO Administrative Services are those services or functions other than the direct delivery of medical Covered Services necessary to manage the delivery of and payment for such services. MCO Administrative Services include but are not limited to Network, utilization, clinical and/or quality management, service authorization, claims processing, Management Information System (MIS) operation and reporting. The Respondent must submit an HSP (see the Procurement Library) with its proposal for such MCO Administrative Services. The HSP is required whether or not a Respondent intends to subcontract.

HSP requirements will not apply to Subcontracts with Network Providers (providers who contract directly with the MCO to deliver medical Covered Services to Members). A Respondent therefore should not include Network Providers’ participation in its HSP submissions.

In conjunction with the HSP, a Respondent must indicate whether it is a Texas certified HUB. Being a certified HUB does not exempt a respondent from completing the HSP requirement.

During the good faith effort evaluation, HHSC may, at its discretion, allow clarifications or request additional information to support the Respondent’s good faith effort development of the HSP.

4.2.5.5 CPA Centralized Master Bidders List

Respondents may search for HUB subcontractors in the CPA’s Centralized Master Bidders List (CMBL) HUB Directory, which is located on the CPA’s website at http://www2.cpa.state.tx.us/cmbl/cmbihub.html. For this procurement, HHSC has identified the following class and item codes for potential subcontracting opportunities:

- NIGP Commodity Codes:
  - 948-07: Administration Services, Health
  - 958-56: Health Care Management Services (Including Managed Care Services)
  - 915-49: High Volume, Telephone Call Answering Services (See 915-05 for Low Volume Services)
Respondents are not required to use, nor limited to using, the class and item codes identified above, and may identify other areas for subcontracting.

HHSC does not endorse, recommend nor attest to the capabilities of any company or individual listed on the CPA’s CMBL. The list of certified HUBs is subject to change, so Respondents are encouraged to refer to the CMBL often to find the most current listing of HUBs.

4.2.5.6 HUB Subcontracting Procedures – If a Respondent Intends to Subcontract

An HSP must demonstrate that the Respondent made a good faith effort to comply with HHSC’s HUB policies and procedures. The following subparts outline the items that HHSC will review in determining whether an HSP meets the good faith effort standard. A Respondent that intends to subcontract must complete the HSP to document its good faith efforts.

For step-by-step audio/video instructions on how to complete the HSP, you may also visit the CPA’s website at:

1. Identify Subcontracting Areas and Divide Them into Reasonable Lots

A Respondent should first identify each area of the MCO Administrative Service work it intends to subcontract. Then, to maximize HUB participation, it should divide the MCO Administrative Service work into reasonable lots or portions, to the extent consistent with prudent industry practices.

2. Notify Potential HUB Subcontractors

Respondents must notify three (3) or more certified HUBs of each subcontracting opportunity. For example, if a Respondent intends to subcontract two (2) areas of MCO Administrative Service work, then for each class/item code, the Respondent must notify at least three (3) vendors who provide that type of work.

Respondents must provide written notice to potential HUB subcontractors prior to submitting proposals. The notice must include:

1. a description of the scope of work to be subcontracted;
2. information regarding the location to review project plans or specifications;
3. information about bonding and insurance requirements;
4. required qualifications and other contract requirements; and
5. a description of how the subcontractor can contact the Respondent.

Respondents must give potential HUB subcontractors a reasonable amount of time to respond to the notice, generally no less than five (5) working days from receipt. In rare situations, HHSC will allow a shorter notification period if the Respondent demonstrates: (1) circumstances warranting a shorter notification period, and (2) potential subcontractors still had sufficient time to complete their responses.

Respondents must use the CMBL, the HUB Directory, and Internet resources when searching for HUB subcontractors. Respondents may rely on the services of contractor groups; local, state and federal business assistance offices; and other organizations that provide assistance in identifying qualified applicants for the HUB program. Respondents also must provide written notice to minority or women trade organizations or development centers, which can disseminate notice of subcontracting opportunities to their members/participants. A list of minority and women trade organizations is located on HHSC’s website under the Minority and Women Organization link.

3. Written Justification of the Selection Process

A Respondent must provide written justification of its selection process if it chooses a non-HUB subcontractor. The
4.2.5.7 Alternatives to Good Faith Effort Requirements (Applies Only to Mentor Protégé and Professional Services Contracts)

HHSC will accept a Mentor Protégé Agreement that has been entered into by a Respondent (mentor) and a certified HUB (protégé) in accordance with Texas Government Code §2161.065.

Participation in the Mentor Protégé Program, along with the submission of a protégé as a subcontractor in an HSP, constitutes a good faith effort for the particular area subcontracted to the protégé. If a Respondent proposes to subcontract with a protégé, it does not need to provide notice to three (3) vendors for that subcontracted area. To demonstrate that a Respondent meets the good faith requirement for mentor/protégé arrangements, the HSP should:

1. include a fully executed copy of the Mentor Protégé Agreement, which must be registered with the CPA prior to submission to HHSC; and
2. identify areas of the HSP that will be performed by the protégé.

4.2.5.8 HUB Subcontracting Procedures – If a Respondent Does Not Intend to Subcontract

If the Respondent plans to complete all MCO Administrative Service requirements with its own equipment, supplies, materials and/or employees, it is still required to complete an HSP. The Respondent must complete the “Self Performance Justification” portion of the HSP, and attest that it does not intend to subcontract for any administrative goods or services, including the class and item codes identified in Section 4.2.5.5. In addition, the Respondent must identify the sections of the proposal that describe how it will complete the Scope of Work using its own resources or provide a statement explaining how it will complete the Scope of Work using its own resources. The Respondent must provide the following information regarding self-performance if requested by HHSC:

1. evidence of sufficient Respondent staffing to meet the RFP requirements;
2. monthly payroll records showing the Respondent staff fully dedicated to the contract; and
3. documentation proving employment of qualified personnel holding the necessary licenses and certificates required to perform the Scope of Work.

4.2.5.9 Post-award HSP Requirements

After contract award, HHSC will coordinate a post-award meeting with the successful Respondents to discuss HSP reporting requirements. The MCO must maintain business records documenting compliance with the HSP, and must submit monthly reports to HHSC by completing the HUB “Prime Contractor Progress Assessment Report.” This monthly report is required as a condition for payment. In addition, the MCO must allow periodic onsite reviews of the MCO’s headquarters or work site where services are to be performed if requested by HHSC.

Once accepted, the finalized HSP will become part of the Contract with the successful Respondents. The Uniform Managed Care Manual outlines the procedures for changing the HSP, as well as the HSP compliance and reporting requirements. All changes to the approved HSP require prior HHSC approval. In general, if the MCO decides to subcontract any part of the Contract after the award, it must follow the good faith effort procedures outlined in Section 4.2.5.6 e.g., divide work into reasonable lots, notify at least three (3) vendors per subcontracted area, provide written justification of the selection process, participate in the Mentor Protégé Program, or for professional services contracts meet the 20% goal). For this reason, HHSC encourages Respondents to identify, as part of their HSP, multiple subcontractors who are able to perform the work in each area the Respondent plans to subcontract. Selecting additional subcontractors may help the selected MCO make changes to its original HSP, when needed, and will allow HHSC to approve any necessary changes expeditiously.

Failure to meet the HSP and post-award requirements will constitute a breach of contract, and will be subject to remedial
actions. HHSC may also report noncompliance to the CPA in accordance with the CPA’s respondent performance (see 34 T.A.C. §20.108) and debarment program (see 34 T.A.C. §20.105).

4.2.6 Section 6 – Certifications and Other Required Forms

Respondents must submit the following required forms with their proposals:

1. Child Support Certification;
2. Debarment, Suspension, Ineligibility, and Voluntary Exclusion of Covered Contracts;
3. Federal Lobbying Certification;
4. Nondisclosure Statement;
5. Required Certifications; and
6. Respondent Information and Disclosures.

The required forms are located on HHSC’s website, under the “Business Opportunities” link. HHSC encourages Respondents to carefully review all of these forms and submit questions regarding their completion prior to the deadline for submitting questions (see Section 1.2, “Procurement Schedule”).

Respondents should note that the “Respondent Information and Disclosures” form asks Respondents to provide information on certain litigation matters. In addition to the information required on this form, Respondents must provide all of the information described in Uniform Managed Care Manual Chapter 5.8, “Report of Legal and Other Proceedings.” Respondents may include this supplemental information on the “Respondent Information and Disclosures” form, or under a separate submission.

4.3 Part 2 – Programmatic Proposal

Respondents must provide a detailed description of the proposed programmatic solution, which must support all business activities and requirements described in the RFP. The Programmatic Proposal must reflect a clear understanding of the nature of the work undertaken.

Respondents should carefully read the submission requirement instructions for specific questions in this section. For each applicable programmatic submission requirement, the Respondent must indicate, in addition to the information requested in each subsection, the following information if applicable to the Respondent and its Proposal:

Material Subcontractor: If the Respondent plans to provide the service or perform the function through a Material Subcontractor, the Respondent must detail the services and/or function to be subcontracted, and how the Respondent and the Material Subcontractor will coordinate such service or function. Respondents should describe any prior working relationships with the Material Subcontractor.

Action Plan: This requirement applies to any Respondent who is not currently: (1) providing services or performing functions relating to a specific RFP submission requirement as a current vendor in STAR, STAR+PLUS, and/or CHIP, or (2) meeting the Operations Phase Requirements in Section 8 relating to a specific submission requirement for STAR, STAR+PLUS, and/or CHIP. In the Action Plan, the Respondent must, for each such submission requirement: (1) submit a description of its current comparable experience and abilities, if any; (2) describe how the Respondent will meet the Contract responsibilities, including assigned resources for completing such activities; and (3) and a timeline for completing such activities.

In responding to questions for which the Respondent includes information about a Material Subcontractor or Action Plans, up to one (1) page may be used to describe each Material Subcontractor arrangement and up to one (1) page may be used to describe each Action Plan. These pages are not included in the page limit instructions for the specific submission requirement.

HHSC understands that some Respondents may not have current experience providing managed care services to STAR, STAR+PLUS, and/or CHIP members in Texas. In responding to questions relating to experience, Respondents should clearly indicate
if their experience is in Texas, and if their experience is with STAR, STAR+PLUS, CHIP, or other comparable populations of managed care members. For Respondents proposing to serve STAR+PLUS members, the Proposal should describe the Respondent’s experience with elderly and disabled populations, including persons eligible for Medicare.

The Programmatic Proposal must include a detailed description of the following program components, at a minimum:

1. Section 1 – Proposed Programs, Service Area, and Capacity
2. Section 2 – Experience Providing Covered Services
3. Section 3 – Value-added Services
4. Section 4 – Access to Care
5. Section 5 – Provider Network Provisions
6. Section 6 – Member Services
7. Section 7 – Quality Assessment and Performance Improvement
8. Section 8 – Utilization Management
9. Section 9 – Early Childhood Intervention (ECI)
10. Section 10 – Services for People with Special Health Care Needs
11. Section 11 – Care Management/Service Coordination
12. Section 12 – Disease Management (DM)/Health Home Services
13. Section 13 – Behavioral Health Services and Network
14. Section 14 – Management Information Systems Requirements
15. Section 15 – Fraud and Abuse
16. Section 16 – Pharmacy Services
17. Section 17 – Transition Plan
18. Section 18 – Additional Requirements Regarding Dual Eligibles

4.3.1 Section 1 – Proposed Programs, Service Area, and Capacity

(3 pages, excluding tables)

The Respondent shall:

1. complete the MCO Program Proposed Service Area and Capacity table found in the Procurement Library, which must include for each proposed Service Area indicated in Table 1 of the Respondent’s Executive Summary, an estimate of the number of HHSC MCO Members the Bidder has the capacity to serve in each MCO Program bid on the Operational Start Date;

2. describe the calculations and assumptions used to arrive at these Service Area capacity projections. In developing these projections, the Respondent should consider the capacity of its Network, including its PCP Network, its Behavioral Health Services Network, its specialty care Network, its Pharmacy Network, and for STAR+PLUS, its home and community-based services Network. Respondents should specify:
• the anticipated STAR, STAR+PLUS, or CHIP Program enrollment, as applicable;
• the expected utilization of services, taking into consideration the characteristics and health care needs of specific populations represented in the particular HHSC MCO Program;
• the numbers and types (in terms of training, experience, and specialization) of providers required to furnish the Covered Services;
• the numbers of Network Providers and providers with signed contracts, LOAs, or LOIs who are not accepting new patients, by MCO Program;
• the geographic location of providers and HHSC MCO members, considering travel time, the means of transportation ordinarily used by HHSC MCO members, and whether the location provides physical access for members with disabilities; and
• generally describe anticipated Service Area capacity changes, if any, for each of the proposed Service Areas over the Initial Contract Period; and

3. generally describe methods that the MCO will use to ensure access to all Covered Services upon potential population growth due to changes in law, including growth resulting from the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010.

4.3.2 Section 2 – Experience Providing Covered Services

(3 pages, plus 1 additional page for each additional MCO Program bid, if any.)

Covered Services are described in Section 8.1.2, “Covered Services;” Section 8.2.2, “Provisions Related to Covered Services for Medicaid Members;” and Attachment B-1, “STAR Covered Services,” Attachment B-1.1, “CHIP Covered Services,” and Attachment B-1.2, “STAR+PLUS Covered Services.”

For all MCO Programs bid, the Respondent must:

1. briefly describe the Respondent’s experience providing, on a capitated basis, Acute Care services, including Behavioral Health Services, equivalent or comparable to Covered Services included in the MCO Programs bid (STAR Covered Services are described in Attachment B-1, CHIP Covered Services are described in Attachment B-1.1, and STAR+PLUS Covered Services are described in Attachment B-1.2). The description should indicate:
   a. the extent to which the Respondent has experience providing such Acute Care services for a managed care population(s) comparable to the population in the MCO Programs bid; and
   b. the Respondent’s experience providing such Acute Care services in Texas, and in the Respondent’s proposed Service Areas, if applicable;

2. indicate which STAR or CHIP Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid or CHIP population;

3. for STAR+PLUS Respondents, briefly describe the Respondent’s experience providing managed Community-based Long-Term Services and Supports and Acute Care services equivalent or comparable to STAR+PLUS Covered Services described in Attachment B-1.2. The description should indicate:
   a. the extent to which the Respondent has experience providing Community-based Long-Term Services and Supports and Acute Care services for a managed care population(s) comparable to the population in STAR+PLUS; and
   b. the Respondent’s experience providing such Community-based Long-Term Services and Supports in Texas, and in the Respondent’s proposed Service Areas, if applicable;
4. indicate which STAR+PLUS Covered Service(s) (in whole or in part) the Respondent does not have experience providing on a capitated basis or does not have experience providing to a comparable Medicaid population;

5. briefly describe the Respondent’s proposal for providing Covered Services, including any plans for expansions of its Provider Network in any of the proposed Service Areas prior to a Readiness Review. If the Respondent proposes to use a Material Subcontractor to provide or manage Behavioral Health Services, Pharmacy Services, or any other Covered Service, the Respondent must describe its relationship with the Material Subcontractor, as required by Section 4.3;

6. for STAR Respondents for the Medicaid Rural Service Area, describe the Respondent’s experience in providing Medicaid wrap-around services for Dual Eligibles entitled to these benefits. If the Respondent does not have experience in providing these services, indicate how the Respondent intends to meet this requirement; and

7. for STAR+PLUS Respondents, describe the Respondent’s experience in providing Service Coordination for Dual Eligibles. Respondent should specifically describe the processes and procedures used to coordinate Medicare services with Medicaid Community-based Long-Term Services and Supports and related services. If the Respondent does not have experience coordinating these services, indicate how the Respondent intends to meet this requirement.

4.3.3 Section 3 – Value-added Services
(1 page per Value-added Service)

Respondents may propose to offer Value-added Services as described in Section 8.1.2.1. If offered, the Respondent will not receive additional compensation for Value-added Services, and may not report the costs of Value-added Services as allowable medical or administrative costs.

For each MCO Program and Value-added Service proposed, the Respondent must:

1. define and describe the Value-added Service;

2. specify the applicable Service Areas for the proposed Value-added Services;

3. identify the category or group of Members eligible to receive the proposed Value-added Services if it is a type of service that is not appropriate for all Members;

4. note any limitations or restrictions that apply to the Value-added Services;

5. for each Service Area, identify the types of Providers responsible for providing the Value-added Service, including any limitations on Provider capacity if applicable.

6. propose how and when Providers and Members will be notified about the availability of such Value-added Service;

7. describe how a Member may obtain or access the Value-added Service;

8. include a statement that the Respondent will provide any Value-added Service(s) that are approved by HHSC for at least 12 months after the Operational Start Date of the Contract; and

9. describe if, and how, the Respondent will identify the Value-added Service in administrative data (Encounter Data).

The Respondent may propose different Value-added Services for each MCO Program and Service Area bid.

4.3.4 Section 4 – Access to Care

Access to Care standards are described in Section 8.1.3.
4.3.4.1 Travel Distances
(no page limit, should only submit applicable tables)

For each proposed Service Area and for each MCO Program bid (if the proposed Provider Network would be different across MCO Programs within a Service Area), submit tables created using GeoAccess, or a comparable software program, to demonstrate the geographic adequacy of the Respondent’s proposed Provider Network compared to the projected population in each proposed Service Area.

Providers in the demonstrated Provider Network must have an executed contract with the Respondent, a letter of intent (LOI), or a letter of agreement (LOA) indicating the provider intends to contract with the Respondent if HHSC awards the Respondent an MCO Contract. Respondents do not need to submit the signed contracts, LOIs, or LOAs with the Proposal, but HHSC may request to review these documents during its evaluation of the Proposal. Providers who have not signed a Network Provider contract or LOI/LOAs may **not** be included in the Respondent’s Network for purposes of responding to this RFP submission requirement.

For each proposed Service Area, the Respondent must generate GeoAccess or comparable tables to display the following information on its proposed Provider Network utilizing the Member Files provided by HHSC. For purposes of Geo Mapping, the distribution method will be to place all members at the center of the zip code.

1. adults with access to PCPs (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which adults have such access;

2. children with access to PCPs:
   a. Percentage and number of child Members with access to one (1) Open-Panel, age-appropriate Network PCP within 30 miles, and the average number of miles within which children have such access;
   b. Percentage and number of child Members with access to two (2) Open-Panel, age-appropriate Network PCPs within 30 miles, and the average number of miles within which children have such access;

3. access to cardiologists (STAR and STAR+PLUS only):
   a. Percentage and number of adult Members with access to one (1) Network cardiologist within 75 miles, and the average number of miles within which adults have such access;
   b. Percentage and number of adult Members with access to two (2) Network cardiologists within 75 miles, and the average number of miles within which adults have such access;

4. access to Acute Care Hospitals:
   a. Percentage and number of Members with access to a Network Acute Care Hospital within 30 miles;

5. access to outpatient Behavioral Health Services Providers (does not apply to the STAR Dallas Service Area, where Behavioral Health services are provided through NorthSTAR):
   a. Percentage and number of Members with access to one (1) Network outpatient Behavioral Health Service Provider within 75 miles, and the average number of miles within which Members have such access;
b. Percentage and number of Members with access to two (2) Network outpatient Behavioral Health Providers within 75 miles, and the average number of miles within which Members have such access;

6. access to OB/GYNs (does not apply to CHIP Members or CHIP Perinatal Newborn Members – but does apply to CHIP Perinate Members (unborn children)):

a. Percentage and number of female Members over age 19 with access to one (1) Network OB/GYN within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);

b. Percentage and number of female Members over age 19 with access to two (2) Network OB/GYNs within 75 miles, and the average number of miles within which such female Members have such access (applies to Medicaid Members and CHIP Perinate Members in both urban and rural areas);

c. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;

d. Percentage and number of CHIP Perinate Members in rural areas with access to one (1) Network OB/GYN within 125 miles, and the average number of miles within which such Members have such access;

7. access to otolaryngologists (STAR and CHIP only):

a. Percentage and number of child Members with access to one (1) Network otolaryngologist (ENT) within 75 miles, and the average number of miles within which children have such access; and

b. Percentage and number of child Members with access to two (2) Network otolaryngologists (ENTs) within 75 miles, and the average number of miles within which children have such access; and

8. access to Pharmacies:

a. Percentage and number Members with access to one (1) Network pharmacy within 15 miles, and the average number of miles within which Members have such access;

b. Percentage and number Members with access to two (2) Network pharmacies within 15 miles, and the average number of miles within which Members have such access;

c. Percentage and number Members with access to one (1) 24 hour Network pharmacy within 75 miles, and the average number of miles within which Members have such access; and

d. Percentage and number Members with access to two (2) 24 hour Network pharmacies within 75 miles, and the average number of miles within which Members have such access.

Respondents should submit one (1) set of the above tables for each MCO Program and Service Area bid (e.g., one (1) table for the STAR Tarrant Service Area, one (1) table for the STAR Harris Service Area, etc.). Respondents should report the zip code, the city or town associated with the zip code, the percentage and number of eligible Members residing within the zip code, and the percentage and number of eligible Members residing within a zip code who have access to Network Provider addresses within the HHSC-specified travel distance standard. Each table should be sorted in descending order based on zip code-eligible Member population. In addition, each Service Area table should report the aggregate percentage of eligible Members residing within the Service Area who have access within the HHSC-specified travel standard.

4.3.4.2 Assessing Access to Care

(3 pages, plus one additional page per additional MCO Program bid if the Respondent’s response is different by MCO Program)
1. Identify the processes by which the Respondent must measure and regularly verify:
   a. Network compliance, including pharmacy, regarding travel distance access in Section 8.1.3.2;
   b. Provider compliance regarding appointment access standards in Section 8.1.3.1, and
   c. PCP compliance with after-hours coverage standards in Section 8.1.4.2.

2. Describe the steps the Respondent has taken in the past when it identified:
   a. a deficiency in its compliance with plan or state travel distance access standards;
   b. a Provider that was not meeting plan or state appointment access standards, and
   c. a PCP that was not in compliance with the plan or state after-hours coverage requirements.

   If the Respondent has not taken such steps listed in 2a, b, or c above with regularity, describe how
   it proposes to take such steps in the future.

3. Describe the processes the Respondent implement to accommodate additional Members and to ensure the access
   standards are met if actual enrollment exceeds projected enrollment.

4.3.5 Section 5 – Provider Network Provisions

Provider Network requirements are primarily described in Section 8.1.4. In addition, the Significant Traditional Provider (STP) requirements applicable to Medicaid MCOs are described in Section 8.2.3.

4.3.5.1 Provider Network

(1 page, excluding Provider listing and tables)

Network Providers must have an executed contract with the Respondent, a letter of intent (LOI) or a letter of agreement (LOA) indicating the Provider intends to contract with the Respondent should HHSC award the Respondent a contract for the applicable MCO Program. Network Providers must be licensed in the State of Texas to provide the contracted Covered Services. As described in Section 8.1.4.4, the MCO must credential Network Providers before they may serve Members. Sample LOI/LOA agreements and sample Network Providers tables can be found in the Procurement Library.

1. For each Service Area in which the Respondent proposes to participate in the STAR, STAR+PLUS, and/or CHIP
   Program, the Respondent must submit a complete listing of proposed Network Providers for each of the following Acute
   Care provider types. Such listing must indicate for each provider type: the name, address, and NPI and/or TPI, if
   applicable, of the Providers with signed contracts, LOIs or LOAs. If the Respondent’s Provider Network is identical
   across more than one MCO Program within a Service Area, the Respondent may submit one Excel file worksheet for the
   Service Area that specifies the applicable MCO Programs. The Respondent must include in an Excel file at least the two (2)
   nearest Providers meeting each of the following provider type descriptions. The Respondent must also include in the Excel
   file all Providers in the designated provider type within the Service Area. The listing must include separate lists of each
   provider type in the order listed below and a separate worksheet for each proposed Service Area:

Acute Care Services
   a. Acute Care Hospitals, inpatient and outpatient services;
   b. Hospitals providing Level 1 trauma care;
   c. Hospitals providing Level 2 trauma care;
d. Hospitals designated as transplant centers;

e. Hospitals designated as Children’s Hospitals by the CMS;

f. other Hospitals with specialized pediatric services;

g. Psychiatric Hospitals providing mental health services, inpatient and outpatient;

h. Other facilities or clinics that provide outpatient mental health services;

i. Hospitals providing substance abuse services, inpatient and outpatient; and

j. other facilities or clinics providing outpatient substance abuse services.

2. For STAR+PLUS only, identify a list of Community-based Long-Term Services and Supports Providers with whom the Respondent has a signed contract, LOI or LOA. These Providers should be listed by type, name, and address. Respondent should also list the array of Community-based Long-Term Services and Supports each of these entities provides.

**Community-based Long-Term Services and Supports** (for STAR+PLUS only)

a. Personal Assistance Services (PAS);

b. Day Activity and Health Services (DAHS);

c. adaptive aids and medical supplies;

d. adult foster care;

e. assisted living and residential care services;

f. emergency response services;

g. home delivered meals;

h. in-home skilled nursing care;

i. dental services;

j. minor home modifications;

k. respite care;

l. therapy – occupational;

m. therapy – physical;

n. therapy – speech, hearing, and/or language pathology services;

o. consumer directed services; and

p. transition assistance services.

3. Identify the types of Providers the Respondent allows to be PCPs for adults, PCPs for children, OB/GYNs, and outpatient Behavioral Health Service Providers. The Respondent should identify its contract requirements for these provider types and any exceptions. For example, Respondent should note under what circumstances, if any, an internist is allowed to be a PCP for children, or a family practitioner is allowed to be an OB/GYN.
4.3.5.2 Significant Traditional Providers

(No page limit, Respondents should only submit STP tables, not text, with the exception of bidders not meeting the 50 percent threshold described in Section 5.2. These Respondents should provide clear documentation of any problems in meeting this threshold)

The STP requirements in Section 8.2.3 are applicable as follows:

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs) in STAR and STAR+PLUS. For STAR MCOs, STP requirements for other provider types are limited to the following areas: Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, STP requirements for other provider types apply to Jefferson, El Paso, Lubbock and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette.

HHSC-designated Medicaid Significant Traditional Providers (STPs) can be found in the Procurement Library. The STP list includes, without limitation, SUD, pharmacy, and State Mental Health Hospitals for all MCO Programs. For STAR+PLUS, STPs also include Community-based Long-Term Services and Supports Providers.

For each STP provider type in the MCO Program(s) and Service Area(s) bid, the Respondent must complete the charts provided in the Procurement Library.

4.3.5.3 Provider Network Capacity

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

HHSC has targeted improved Network capacity and improved Member access to Covered Services as a priority for the Initial Contract Period.

1. indicate which, if any, Covered Services are not available from a qualified Provider in the Respondent’s proposed Network in the Service Area and how the Respondent proposes to provide such Covered Services to Members in the Service Area; and

2. briefly describe how deficiencies will be addressed when the Provider Network is unable to provide a Member with appropriate access to Covered Services due to lack of a qualified Network Provider within the travel distance of the Member’s residence specified in Section 8.1.3.2. The description should include, but not be limited to, how the Respondent will address deficiencies in the Network related to:

   a. the lack of an age-appropriate Network PCP with an Open-Panel within the required travel distance of the Member’s residence;

   b. for female Members, the lack of an Network OB/GYN with an open practice within the travel distance of the Member’s residence;

   c. the lack of a Network cardiologist within the travel distance of the Member’s residence (STAR and STAR+PLUS only); and

   d. the lack of a Network pharmacy within the travel distance of the Member’s residence.

4.3.5.4 Credentialing and Re-credentialing

(4 pages plus 2 additional pages for Respondents bidding STAR+PLUS)

Provider credentialing and re-credentialing requirements are described in Section 8.1.4. For all of the following submission requirements, instead of attaching copies of the Respondent’s credentialing/re-credentialing policies and procedures, the Respondent should provide a brief summary of its policies and procedures.
1. Describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Acute Care Providers by type of Provider, and demonstrate how the Respondent ensures, or proposes to ensure, that the minimum credentialing requirements are met. Such description must demonstrate compliance with Section 8.1.4.4.

2. Describe the re-credentialing process or process between re-credentialing cycles for Acute Care Providers and how the Respondent will capture and assess the following information:
   a. Member Complaints and Appeals;
   b. results from quality reviews and Provider quality profiling;
   c. utilization management information; and
   d. information from licensing and accreditation agencies.

3. For STAR+PLUS only, describe the Respondent’s minimum credentialing and/or licensure requirements and procedures for Providers of Community-based Long-Term Services and Supports by type of Provider, and how Respondent will ensure that the minimum credentialing and licensing requirements are met by any Provider rendering Covered Services.

4. For STAR+PLUS only, describe the re-credentialing process for Providers of Community-based Long-Term Services and Supports. The description of the re-credentialing process should include how the Respondent will capture and assesses the following information:
   a. Member Complaints and Appeals;
   b. results from quality reviews and quality Provider profiling;
   c. utilization management information; and
   d. information from licensing and accreditation agencies.

5. A Respondent currently operating in Texas must separately report the following information for its Texas Network. A Respondent not currently operating in Texas must separately report the same information for a managed care program it operates in another state that is similar to the MCO Program bid:
   a. the percentage of providers in its Network re-credentialed in the past three (3) years, for the following provider types: primary care physician, specialty care provider, and masters-level outpatient Behavioral Health Service providers; and
   b. the number and percentage of providers in its Network who were subjected to the regularly scheduled re-credentialing process over the past 24 months that were denied continued Network status.

4.3.5.5 Provider Hotline

(3 pages, plus 2 additional pages for each additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

Describe the proposed Provider Hotline function and how the Respondent would meet the requirements of Section 8.1.4.7. Such description must include:

1. normal hours of operation of the hotline;
2. staffing for the hotline;
3. training for the hotline staff on Covered Services and HHSC MCO Program requirements;
4. the routing of calls among hotline staff to ensure timely and appropriate response to provider inquiries;

5. responsibilities of hotline staff, if any, in addition to responding to HHSC Provider Hotline calls (e.g., responding to non-Network provider calls and/or HHSC Member Hotline calls);

6. after-hours procedures and available services;

7. provider hotline telephone reports for the most recent four (4) quarters with data that show the monthly call volume, the monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and the monthly trends for the abandonment rate; and

8. Whether the Provider Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the MCO Programs bid must submit the information in #7 above for each provider hotline operated, and identify any proposed changes to provider hotline functions.

A Respondent not currently participating in any of the MCO Programs bid must submit the information in #7 above for a similar managed care program that it operates. If such a Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider hotline telephone report for the same managed care program.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Provider Hotlines, so long it meets the RFP Provider Hotline requirements for all MCO Programs bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Provider Hotline, or if proposing to staff a single Provider Hotline for multiple programs, and should note in its Proposal the differences, if any, in its Provider Hotline and staffing for each MCO Program bid.

4.3.5.6 Provider Training

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Provider training requirements are described in Section 8.1.4.6.

1. Provide a brief description of the proposed Provider training programs for each MCO Program bid. For STAR+PLUS only, distinguish between training programs for Acute Care Providers and Community-based Long-Term Services and Supports Providers. The description should include:
   a. the types of programs to be offered, including the modality of training;
   b. what topics will be covered;
   c. which Providers will be invited to attend;
   d. how the Respondent proposes to maximize Provider participation;
   e. how Provider training programs will be evaluated;
   f. the frequency of Provider training; and
   g. for STAR+PLUS Long Term Services and Supports providers in El Paso, Lubbock, and Hidalgo, who have never submitted traditional claim forms, a brief summary of additional methods to assist these providers.

2. Briefly describe two (2) examples of recent Provider training programs relevant to each of the MCO Programs bid. These examples must include:
   a. a description of the training program;
b. a summary of distributed materials (the actual materials are not to be submitted);

c. number and type of attendees; and

d. results of any evaluations from the training.

A Respondent currently participating in any of the MCO Programs bid must submit the above Provider training examples for each such MCO Program. A Respondent may use the same such Provider education example for more than one (1) MCO Program, provided the education program was given to Providers participating in each MCO Program.

A Respondent not currently participating in one (1) or more of the MCO Programs bid must submit the above provider training examples for a similar managed care program. If the Respondent referenced a non-HHSC managed care program in another submission requirement, the Respondent must submit its provider education information in this submission requirement.

4.3.5.7 Provider Incentives

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Respondent must submit a proposal for a pilot “gain sharing” program. The program should focus on collaborating with Network physicians and Hospitals in order to allow them to share a portion of the Respondent’s savings resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions. The proposal should include mechanisms whereby the Respondent will provide incentive payments to Hospitals and physicians for quality care. The proposal should include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for payment.

4.3.6 Section 6 – Member Services

4.3.6.1 Member Services Staffing

(5 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding organizational chart(s))

The MCO must maintain a Member Services Department to assist Members and Members’ representatives in obtaining Covered Services as described in Section 8.1.5.

1. Provide an organizational chart of the Member Services Department, showing the placement of Member Services within the Respondent’s organization and showing the key staff within the Member Services Department.

2. Explain the functions of the Member Services staff, including brief job descriptions and qualifications.

3. Describe the curriculum for training to be provided to Member Services representatives, including when the training is conducted and how the training addresses:

   a. Covered Services, including Behavioral Health Services and Community-based Long Term Services and Supports;
   
   b. MCO Program requirements;
   
   c. Cultural Competency; and
   
   d. providing assistance to Members with limited English proficiency.

4. Identify the turnover rate for Member Services staff in the past two (2) years. A Respondent operating any HHSC MCO Program must provide the staff turnover rate for each of its MCO Programs. A Respondent not currently operating an HHSC MCO program must provide its Member Services staff turnover rate for a comparable managed care program and identify the managed care program.
5. For STAR+PLUS only, identify the number and professional background of Member Services staff that the Respondent intends to dedicate to the Service Coordination function.

6. Identify the percentage of Member Services staff who will be physically located in the Service Area.

A Respondent submitting a multi-program response must clearly indicate any differences in the Respondent’s Member services approach across each of the MCO Program bid.

4.3.6.2 Member Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding hotline telephone reports)

The Member Hotline requirements are described in Section 8.1.5.6.

Describe the proposed Member Hotline function, including:

1. normal hours of operation;

2. number of Member Hotline staff, expressed in the number of full time employees (FTEs) per 1000 Members who are available 8:00 a.m. to 5:00 p.m., local time in the Service Area, Monday through Friday, excluding state-approved holidays;

3. routing of calls among Member Hotline staff to ensure timely and accurate response to Member inquiries;

4. responsibilities of Member Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC Member calls and/or HHSC Provider Hotline or Behavioral Health Hotline calls);

5. after-hours procedures and available services, including those provided to non-English speaking Members in Major Population Groups;

6. the number and percentage of FTE Member Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Member Hotline staff who are multi-lingual for any additional language, by language spoken;

8. for STAR+PLUS only, the number and percentage of FTE Member Hotline staff dedicated to the Service Coordination function;

9. Member Hotline telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system) and monthly trends for the abandonment rate; and

10. Whether the Member Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of HHSC’s MCO Programs must submit the information in #9 above for each Member Hotline operated, and identify any proposed changes to hotline functions.

If the Respondent is not currently participating in any of HHSC’s MCO Programs, it should describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Member Hotline described in Section 8.1.5.6. Such a description must include the information listed in items 1 to 10 above.

A Respondent proposing to participate in more than one (1) MCO Program should note that it is not required to operate separate STAR, STAR+PLUS, and CHIP Member Hotlines, if it meets the RFP Member Hotline requirements for all MCO Program bid.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed
Member Hotline, or if proposing to staff a single Member Hotline for multiple programs, and should note the differences, if any, in its Member Hotline and staffing for each MCO Program bid.

4.3.6.3 Member Service Scenarios

(5 pages)

Describe the procedures a Member Services representative will follow to respond to the following situations:

1. a Member has received a bill for payment of Covered Services from a Network Provider or Out-of-Network Provider;
2. a Member is unable to reach her PCP after normal business hours;
3. a Member is having difficulty scheduling an appointment for preventive care with her PCP,
4. for STAR+PLUS only, a Member is having difficulty scheduling an appointment for preventive care with her Medicare PCP;
5. for STAR+PLUS only, a Member is in urgent need of meals, adaptive aids, or other Community-Based Long-Term Services and Supports and is unable to reach their Service Coordinator or provider,
6. a Member becomes ill while traveling outside of the Service Area, and
7. a Member has a request for a specific medication that the pharmacy is unable to provide.

4.3.6.4 Cultural Competency

(3 pages)

Provide a high-level description of the processes the Respondent will put in place to meet the requirements of the cultural competency requirements as described in Section 8.1.5.8, “Cultural Competency Plan.”

1. Describe how the Respondent will ensure culturally competent services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each.
2. Describe how the Respondent will develop intervention strategies and work with Network Providers to avoid disparities in the delivery of medical services to diverse populations.

4.3.6.5 Member Complaint and Appeal Processes

(3 pages per MCO Program, excluding flow chart)

Medicaid Member Complaint and Appeal Processes are described in Section 8.2.6. CHIP Member Complaint and Appeal Processes are described in Section 8.4.2. For each MCO Program bid, a Respondent’s proposal should describe how it intends to meet the applicable Member Complaint and Appeal requirements. A Respondent should not submit detailed Complaint and Appeal policies and procedures as an attachment.

For each MCO Program bid, the Respondent must:

1. describe the process the Respondent will put in place for the review of Member Complaints and Appeals, including which staff will be involved;
2. provide a flowchart that depicts the process the Respondent will employ, from the receipt of a request through each phase of the review to notification of disposition, including providing notice of access to HHSC Fair Hearings;

3. document the MCO’s average time for resolution over the past 12 months for Member Complaints and Appeals (excluding Expedited Appeals), from date of receipt to date of notification of disposition; and

4. for STAR and STAR+PLUS only, describe the number and job descriptions of Member Advocates, how Members are informed of the availability of Member Advocates, and how Members access Advocates.

4.3.6.6 Marketing Activities and Prohibited Practices

(no page limit)

If the Respondent has been sanctioned or placed under corrective action for prohibited Marketing practices related to managed care products by the CMS, Texas, or by another state:

1. describe the basis for each sanction or corrective action, and

2. explain how the Respondent would ensure that it would not commit any practices prohibited by the CMS or HHSC in its Marketing activities.

A Respondent should have reported whether it has been sanctioned or been placed under corrective action by the federal government, Texas, or any other state in the past three (3) years as part of its Business Specifications submission.

4.3.6.7 Continuity of Care (for STAR and STAR+PLUS only)

(3 pages plus 1 additional page if the Respondent is proposing to participate in both STAR and STAR+PLUS)

Continuity of Care transition requirements for certain new Members with Out-of-Network providers are described in Section 8.2.1.

Describe the proposed Continuity of Care Transition Plan for serving new Members whose current PCP, OB/GYN, specialty care providers (including Behavioral Health Service providers) or Community-based Long-Term Services and Supports are not participants in the Respondent’s Provider Network. Respondents proposing to serve STAR+PLUS Members must also describe the proposed Continuity of Care Transition Plan for serving new Members whose current home health services provider is not a participant in the Respondent’s proposed Provider Network.

If a Respondent is proposing to serve both STAR and STAR+PLUS MCO Members, the Respondent should note the differences, if any, in its Continuity of Care Transition Plan in each MCO Program bid.

4.3.6.8 Objection to Providing Certain Services

(1 page)

In accordance with 42 C.F.R. §438.102, the Respondent may file an objection to provide, reimburse for, or provide coverage of, counseling or referral service for a Covered Service based on moral or religious grounds (see Section 8.2.2.7). HHSC reserves the right to make downward adjustments to Capitation Rates for any Respondent that objects to providing certain services based on moral or religious grounds.

Respondent should indicate objections, if any, to providing a Covered Service based on moral or religious grounds. Identify the specific service(s) to which it objects and describe the basis for its objection on moral or religious grounds.

4.3.6.9 Coordination of Services for Dual Eligibles

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Coordination of Services for STAR+PLUS Dual Eligibles is described in Section 8.3.7.1, and Medicaid wrap-services are described in Section 8.2.3.

As applicable to the Programs bid, please describe the Respondent’s process for coordinating Medicaid and Medicare care for STAR+PLUS Dual Eligibles, and providing Medicaid wrap-around services to Dual Eligibles in STAR+PLUS and STAR (Medicaid Rural Service Area only).

4.3.7 Section 7 – Quality Assessment and Performance Improvement

The Quality Assessment and Performance Improvement (QAPI) requirements of the RFP are described in Section 8.1.7.

4.3.7.1 Clinical Initiatives

(3 pages, plus 2 additional pages per additional MCO Program, excluding QA plan)

1. For each MCO Program bid, describe data-driven clinical initiatives that the Respondent initiated within the past 24 months that have yielded improvement in clinical care for a managed care population comparable to the population bid and document two (2) statistically significant improvements generated by the Respondent’s clinical initiatives.

2. For STAR+PLUS only, propose two (2) clinical initiatives focused on Community-based Long-Term Services and Supports for STAR+PLUS Members, including how Members will be involved in such initiatives and the Respondent’s experience implementing similar clinical initiatives.

3. For each MCO Program bid, describe two (2) new or ongoing Acute Care clinical initiatives that the Respondent proposes to pursue in the first year of the Contract. Document why each topic warrants quality improvement investment, and describe the Respondent’s measurable goals for the initiative.

4. For STAR+PLUS only, describe the planned approach the Respondent will take towards quality assessment and ongoing review of providers with whom it intends to contract, using the following provider types as an example:
   a. Adult Day Health Facilities;
   b. Personal Assistance Services providers, and
   c. Home and Community Support Services Agencies (HCSSAs).

5. For Respondents that already participate in an HHSC MCO Program, provide a copy of the most recent QAPI Plan. For Respondents that do not participate in an HHSC MCO Program, provide a copy of a 2009 quality assurance plan for a comparable managed care population.

6. Many Texas Medicaid and CHIP children reportedly receive their immunizations through Local Health Departments. Discuss the impact this has on creating a Medical Home for child Members, and what steps, if any, the Respondent proposes to take to improve child preventive services delivery.

4.3.7.2 Health Plan Employer Data and Information Set (HEDIS) and Other Quality Data

(3 pages, plus 2 additional pages per additional MCO Program bid)

HHSC’s External Quality Review Organization (EQRO) will perform HEDIS and Consumer Assessment of Health Plans Survey (CAHPS) calculations required by HHSC for MCO Program management. The following questions are designed to solicit information on a Respondent’s proposed approach to generating its own clinical indicator information to identify and address opportunities for improvement, as well as the Respondent’s approach to acting on clinical indicator data reported by HHSC’s EQRO.

For each MCO Program bid, the Respondent must:
1. Identify the MCO-level HEDIS and any other statistical clinical indicator measures that the Respondent will generate to identify opportunities for clinical quality improvement;

2. Document examples of statistical clinical indicator measures previously generated by the Respondent during 2008-2009 for a managed care population comparable to the population in the MCO Program bid;

3. Describe efforts that the Respondent has made to assess member satisfaction during 2008-2009 for a managed care population comparable to the population in the MCO Program bid; and

4. Describe management interventions implemented in 2008 or 2009 based on member satisfaction measurement findings for a managed care population comparable to the population in the MCO Program bid, and whether these interventions resulted in measurable improvements in later member satisfaction findings.

4.3.7.3 Clinical Practice Guidelines

(2 pages per MCO Program bid)

There is significant evidence that medical professionals are often slow to adopt evidence-based clinical practice guidelines.

1. For each MCO Program bid, describe two (2) clinical guidelines that are relevant to the enrolled populations and that the Respondent believes are currently not being adhered to at a satisfactory level.

2. Describe what steps the Respondent will take to increase compliance with the clinical guidelines noted in its response to question number 1 above.

3. Provide a general description of the Respondent’s process for developing and updating clinical guidelines, and for disseminating them to participating Providers.

4.3.7.4 Provider Profiling

(3 pages, excluding sample profile reports)

1. Describe the Respondent’s practice of profiling the quality of care delivered by Network PCPs, and any other Acute Care Providers (e.g., high volume specialists, Hospitals), including the methodology for determining which and how many Providers will be profiled.

2. For STAR+PLUS, describe the Respondent’s method to ensure the quality of care delivered by Long-Term Services and Supports Providers.

3. Submit sample quality profile reports used by the Respondent, or proposed for future use (identify which).

4. Describe the rationale for selecting the performance measures presented in the sample profile reports.

5. Describe the proposed frequency with which the Respondent will distribute such reports to Network Providers, and identify which Providers will receive such profile reports.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its provider profiling activities and reports for each MCO Program bid.

4.3.7.5 Network Management

(4 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Describe how the Respondent will actively work with Network Providers to ensure accountability and improvement in the quality of care provided by both Acute and Long-Term Services and Supports Providers. The description should include:

__________________________________________________________________________________________
1. the steps the Respondent will take with each profiled Provider following the production of each profile report, including a description of how the Respondent will motivate and facilitate improvement in the performance of each profiled Provider;

2. the process and timeline the Respondent proposes for periodically assessing Provider progress on its implementation of strategies to attain improvement goals;

3. how the Respondent will reward Providers who demonstrate continued excellence and/or significant performance improvement over time, through non-financial or financial means, including pay-for-performance;

4. how the Respondent will share “best practice” methods or programs with Providers of similar programs in its Network;

5. how the Respondent will take action with Providers who demonstrate continued unacceptable performance and performance that does not improve over time;

6. the steps the Respondent will take with a Provider that specifically is not meeting HHSC contractual access standards; and

7. the extent to which the Respondent currently operates a Network management program consistent with HHSC requirements in Section 8.1.7.8, and measurable results it has achieved from such Network management efforts.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Network Management activities and reports for each MCO Program bid.

4.3.8 Section 8 – Utilization Management

(3 pages, plus 1 additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Utilization Management (UM) requirements are described generally in Section 8.1.8 and specifically for Behavioral Health Services in Section 8.1.15. A Respondent’s response to this submission requirement should address UM for all Covered Services.

1. Describe the UM guidelines the Respondent plans to employ, including whether and how the guidelines comply with the standards in Sections 8.1.8 and 8.1.15.

2. If the UM guidelines were developed internally, describe the process by which they were developed and when they were developed or last revised.

3. Describe how the UM guidelines will generally be applied to authorize or retrospectively review services for the spectrum of Covered Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its UM activities for each MCO Program bid.

4.3.9 Section 9 – Early Childhood Intervention (ECI)

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

ECI Services are described in Section 8.1.9.

1. Describe the Respondent’s experience with, and general approach to, providing ECI services, including how the Respondent will identify such individuals.

2. Describe procedures and protocols for using the IFSP information to develop a Member Care Plan and authorize services.
3. Describe procedures and protocols for developing and including the interdisciplinary team in the assessment and care planning process.

4. Describe the process by which the Respondent will provide the IFSP and other necessary information to the PCP.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for ECI for each MCO Program bid.

4.3.10 Section 10 – Services for People with Special Health Care Needs

(3 pages, plus one additional page for each additional MCO Program bid if the Respondent’s response differs by MCO Program)

Services for people with special health care needs are described in Section 8.1.12. Note: All STAR+PLUS Members are considered to be persons with Special Health Care Needs as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

1. Describe the Respondent’s experience with, and general approach to, providing services for adults with Special Health Care Needs (STAR and STAR+PLUS only), including how the Respondent will identify such individuals and the criteria it will use in assessing whether an adult is a Member with Special Health Care Needs (MSHCN).

2. Describe the Respondent’s experience with, and general approach to, providing services for Children with Special Health Care Needs (CSHCN), including how the Respondent will identify such individuals and the criteria it will use in assessing whether a Member is a CSHCN.

3. Describe the process for initially and periodically assessing Members’ needs for services, and identify the staff performing the assessments and their credentials.

4. Describe procedures and protocols for using the assessment information to develop a Member Care Plan and authorize services.

5. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

6. Describe the process by which the Respondent will allow MSHCN to have:

   a. direct access to a specialist as appropriate for the Member’s condition and identified needs, such as a standing referral to a specialty physician; and

   b. access to non-primary care physician specialists as PCPs, as required by 28 T.A.C. § 11.900 and Section 8.1.3.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its services for MSHCN for each MCO Program bid.

4.3.11 Section 11 – Care Management and/or Service Coordination

(9 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

Care Management and/or Service Coordination is described in Sections 8.1.12.2 and 8.1.13. Additional requirements for Service Coordination are described in Section 8.3.2.
1. Describe the Respondent’s experience providing Care Management and/or Service Coordination to members with high-cost catastrophic situations (e.g., recent spinal cord injury) and the Respondent’s proposal for implementing high-cost catastrophic Care Management and/or Service Coordination, including how the Respondent will identify Members for high cost catastrophic Care Management and/or Service Coordination, and the criteria used to identify such Members.

2. Describe the Respondent’s experience providing Care Management and/or Service Coordination services to Members with the following serious health care conditions, as applicable to the MCO Programs bid, and the Respondent’s proposal for offering Care Management and/or Service Coordination services to these Members. Include how Members will be identified for Care Management and/or Service Coordination, and the criteria used to identify such Members:
   a. women with high-risk pregnancies (STAR only); and
   b. individuals with mental illness and co-occurring substance abuse.

3. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Care Management and/or Service Coordination initiatives.

4. For STAR+PLUS only, describe the duties and responsibilities of the Service Coordinator to authorize Community-based Long-Term Services and Supports. The Respondent must describe in detail how the Service Coordinator will function in relation to the Member’s PCP for:
   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and
   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

5. For STAR+PLUS only, submit detailed information, including protocols and procedures, for identifying Members requiring Service Coordination, and for providing the Service Coordination function to them. The information should include how the protocols and procedures vary for:
   a. Dual Eligible STAR+PLUS Members receiving both Medicaid and Medicare services from the MCO, and for
   b. Dual Eligible STAR+PLUS Members receiving Medicare services through either fee-for-service Medicare or another Medicare MCO.

6. For STAR+PLUS only, describe the circumstances or conditions when the Member would require a licensed nurse or other allied health care provider as a Service Coordinator.

7. For STAR+PLUS only, submit criteria for identifying and training certain Members and their Member Representative(s) to coordinate and direct the Member’s own care, to the extent the Member is capable of doing so. Criteria should include those used to enable the Member and family to select, train, and supervise providers of Community-based Long-Term Services and Supports.

8. For STAR+PLUS only, describe the criteria and processes for advising Members of, and assisting them to access, the most appropriate, least restrictive home and community-based services as alternatives to institutional care. Additionally, describe how the Respondent will ensure that the Member is given the opportunity to make an informed choice among the options for care settings.

9. For STAR+PLUS only, submit a list of the relevant community organizations in each proposed STAR+PLUS Service Area with which the Respondent will coordinate services for Members and to which it will refer Members for services.

10. For STAR+PLUS only, describe the process for initially and periodically assessing Members’ needs for services.

11. For STAR+PLUS only, describe how the Respondent will identify Members who are at risk of nursing facility placement.
12. For STAR+PLUS only, submit all functional assessment instruments proposed for use and describe how the assessment instrument(s) will be employed to identify the Member’s need for Community-based Long-Term Services and Supports. (Note: If the MCO is allowed to modify a functional assessment instrument required by the State, HHSC must approve the proposed instrument prior to implementation. See Section 8.3.3 for more information.)

13. For STAR+PLUS only, identify who will perform each assessment and specify their credentials.

14. Describe procedures and protocols for using the assessment information to develop a Member Service/Care Plan and authorize services.

15. Describe procedures and protocols for including the Member and/or Member’s Representative in the assessment and care planning process.

16. For STAR+PLUS only, provide a description of the appropriate staffing ratio of Service Coordinators to Members, and the Respondent’s target ratio of Service Coordinators to Members.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its Care Management and/or Service Coordination activities in the applicable MCO Programs.

4.3.12 Section 12 – Disease Management (DM)/Health Home Services

(3 pages, plus 1 additional page for each MCO Program bid)

Disease Management/Health Home Services is described in Section 8.1.14.

1. Describe the Respondent’s experience in implementing Disease Management/Health Home Services programs for populations comparable to the proposed HHSC MCO Program.

2. Identify any measurable results in terms of clinical outcomes and program savings that have resulted from the Respondent’s Disease Management/Health Home Services initiatives, and briefly describe the analyses used to identify such outcomes and savings.

3. Identify the process by which the Respondent proposes to provide Members with Disease Management/Health Home Services. Describe how the Respondent will identify Members in need of such Disease Management/Health Home Services program, the proposed outreach approach, and the Disease Management/Health Home Services program components for Members of different risk levels.

4. Describe the process by which the Respondent will ensure continuity of care with the Member’s previous Disease Management/Health Home Services program(s), if any.

4.3.13 Section 13 – Behavioral Health Services and Network

The Behavioral Health Services and Network requirements are described in Section 8.1.15. Note: STAR Members in the Dallas Service Area will receive Behavioral Health services through the NorthSTAR Program instead of STAR.

4.3.13.1 Behavioral Health Services Hotline

(3 pages, plus 2 additional pages per additional MCO Program bid if the Respondent’s response differs by MCO Program; excluding telephone reports)

The Behavioral Health Services Hotline requirements are described in Section 8.1.15.3.

Describe the proposed Behavioral Health Services Hotline function, including:

1. verification that it is, or will be, staffed 24 hours per day, 365 days per year;
2. staffing of Behavioral Health Services Hotline staff, including clinical credentials;

3. routing of calls among Behavioral Health Services Hotline staff to ensure timely and accurate response to Member inquiries;

4. the curriculum for training to be provided to Behavioral Health Services Hotline representatives, including when the training will be conducted and how the training will address a) Covered Services; b) HHSC MCO Program requirements; c) Cultural Competency; and d) providing assistance to Members with limited English proficiency.

5. responsibilities of Behavioral Health Services Hotline staff, if any, in addition to responding to HHSC Member Hotline calls, (e.g., responding to non-HHSC member calls and/or HHSC Provider Hotline or Member Hotline calls);

6. the number and percentage of FTE Behavioral Health Services Hotline staff who are bilingual in English and Spanish;

7. the number and percentage of FTE Behavioral Health Services Hotline staff who are multi-lingual for any additional language, by language spoken;

8. Behavioral Health Services telephone reports for the most recent four (4) quarters with data that show the monthly trends for call volume, monthly trends for average speed of answer (where answer is defined by reaching a live voice, not an automated call system), and monthly trends for the abandonment rate; and

9. whether the Behavioral Health Services Hotline has the capability to administer automated surveys to callers at the end of calls.

A Respondent currently participating in any of the HHSC MCO Programs bid must submit the information above for each Behavioral Health Services Hotline that it operates, and should provide the monthly call volume for each Service Area by MCO Program. Such a Respondent should also indicate any changes it proposes to its Behavioral Health Services Hotline.

If the Respondent is not currently participating in the STAR, STAR+PLUS, or CHIP MCO Programs, describe its experience and proposed approach in establishing and maintaining an accessible call center for Members that is comparable to the Behavioral Health Services Hotline described in Section 8.1.15.3. Such a description must include the information listed in items 1 to 9 above.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should separately describe each proposed Behavioral Health Services Hotline, or if proposing to staff a single Behavioral Health Services Hotline for multiple programs, shall note in its Proposal the differences, if any, in its Behavioral Health Services Hotline and staffing for each applicable MCO Program.

4.3.13.2 Behavioral Health Provider Network Expertise

(no page limit)

1. For each proposed Service Area, identify Behavioral Health Service Providers with expertise in providing services to each of the following populations, as applicable to the Respondent’s Proposal.

   a. substance abusers;

   b. children and adolescents;

   c. persons with a dual diagnosis of mental health and substance abuse; and

   d. services for linguistic and cultural minorities.
2. Indicate the criteria the Respondent will use to determine that such Behavioral Health Providers have the requisite expertise.

4.3.13.3 Coordination of Behavioral Health Care

(2 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

1. Describe the Respondent’s approach to coordinating Behavioral Health Service delivery with primary care services delivered by a Member’s PCP, and vice versa.

2. Describe or propose innovative programs and identify Network Providers contracted to serve special populations through integrated medical/Behavioral Health Service delivery models. Describe the program model services, treatment approach, special considerations, and expected outcomes for the special populations.

3. Describe the process by which the Respondent will ensure the delivery of outpatient Behavioral Health Services within seven (7) days of inpatient discharge for Behavioral Health Services.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in its coordination of Behavioral Health Services in the applicable MCO Programs.

4.3.13.4 Behavioral Health Quality Management

(2 pages per MCO Program bid)

1. Identify the areas Respondent believes to be the greatest opportunities for clinical quality improvement in behavioral health in each MCO Program bid and provide supporting information.

2. Discuss the approaches the Respondent will pursue to realize one such opportunity for each MCO Program bid.

3. Describe how the Respondent proposes to integrate behavioral health into its quality assurance program, as described in Section 8.1.7.5.

If a Respondent is submitting a multi-program response to this RFP, the Respondent should note in its Proposal the differences, if any, in the Respondent’s Behavioral Health quality management activities in each applicable MCO Program.

4.3.13.5 Behavioral Health Emergency Services

(2 pages per MCO Program bid)

For each MCO Program bid, describe the Respondent’s experience with, and plans for, providing Behavioral Health Emergency Services, including, emergency screening services, Emergency Services, and short-term crisis stabilization to Medicaid, CHIP, or other similar populations.

4.3.14 Section 14 – Management Information System (MIS) Requirements

(10 pages plus an additional 6 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program - Page limit excludes system diagrams and process flow charts.)

For each MCO Program bid, the Respondent must:

1. describe the Management Information System (MIS) the Respondent will implement, including how the MIS will comply with Health Insurance Portability and Accountability Act of 1996 (HIPAA). The response must address the requirements of Section 8.1.18. At a minimum, the description should address:

   a. hardware and system architecture specifications;
b. data and process flows for all key business processes in Section 8.1.18; and

c. attest to the availability of the data elements required to produce required management reports;

2. if claims processing and payment functions are outsourced, provide the above information for the Material Subcontractor;

3. describe how the Respondent would ensure accuracy, timeliness, and completeness of Encounter Data submissions for each of the MCO Programs bid;

4. describe the Respondent’s ability and experience in performing coordination of benefits and Third Party Liability/Third Party Recovery (TPL/TPR);

5. describe the Respondent’s ability and experience in allowing providers to submit claims electronically and its ability and experience in processing electronic claims payments to providers:
   a. if currently processing claims electronically, generally describe the type and volume of provider claims received electronically in the previous year versus paper claims for each claim type;
   b. if currently making claims payments to providers electronically, generally describe the type and volume of provider claims payment processed electronically;
   c. does the MCO provide a no-cost alternative for providers to allow billing without the use of a clearinghouse? If so please describe; and
   d. does the MCO include attendant care payments as part of the regular claims payment process (for STAR+PLUS only)? If so please describe;

6. describe the Respondent’s experience and capability to comply with the Internet website requirements of Section 8.1.5.5, and briefly describe any additional website capabilities that the Respondent proposes to offer to Members or Providers;

7. provide acknowledgment and verification that the Respondent’s proposed systems are 5010 compliant by submitting a copy of the 5010 compliancy plan, and proposed timeline for meeting the deadlines for being 5010 compliant; and

8. describe the Respondent’s capability to pay providers via direct deposit and its experience in doing so, including the percentage, number, and types of providers paid via direct deposit in the most recent 12 month period for which the Respondent has such statistics. If the Respondent operates in Texas, the Respondent must provide this information related to its experience in Texas. If the Respondent does not currently operate in Texas, the Respondent must provide this information for a state in which the Respondent currently operates a managed care program similar to the MCO Programs bid.

4.3.15 Section 15 – Fraud and Abuse

(3 pages, plus 1 additional page per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Fraud and Abuse requirements of the RFP are described in Section 8.1.19. The Respondent must describe how it will implement a Fraud and Abuse Plan that will comply with state and federal law and this RFP, including the requirements of §531.113, Texas Government Code. The Respondent must:

1. include detail about what parts of the organization and which key staff will have responsibilities in implementing and carrying out the Fraud and Abuse program; and

2. identify which officer or director of the Respondent organization will have overall responsibility and authority for carrying out the Fraud and Abuse Program provisions.
4.3.16 Section 16 – Pharmacy Services

(8 pages plus an additional 2 pages per additional MCO Program bid if the Respondent’s response differs by MCO Program)

The Pharmacy Services requirements are described in Section 8.1.21. For all of the following submission requirements, instead of attaching copies of the Respondent’s policies and procedures, the Respondent should provide a brief summary of its policies and procedures.

1. The Respondent must describe the processes it will use to manage the pharmacy benefit under both of the following scenarios:
   a. HHSC requires the MCO to implement the Medicaid and CHIP formularies and preferred drug lists (PDLs);
   b. the MCO is allowed to establish its own formularies and PDLs.

2. The Respondent must describe the policies and procedures for how mail-order pharmacies will be available to Members.

3. The Respondent must identify the rationale for requiring prior authorizations, identify the types of drugs that normally require prior authorization, and describe the policies and procedures for the prior authorization process.

4. The Respondent must describe how rebates will be negotiated (if HHSC determines that the MCO will perform this service), identified, and reported.

5. The Respondent must describe the policies and procedures for drug utilization reviews, including ensuring prospective reviews take place at the dispensing pharmacy’s point of sale (POS).

6. The Respondent must describe its policies and procedures for targeted interventions for Network Providers over-utilizing certain drugs.

4.3.17 Section 17 – Transition Plan

(4 pages per MCO Program bid)

The Transition Plan Requirements are described in Section 7.

1. Briefly describe the Respondent’s experience establishing and maintaining electronic interfaces with other contractors responsible for portions of Medicaid and CHIP operations. A Respondent with experience participating in one or more MCO Programs must clearly note its experience in establishing and maintaining such interfaces in Texas. A Respondent without experience establishing and maintaining electronic interfaces with other contractors responsible for Medicaid or CHIP operations must note its experience in establishing and maintaining similar electronic interfaces with similar contractors.

2. A Respondent that is proposing to participate in an HHSC MCO Program in a Service Area for the first time must, for each MCO Program bid, briefly describe its Transition Plan for all proposed Service Areas, including major activities related to the System Readiness Review and the Operational Readiness Review, including Network development, internal system testing, and proposed schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO and any differences in its transition approach by Service Area.

3. A Respondent that is currently a contractor for an HHSC MCO Program must, for each such MCO Program, briefly describe its Transition Plan, including major activities related to the System Readiness Review and the Operational Readiness Review, such as Network Development, internal system testing, and schedule to comply with the anticipated Operational Start Date and other requirements described in Section 7. The Respondent must clearly indicate in which Service Area(s) it currently does not operate as an MCO, and any differences in its transition approach by Service Area.
4.3.18 Section 18 – Additional Requirements Regarding Dual Eligibles (for STAR+PLUS only)

(4 pages)

The additional provisions regarding certain categories of Dual Eligibles are described in Section 8.3.7.

1. Submit evidence of Respondent’s MA Dual SNP contract with CMS if any, including the contract number and counties/zip codes served, or submit documentation showing that an application for such a contract has or will be submitted to CMS. For Respondents that do not already have an MA Dual SNP contract and who intend to obtain one, describe the plans for submitting an application and obtaining such a contract. The description should include the timeline for submitting the application and the proposed counties/zip codes for coverage.

2. Describe the Respondent’s experience in providing Medicare encounter data in HIPAA-compliant formats to federal or state authorities.

3. Describe how the Respondent intends to coordinate care for Dual Eligible Members, including:

   a. How the Respondent will identify Long-Term Services and Supports providers in the relevant Service Areas.
   
   b. The processes and procedures Respondent will use to coordinate the delivery of Community-based Long-Term Services and Supports with Medicare benefits for Dual Eligible Members.
   
   c. The training Respondent will provide to staff and providers regarding Community-based Long-Term Services and Supports and the coordination of those services with Medicare benefits.

4. Describe how the Respondent will work with the State to share information regarding Medicare and Medicaid participating providers, Member complaints, and HEDIS data.

5. Evaluation Process and Criteria

5.1 Overview of Evaluation Process

HHSC will use a formal evaluation process to select the successful Respondent. HHSC will consider capabilities or advantages that are clearly described in the proposal, which may be confirmed by oral presentations, site visits, demonstrations, and/or references contacted by HHSC. HHSC reserves the right to contact individuals, entities, or organizations that have had dealings with the Respondent or proposed staff, whether or not identified in the proposal.

HHSC will more favorably evaluate proposals that offer no or few exceptions, reservations, or limitations to the terms and conditions of the RFP, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

5.2 Evaluation Criteria

HHSC will evaluate proposals based on the following best value criteria, listed in order of precedence:

   • The extent to which the Respondent’s proposal demonstrates an ability to accomplish the missions and objectives for this procurement, including:

     • the extent to which the proposal meets HHSC’s needs, and the MCO Program clients’ needs for high quality and accessible medical care;
     
     • The degree to which the proposal demonstrates program innovation, adaptability, and exceptional customer service; and
• the extent to which the Respondent accepts without reservation or exception the RFP’s terms and conditions, including Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

• Indicators of probable performance under the Contract, including past performance in Texas or comparable experience; financial resources and solvency, including the impact on the Respondent’s and its Subcontractors’ ability to perform, and relevant organizational experience.

• Effect of the acquisition on agency productivity; including the level of effort and resources required to monitor the Respondent’s performance and maintain a good working relationship with the Respondent.

Proposals for the STAR Medicaid Rural Service Area that include all three (3) regions will be given preference over proposals that do not include all three (3) regions.

If all other considerations are equal, HHSC will give preference to:

1. proposals from Texas institutions providing graduate medical education;

2. proposals that include substantial participation by Network providers who are Significant Traditional Providers (STP). HHSC defines “substantial participation” as proposals that include at least 50 percent of the STPs in a Service Area. The Respondent must either have a Network Provider agreement in place with the STP, or a Letter of Intent/Letter of Agreement to participate in the Network. A listing of STPs for the new Service Areas can be found in the Procurement Library; and

3. proposals that ensure continuity of coverage for Medicaid Members for at least three (3) months beyond the period of Medicaid eligibility. For purposes of this provision, HHSC defines “continuity of coverage” as providing the full set of Covered Services.

NOTE: Respondents who are licensed as health maintenance organizations pursuant to Chapter 843 of the Texas Insurance Code, and believe they meet the requirements for mandatory contracting under Texas Government Code §533.004, must provide written notice to HHSC’s Point of Contact (see RFP Section 1.1) no later than April 28, 2011. The notice must provide a clear description of why the Respondent believes it is entitled to a mandatory contract under the Texas Government Code.

5.3 Initial Compliance Screening

HHSC will perform an initial screening of all proposals received. Unsigned proposals and proposals that do not include all required forms and sections are subject to rejection without further evaluation.

In accordance with Section 3.11, “Modification or Withdrawal of Proposal,” HHSC reserves the right to waive minor informalities in a proposal and award contracts that are in the best interest of the State of Texas.

5.4 Competitive Field Determinations

HHSC may determine that certain proposals are within the field of competition for admission to discussions. The field of competition consists of the proposals that receive the highest or most satisfactory evaluations. HHSC may, in the interest of administrative efficiency, place reasonable limits on the number of proposals admitted to the field of competition.

5.5 Oral Presentations and Site Visits

HHSC may, at its sole discretion, request oral presentations, site visits, and/or demonstrations from one or more Respondents admitted to the field of competition. HHSC will notify selected Respondents of the time and location for these activities, and may supply agendas or topics for discussion. HHSC reserves the right to ask additional questions during oral presentations, site visits, and or demonstrations to clarify the scope and content of the written proposal.

The Respondent’s oral presentation, site visit, and/or demonstration must substantially represent material included in the written proposal, and should not introduce new concepts or offers unless specifically requested by HHSC.

5.6 Best and Final Offer
Respondents will not submit cost proposals for this RFP. HHSC will establish the Capitation Rates for each Program and Service Area in accordance with the methodology described in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms and Conditions of Payment.” HHSC may, but is not required to, permit Respondents to prepare one or more revised offers for services. For this reason, Respondents are encouraged to treat their original proposals, and any revised offers requested by HHSC, as best and final offers of services.

5.7 Discussions with Respondents

HHSC may, but is not required to, conduct discussions with all, some, or none of the Respondents admitted to the field of competition for the purpose of obtaining the best value for the State of Texas. It may conduct discussions for the purpose of:

- obtaining clarification of proposal ambiguities;
- requesting modifications to a proposal; and/or
- obtaining a best and final offer of services.

HHSC may make an award prior to the completion of discussions with all Respondents admitted to the field of competition if HHSC determines that the award represents best value to the State of Texas.

5.8 Contract Awards

Respondents are allowed to select which MCO Programs and Services Areas to include in their Proposals. It is possible that a Respondent submitting a Proposal for more than one MCO Program in a Service Area could be awarded a Contract for some, but not all, of the MCO Programs. Similarly, a Respondent could be awarded a Contract for some, but not all, of its proposed Service Areas. HHSC reserves the right to change the boundaries for, or otherwise modify, the Service Areas if it determines that such action is in the best interest of the State.
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6. Premium Payment, Incentives, and Disincentives

This section describes performance incentives and disincentives related to HHSC’s value-based purchasing approach. For further information, MCOs should refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

Under the MCO Contracts, health care coverage for Members will be provided on a fully insured basis. The MCO must provide the Services and Deliverables, including Covered Services, to enrolled Members in exchange for the monthly Capitation Payments. Section 8, “Operations Phase Requirements” includes the MCO’s financial responsibilities regarding Out-of-Network Emergency Services and Medically Necessary Covered Services that are not available through Network Providers.

6.1 Capitation Rate Development

Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10, “Terms & Conditions of

HHSC will pay the MCO monthly Capitation Payments based on the number of eligible and enrolled Members. HHSC will calculate the monthly Capitation Payments by multiplying the number of Member Months times the applicable monthly Capitation Rate by Member Rate Cell.

The MCO must understand and expressly assume the risks associated with the performance of the duties and responsibilities under the Contract, including the failure, termination, or suspension of funding to HHSC, delays or denials of required approvals, cost of claims incorrectly paid by the MCO, and cost overruns not reasonably attributable to HHSC. The MCO must further agree that no other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the Services and Deliverables will be sought from HHSC or any other state agency, nor will the failure of HHSC or any other party to pay for such incidental or ancillary services entitle the MCO to withhold Services or Deliverables due under the Contract.

6.2.1 Capitation Payments

The MCO must refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions” for information and Contract requirements on the:

1. time and Manner of Payment,
2. adjustments to Capitation Payments,
3. Delivery Supplemental Payment and Bariatric Supplemental Payments, and
4. Experience Rebate.

6.3 Performance Incentives and Disincentives

HHSC has included several financial and non-financial performance incentives and disincentives on this Contract. These incentives and disincentives are subject to change by HHSC over the course of the Contract. The MCO is prohibited from passing down financial disincentives and/or sanctions imposed on the MCO to health care providers, except on an individual basis and related to the individual provider’s inadequate performance.

6.3.1 Non-financial Incentives

6.3.1.1 Performance Profiling

HHSC intends to distribute information on key performance indicators to MCOs on a regular basis, identifying an MCO’s performance, and comparing that performance to other MCOs and to HHSC standards and/or external Benchmarks. HHSC may recognize MCOs that attain superior performance and/or improvement by publicizing their achievements. For example, HHSC may post information concerning exceptional performance on its website, where it will be available to both stakeholders and members of the public. Likewise, HHSC may post its final determination regarding poor performance or MCO peer group performance comparisons on its website, where it will be available to both stakeholders and members of the public.

6.3.1.2 Auto-assignment Methodology for Medicaid MCOs

HHSC may revise its auto-assignment methodology during the Contract Period for new Medicaid Members who do not select an MCO (Default Members). The new assignment methodology may reward those MCOs that demonstrate superior performance and/or improvement on one or more key dimensions of performance. In establishing the assignment methodology, HHSC will employ a subset of the performance indicators contained within the Performance Indicator Dashboard.

HHSC
may recognize those MCOs that exceed the minimum geographic access standards defined within Section 8, “Operations Phase Requirements,” and the Performance Indicator Dashboard. HHSC may also use its assessment of MCO performance on annual quality improvement goals (described in Section 8, “Operations Phase Requirements”) in developing the assignment methodology. The methodology will disproportionately assign Default Members to the MCO(s) in a given Service Area that performed comparably favorably on the selected performance indicators.

HHSC reserves the right to implement a performance-based auto-assignment algorithm. HHSC will invite MCO comments on potential approaches prior to implementation of the new performance-based auto-assignment algorithm.

6.3.2 Financial Incentives and Disincentives

6.3.2.1 Experience Rebate Reward

The standard Experience Rebate (see Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 10.11, “STAR and CHIP Experience Rebate”) provides for an MCO to retain 100 percent of pre-tax income (as costs and income are defined by the Uniform Managed Care Manual), when such income is three percent (3%) (or less) of revenues, and further provides for a graduated scale of rebating to HHSC a portion of relevant MCO income in excess of three percent (3%) of revenues (subject to loss carry-forwards and other stipulations). As a financial incentive for demonstrated superior performance with respect to HHSC-specified performance indicators, the HHSC may raise the three percent (3%) threshold that commences rebates to three and one-half percent (3.5%). In consultation with the MCOs, HHSC will develop the methodology for determining the level of performance necessary for an MCO to earn the Experience Rebate Reward. The finalized methodology will be added to the Uniform Managed Care Manual.

HHSC will calculate whether a MCO is eligible for the Experience Rebate Reward, if applicable, prior to the 90-day Financial Statistical Report (FSR) filing. HHSC anticipates that it will not implement the Experience Rebate Reward incentive for FSR Reporting Period 12/13 of the Contract. HHSC will invite MCO comments on potential approaches prior to implementation of the new performance-based Experience Rebate Reward.

6.3.2.2 Performance-Based Capitation Rate (5%-at-risk)

HHSC will place each MCO at risk for five percent (5%) of the Capitation Payment(s). HHSC retains the right to vary the percentage of the Capitation Payment placed at risk in a given FSR Reporting Period.

During the FSR Reporting Period, HHSC will pay the MCO the full monthly Capitation Payments as described in Section 6.2. Then, at the end of each FSR Reporting Period, HHSC will evaluate if the MCO has demonstrated that it has fully met the performance expectations for which the MCO is at risk. If the MCO falls short on some or all of the performance expectations, HHSC will adjust a future monthly Capitation Payment in accordance with Uniform Managed Care Manual Chapter 6.2, “Financial Incentive Methodology,” by an appropriate portion of the aggregate at-risk amount. HHSC’s objective is that all MCOs achieve performance levels that enable them to retain the full at-risk amount.

HHSC will determine the extent to which the MCO has met the performance expectations by assessing the MCO’s performance for each applicable MCO Program relative to performance targets for the FSR Reporting Period. HHSC will conduct separate accounting for each MCO Program’s at-risk Capitation Payment amount.

HHSC will identify no more than 10 at-risk performance indicators for each MCO Program. Some of the performance indicators will be standard across all Programs while others may apply to only one (1) Program.

Specific contractual requirements are set forth in the Uniform Managed Care Manual, Chapter 6.2, “Financial Incentive Methodology.”

Failure to timely provide HHSC with necessary data related to the calculation of the performance indicators will result in HHSC’s assignment of a zero percent (0%) performance rate for each related performance indicator.

MCOs will report actual Capitation Payments received on the Financial Statistical Report (FSR) during the FSR Reporting Period that is at risk (i.e., the MCO will not report Revenues at a level equivalent to 95% of the payments received, leaving five
percent (5%) as contingent). Actual Capitation Payments received include all of the at-risk Capitation Payment paid to the MCO. Any loss of the at-risk amount that may be realized in a subsequent FSR Reporting Period, via reduction to a monthly payment, will not be reported in the FSR as a reduced amount of capitation revenue, but will instead be reported below the income line, as an informational item, as described in the Uniform Managed Care Manual, Chapter 5.3.1, “Financial Statistical Report and Instructions.” Any performance assessment based on performance for a FSR Reporting Period will appear on the final (334-day) FSR for that FSR Reporting Period.

HHSC will evaluate the performance-based Capitation Rate methodology annually in consultation with MCOs. HHSC may then modify the methodology as it deems necessary and appropriate, in order to motivate, recognize, and reward MCOs for superior performance. The methodologies for all FSR Reporting Periods will be included in Uniform Managed Care Manual Chapter 6.2, “Financial Incentive Methodology.”

6.3.2.3 Quality Challenge Award

Should one or more MCOs be unable to earn the full amount of the performance-based at-risk portion of the Capitation Rate, HHSC will reallocate the funds through the MCO Program’s Quality Challenge Award. HHSC will use these funds to reward MCOs that demonstrate superior clinical quality, service delivery, access to care, and/or Member satisfaction. HHSC will determine the number of MCOs that will receive Quality Challenge Award funds annually based on the amount of the funds to be reallocated. Separate Quality Challenge Award payments will be made for each of the MCO Programs.

As with the performance-based Capitation Rate, each MCO will be evaluated separately for each MCO Program. HHSC intends to evaluate MCO performance annually on some combination of performance indicators in order to determine which MCOs demonstrate superior performance. In no event will a distribution from the Quality Challenge Award, plus any other incentive payments made in accordance with the MCO Contract, when combined with the Capitation Rate payments, exceed 105% of the Capitation Rate payments to an MCO.

Information about the data collection period to be used and each indicator that will be considered for any specific time period can be found in Uniform Managed Care Manual Chapter 6.2.6, “Quality Challenge Award Performance Indicators.”

HHSC will calculate the MCOs’ degree of compliance with the Quality Challenge Award indicators based on Encounter Data and other information supplied by the MCOs. Failure to provide timely and accurate information will result in HHSC’s assignment of a zero percent (0%) performance rate for each applicable Quality Challenge Award indicator.

HHSC will evaluate the Quality Challenge Award methodology annually in consultation with MCOs. HHSC will make methodology modifications annually as it deems necessary and appropriate to motivate, recognize, and reward MCOs for superior performance based on available Quality Challenge Award funds and/or other performance incentives applicable to the award. HHSC will include the Quality Challenge Award methodology and any modifications in Uniform Managed Care Manual Chapter 6.2.6, “Quality Challenge Award Performance Indicators.”

6.3.2.4 Remedies and Liquidated Damages

All areas of responsibility and all requirements in the Contract will be subject to performance evaluation by HHSC. Any and all responsibilities or requirements not fulfilled will be subject to contractual remedies, including without limitation liquidated damages. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix” for performance standards that carry liquidated damage values.

6.3.2.5 Frew Incentives and Disincentives

As required by the "Frew vs. Suehs Corrective Action Order: Managed Care," this Contract includes a system of incentives and disincentives associated with the Medicaid Managed Care Texas Health Steps Medical Checkups Reports and Children of Migrant Farm Workers Reports. These incentives and disincentives apply to Medicaid MCOs.

The incentives and disincentives and corresponding methodology are set forth in the Uniform Managed Care Manual, Chapter 12 "Frew."
6.3.2.6 Nursing Facility Utilization Disincentive

HHSC has developed the nursing facility utilization disincentive to prevent inappropriate admission to nursing facilities. The rate of nursing facility admissions for Medicaid-only STAR+PLUS Members will be part of the Performance Indicator Dashboard (see Section 6.3.2.2).

6.3.2.7 Additional Incentives and Disincentives

HHSC will evaluate all performance-based incentives and disincentive methodologies annually and in consultation with the MCOs. HHSC may then modify the methodologies as needed, as funds become available, or as mandated by court decree, statute, or rule, in an effort to motivate, recognize, and reward MCOs for performance.

Information about the data collection period to be used, performance indicators selected or developed, or MCO ranking methodologies used for any specific time period will be found in the Uniform Managed Care Manual.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 7

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<th>DOCUMENT REVISION2</th>
<th>EFFECTIVE DATE</th>
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<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Section 7, “Transition Phase Requirements.”</td>
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<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Section 7.1 is modified to add termination of the contract to the list of remedies for failure to timely satisfy Readiness Review requirements.</td>
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<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Section 7, “Transition Phase Requirements.”</td>
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<td>Revision</td>
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<td>September 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Section 7, “Transition Phase Requirements.”</td>
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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

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7. Transition Phase Requirements

7.1 Introduction

This Section presents the scope of work for the Transition Phase of the Contract, which includes those activities that must take place between the time of Contract award and the Operational Start Date.

The Transition Phase will include all activities that must be completed successfully prior to a MCO’s Operational Start Date for each applicable MCO Program and Service Area, including all Readiness Review activities. HHSC will conduct Readiness Reviews to determine whether the MCO has implemented all systems and processes necessary to begin serving Members. MCOs must satisfy all Readiness Review requirements no later than 60 days prior to the Operational Start Date for each applicable MCO Program and Service Area, with the exception of HHSC’s review of the Service Coordination function. HHSC may, at its discretion, terminate the contract, postpone the MCO’s Operational Start Date(s) and assess contractual remedies if an MCO fails to timely satisfy all Readiness Review requirements. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions” and the Attachment B-3, “Deliverables/Liquidated Damages Matrix” for additional information.

The MCO is required to promptly provide a Corrective Action Plan and/or Risk Mitigation Plan as requested by HHSC in response to Transition Phase deficiencies identified by the MCO, HHSC, or its agent. The MCO must promptly alert HHSC of deficiencies, and must correct a deficiency or provide a Corrective Action Plan and/or Risk Mitigation Plan no later than ten (10) calendar days after HHSC’s notification of deficiencies. If the MCO documents to HHSC’s satisfaction that the deficiency has been corrected within ten (10) calendar days of such deficiency notification by HHSC, no Corrective Action Plan is required.

7.2 Transition Phase Schedule and Tasks

The MCO has overall responsibility for the timely and successful completion of each of the Transition Phase tasks. The MCO is responsible for clearly specifying and requesting information needed from HHSC, other HHSC contractors, and Providers in a manner that does not delay the schedule or work to be performed.

7.2.1 Contract Start-Up and Planning

HHSC and the MCO will work together during the initial Contract start-up phase to:

- define project management and reporting standards;
- establish communication protocols between HHSC and the MCO;
- establish contacts with other HHSC contractors;
- establish a schedule for key activities and milestones; and
- clarify expectations for the content and format of Contract Deliverables.

The MCO will be responsible for developing a written work plan, referred to as the “Transition/Implementation Plan,” which will be used to monitor progress throughout the Transition Phase. The MCO must update the Transition/Implementation Plan
provided with its proposal no later than 30 days after the Contract’s Effective Date, then provide monthly implementation progress reports through the sixth month of MCO Program operations. HHSC may require more frequent reporting as it determines necessary.

7.2.2 Administration and Key MCO Personnel

No later than the Effective Date of the Contract, the MCO must designate and identify Key MCO Personnel that meet the requirements in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 4, “Contract Administration and Management.” The MCO will supply HHSC with resumes of each Key MCO Personnel as well as any organizational information that has changed relative to the MCO’s Proposal, such as updated job descriptions and updated organizational charts (including updated Management Information System (MIS) job descriptions and an updated MIS staff organizational chart), if applicable. If the MCO is using a Material Subcontractors, the MCO must also provide the organizational chart for these Material Subcontractors.

7.2.3 Organizational Readiness Review

In order to complete an organizational review and assess the most current corporate environment, the MCO must submit an Organization Update Report no later than 60 days prior to the Operational Start Date that updates the organizational information submitted in its proposal (see Section 4.2, “Business Proposal”). For each of the numbered items below, the report must describe whether the information provided in MCO’s proposal has changed. If so, the report must include relevant portions of the proposal with changes highlighted.

1. Respondent identification and information, Section 4.2.2.

2. Corporate background and experience:
   a. Item #1, concerning publicly-funded managed care contracts, under Section 4.2.3;
   b. Item #2, concerning regulatory actions, sanctions, and/or fines, under Section 4.2.3;
   c. Section 4.2.3.1, concerning organizational charts; and
   d. Section 4.2.3.2, concerning resumes; and

3. Material Subcontractor information, Section 4.2.4.

7.2.4 Financial Readiness Review

To complete a financial review, the MCO must submit a Financial Update Report no later than 60 days prior to the Operational Start Date. At a minimum, the report must include the following:

1. Material change in financial condition.

   For both the MCO and its ultimate parent, the report must identify whether either entity has experienced any material financial deterioration following proposal submission. The report must identify and briefly describe any changes to the financial statements, including changes to net worth; cash flow; loss of contracts; credit, audit, regulatory, and/or legal issues; major contingencies, etc. The report must also describe any known potential issues, and any issues with respect to change of ownership or control.

2. Updated financial statements.

   The report must include the most recently updated financial statements, which should be more current than those provided in the proposal. The updated financial statements should include the most recent quarterly (or monthly) internal financial statements, the most-recently completed annual statements, and the most-recent audited statements. The statements should generally include the notes, management discussion, and where appropriate, the audit letter. Internal most-recent-month statements are not expected to include these items.

   The report must include any of the following new or updated reports (as referenced under Sections 4.2.3.3 and 4.2.3.4) that have become available since proposal submission: TDI financial examination report (or similar report from another state);
Form B Registration statement filing; IRS Form 990; and bond or debt rating analysis. It is not necessary to submit updated SEC 10-K or 10-Q filings with the report.

In addition to the Financial Update Report, the MCO must submit documentation demonstrating it has secured all required bonds in accordance with TDI requirements, Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Terms and Conditions,” Article 17. Such documentation is due no later than ten (10) business days after the Contract Effective Date.

7.2.4.1 Employee Bonus and/or Incentive Payment Plan

If the MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan during the Operations Phase, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must conform with the Uniform Managed Care Manual, Chapter 6.1, “Cost Principles for Expenses.”

7.2.5 System Testing and Transfer of Data

The MCO must have hardware, software, network and communications systems with the capability and capacity to handle and operate all MIS systems and subsystems identified in Section 8.1.18, “Management Information System Requirements.” For example, the MCO’s MIS system must comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as indicated in Section 8.1.18.4, “HIPAA Compliance.”

During this Readiness Review task, the MCO will accept into its system any and all necessary data files and information available from HHSC or its contractors. The MCO will install and test all hardware, software, and telecommunications required to support the Contract. The MCO will define and test modifications to the MCO’s systems required to support the business functions of the Contract.

The MCO will produce data extracts and receive all electronic data transfers and transmissions.

If any errors or deficiencies are evident, the MCO will develop resolution procedures to address problems identified. The MCO will provide HHSC, or a designated vendor, with test data files for systems and interface testing for all external interfaces. This includes testing of the required telephone lines for Providers and Members and any necessary connections to the HHSC Administrative Services Contractor. The HHSC Administrative Services Contractor will provide enrollment test files to new MCOs that do not have previous HHSC enrollment files. The MCO will demonstrate its system capabilities and adherence to Contract specifications during Readiness Review.

7.2.6 System Readiness Review

The MCO must assure that systems services are not disrupted or interrupted during the Operations Phase of the Contract. The MCO must coordinate with HHSC and other contractors to ensure the business and systems continuity for the processing of all health care claims and data as required under this contract.

The MCO must submit descriptions of interface and data and process flow for each key business processes described in Section 8.1.18.3, “System-wide Functions.”

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day systems activities. No later than 90 days prior to the Operational Start Date, new MCOs must develop and incumbent MCOs must update the following plans:
1. Disaster Recovery Plan;
2. Business Continuity Plan;
3. Security Plan;
4. Joint Interface Plan;
5. Risk Management Plan; and

*The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

7.2.7 Demonstration and Assessment of System Readiness

The MCO must provide documentation on systems and facility security and provide evidence or demonstrate that it is compliant with HIPAA. The MCO must also provide HHSC with a summary of all recent external audit reports, including findings and corrective actions, relating to the MCO’s proposed systems, including any SAS70 audits that have been conducted in the past three (3) years. The MCO must promptly make additional information on the detail of such system audits available to HHSC upon request.

In addition, HHSC will provide to the MCO a test plan that will outline the activities that need to be performed by the MCO prior to the Operational Start Date(s). The MCO must be prepared to assure and demonstrate system readiness. The MCO must execute system readiness test cycles to include all external data interfaces, including those with the MCO’s Pharmacy Benefits Manager (PBM) and other Material Subcontractors.

HHSC, or its agents, may independently test whether the MCO’s MIS has the capacity to administer the STAR, STAR+PLUS, and/or CHIP business. This Readiness Review may include a desk review and/or an onsite review. HHSC may request additional documentation to support the provision of STAR, STAR+PLUS, and/or CHIP MCO Services. Based in part on the MCO’s assurances of systems readiness, information contained in the Proposal, additional documentation submitted by the MCO, and any review conducted by HHSC or its agents, HHSC will assess the MCO’s understanding of its responsibilities and the MCO’s capability to assume the MIS functions required under the Contract.

7.2.8 Operations Readiness

The MCO must clearly define and document the policies and procedures that will be followed to support day-to-day business activities related to the provision of STAR, STAR+PLUS, and/or CHIP MCO Services, including coordination with Subcontractors and HHSC’s contractors. The MCO will be responsible for developing and documenting its approach to quality assurance.

7.2.8.1 Readiness Review

Readiness Review includes all plans to be implemented in one or more Service Areas on the anticipated Operational Start Date(s). At a minimum, the MCO must, for each MCO Program:

1. Develop new, or revise existing, operations procedures and associated documentation to support the MCO’s proposed approach to conducting operations activities in compliance with the contracted Scope of Work.

2. Submit a listing of all contracted and credentialed Providers, in an HHSC-approved format, including a description of additional contracting and credentialing activities scheduled to be completed before the Operational Start Date. A listing of all contracted and credentialed providers to be included in the first Provider Directory must be submitted to HHSC 90 days prior to the first enrollment kit mail out, or as otherwise directed by HHSC.
3. Inform all Network Providers about the information required to submit a claim: (1) at least 30 days prior to the Operationa
   Start Date, and (2) as a provision within the Network Provider agreement.

4. Prepare and implement a Member Services staff training curriculum and a Provider training curriculum.

5. Prepare a Coordination Plan documenting how the MCO will coordinate its business activities with those activities
   performed by HHSC’s contractors, the MCO’s PBM and other Material Subcontractors, if any. The Coordination Plan
   will include identification of coordinated activities and protocols for the Transition Phase.

6. Develop and submit the following draft materials: Member Handbook, Provider Manual, Provider Directory, and
   Member Identification Card for HHSC’s. The materials must at a minimum meet the requirements specified in Section
   8.1.5, “Member Services” and include the Critical Elements defined in Uniform Managed Care Manual Chapter 3,
   “Critical Elements.”

7. Develop and submit the MCO’s proposed Member Complaint and Appeals processes for STAR, STAR+PLUS, and
   CHIP, as applicable to the MCO.

8. Provide sufficient copies of the final Provider Directory to the HHSC Administrative Services Contractor in sufficient
   time to meet the enrollment schedule.

9. Demonstrate toll-free telephone systems and reporting capabilities for the Member Services Hotline, the Behavioral
   Health Hotline, and the Provider Services Hotline.

10. Submit a written plan for providing pharmacy services, including proposed policies and procedures for:
    
    • routinely updating formulary data following receipt of HHSC’s daily files (no less frequently
      than weekly, and off-cycle upon HHSC’s request);
    
    • prior authorization of drugs, including how HHSC’s preferred drug lists (PDLs) will be incorporated
      into prior authorization systems and processes. The MCO must adopt HHSC’s prior authorization
      policies unless HHSC grants a written exception, and HHSC’s approval is required for all Clinical Edit
      policies;
    
    • implementing drug utilization review;
    
    • overriding standard drug utilization review criteria and clinical edits when Medically
      Necessary based on the individual Member’s circumstances (e.g. overriding quantity
      limitations, drug-drug interactions, refill too soon, etc.);
    
    • call center operations, including how the MCO will ensure that staff for all appropriate hotlines are
      trained to respond to prior authorization inquiries and other inquiries regarding pharmacy services,
      and
    
    • monitoring the PBM Subcontractor.

The plan must also include a written description of the assurances and procedures that must be put in place under the
proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the
confidentiality of proprietary information.

Additionally, the MCO must include a written attestation by the PBM Subcontractor in the plan stating, in the three
(3) years preceding the Contract’s Effective Date, the PBM Subcontractor has not been: (1) convicted of an offense
involving a material misrepresentation or any act of fraud or of another violation of state or federal criminal law; (2)
adjudicated to have committed a breach of contract, or (3) assessed a penalty or fine of $500,000 or more in a state or
federal administrative proceeding. If the PMB Subcontractor cannot affirmatively attest to any of these items, then it
must provide a comprehensive description of the matter and all related corrective actions.
11. Between the date of Contract award and the Operational Start date, the MCO must identify a list of Pharmacy Providers with whom the MCO’s PBM has successfully contracted and credentialled for inclusion in the first Provider Directory. These providers should be listed by name and address with an indicator for pharmacies that are open 24-hours.

12. No later than 30 days after the Contract Effective Date, new MCOs must develop and incumbent MCOs must update their written Fraud and Abuse Compliance Plans. See Section 8.1.19, “Fraud and Abuse” for the requirements of the plan, including new requirements for special investigation units. As part of the Fraud and Abuse Compliance Plan, the MCO must:

- Designate executive and essential personnel to attend mandatory training in fraud and abuse detection, prevention and reporting. Executive and essential fraud and abuse personnel means MCO staff persons who: (1) are directly involved in the decision-making and administration of the fraud and abuse detection program within the MCO, and (2) who supervise staff in the following areas: data collection, Provider enrollment or disenrollment, Encounter Data, claims processing, Utilization Review, Appeals or Grievances, quality assurance and marketing. The training will be conducted by the Office of Inspector General, Health and Human Services Commission, and will be provided free of charge. The MCO must schedule and complete training no later than 90 days after the Contract’s Effective Date.

- Designate an officer or director within the organization responsible for carrying out the provisions of the Fraud and Abuse Compliance Plan.

- For STAR+PLUS MCOs, complete hiring and training of Service Coordination staff no later than 45 days prior to the Operational Start Date.

If this function is subcontracted to another entity, the Subcontractor also meets all the requirements in this section and the Fraud and Abuse section as stated in Section 8, “Operations Phase Requirements.”

13. The MCO must submit a copy of each Material Subcontract in accordance with the timeframes identified in Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 4.08, “Subcontractors.”

14. No later than ten (10) days after the Contract Effective Date, the MCO must submit documentation demonstrating that it has secured all required insurance, in accordance with TDI requirements and Section 8, “Operations Phase Requirements,” and Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 17.

During the Readiness Review, HHSC may request additional information, including more detailed or updated information regarding the MCO’s operating procedures and documentation. HHSC will assess the MCO’s understanding of its responsibilities and the MCO’s capability to assume the functions required under the Contract, based in part on the MCO’s assurances of operational readiness, information contained in the Proposal, and in Transition Phase documentation submitted by the MCO.

### 7.2.8.2 Value-Added Services

The MCO must use HHSC’s template for submitting proposed Value-added Services. (See Uniform Managed Care Manual Chapter 4.4) Once approved by HHSC, this document is incorporated by reference into the Contract.

During the Transition Phase, HHSC will offer a one-time opportunity for the MCO to propose two (2) additional Value-added Services to its list of current, approved Value-added Services HHSC will establish the requirements and the timeframes for submitting the two (2) additional proposed Value-added Services.

During this HHSC-designated opportunity, the MCO may propose either to add new Value-added Services or to enhance its approved Value-added Services. The MCO may propose two (2) additional Value-added Services per MCO Program, which will be effective on the Operational Start Date. The services do not have to be the same for each Program. The Contract will be amended to include any additional Value-added Services approved by HHSC.

The MCO does not have to add Value-added Services during the HHSC-designated opportunity, but this will be the only time during the Transition Phase for the MCO to add Value-added Services. At no time during the Transition Phase will the MCO be allowed to delete, limit or restrict any of its approved Value-added Services.
7.2.9 Assurance of System and Operational Readiness

In addition to successfully providing the Deliverables described in the preceding sections, the MCO must assure HHSC that all processes, MIS systems, and staffed functions are ready and able to successfully assume responsibilities for operations prior to the Operational Start Date. In particular, the MCO must assure that Key MCO Personnel, Member Services staff, Provider Services staff, and MIS staff are hired and trained, MIS systems and interfaces are in place and functioning properly, communications procedures are in place, Provider Manuals have been distributed, and that Provider training sessions have occurred according to an HHSC-approved schedule.

7.2.10 TDI and Centers for Medicare and Medicaid Services (CMS) Licensure, Certification or Approval

The MCO must receive TDI licensure, certification or approval (as applicable) for all zip codes in the awarded Service Areas no later than 60 days after HHSC executes the Contract. In addition, HHSC encourages STAR+PLUS MCO to contract with the CMS to provide a Medicare Advantage Special Needs Plan for Dual Eligibles in the most populous counties in the STAR+PLUS Service Area(s) no later than January 1, 2013.

7.2.11 Post-Transition

The MCO will work with HHSC, Providers, and Members to promptly identify and resolve problems identified after the Operational Start Date and to communicate to HHSC, Providers, and Members, as applicable, the steps the MCO is taking to resolve the problems.
**DOCUMENT HISTORY LOG**

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<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
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<td>Section 8.1.3 is modified to clarify PCP requirement’s application (does not apply to CHIP Perinates (unborn children) and add a requirement regarding timely access to Network Providers, as required by 42 CFR §438.206(c)(1)(ii).</td>
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<td>Section 8.1.3.2 is modified to add pharmacy access requirements effective 9/1/12. These standards are derived from Medicare Part D access standards, and the standards currently being met in the fee-for-service program.</td>
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<td>Section 8.1.4 is modified to require MCOs to enter into network provider agreements with any willing State Hospital and to clarify requirements for contracting with specialty pharmacies.</td>
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<td>Section 8.1.5.5 is modified to require the MCOs to include a link to financial literacy information on the OCCC web page as required by HB 2615.</td>
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<td>Section 8.1.8 is modified to add prior authorizations by pharmacists.</td>
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<td>Section 8.1.18.1 is modified to require MCOs to submit pharmacy encounter data no later than 25 calendar days after the date of adjudication.</td>
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<td>Section 8.1.18.4 is modified to clarify claims transaction formats for pharmacy claims.</td>
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<td>Section 8.1.19 is modified to require MCOs to designate a primary and secondary contact for all OIG requests and to outline the process and timeframes for responding to the OIG, to change the 60 day timeline for submitting the annual plan to 90 days, and to require MCOs to ensure their subcontractors receiving or making annual Medicaid payments of at least $5 million comply with 1902(a)(68)(A) of the Social Security Act.</td>
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<td>Section 8.1.20.2 is modified to add DUR reporting requirements.</td>
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<td>Section 8.1.21 is revised to delete MCO developed PDLs and to clarify the reimbursement process.</td>
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<td>Section 8.1.21.1 is revised to clarify legal references and Clinical Edit requirements, and to add requirements regarding 340B drugs.</td>
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<td>Section 8.1.21.4 is modified to add requirements for the rebate dispute resolution process.</td>
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<td>Section 8.1.21.9 is modified to clarify requirements for contracting with specialty pharmacies.</td>
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Section 8.1.21.10 is deleted in its entirety.

Section 8.1.23.1 is modified that copayment amounts are capped at the MCO’s cost and that CHIP copayments do not apply to preventive services or pregnancy-related services.

Section 8.1.24 is modified to clarify that MCOs must notify Medicaid and CHIP Providers of availability of vaccines through Texas Vaccines for Children Program and work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry.

Section 8.2.2.3.4 is modified to require MCOs to use standard Texas Health Steps language in their Member Materials as provided in the UMCM.

Section 8.2.2.8 is amended to clarify the requirements regarding non-capitated dental services and to add “Texas Health Steps environmental lead investigation (ELI)”. Remainder of list is renumbered.

Section 8.2.4.2 is modified to add a reference to Gov’t Code §533.005(a)(19).

Section 8.2.8 is modified to add the phrase “unless an exception applies under federal law” to the first sentence.

Section 8.2.13 is modified to specify that MCOs may be required to provide other wrap-around services at a date to be determined by HHSC.

Section 8.3.2 is modified to require the MCO to consider the availability of the PACE program when considering whether to refer a member to a nursing facility or other long-term care facility.

Section 8.3.7.1 is modified to clarify the MA Dual SNP requirements.

Section 8.4.3 is modified to correct a cross-reference.

Revision 2.2 June 1, 2012 Section 8.1.21 is modified to add pharmaceutical delivery requirements.
Section 8.1.1.1 is modified to conform to the timelines in the UMCM.

Section 8.1.3 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.1.3.2 is modified to clarify language regarding additional benchmark performance standards.

Section 8.1.4 is modified to correct reference to TMPPM.

Section 8.1.4.6 is modified to require HHSC review of all provider materials relating to Medicaid managed care or CHIP.

Section 8.1.4.8 is modified to clarify the applicable federal regulations.

Section 8.1.5.1 is modified to prohibit the MCOs from including any language in their member materials which limits the members' ability to contest or appeal denial of a benefit.

Section 8.1.5.2 is modified to clarify that PCP name is not required for Dual Eligible STAR+PLUS Members or CHIP Perinates.

Section 8.1.5.7 is modified to remove the acronym “CPW”.

Section 8.1.9 is modified to clarify the requirements regarding IFSPs.

Section 8.1.12.2 is modified to remove the acronym “CPW”.

Section 8.1.14 is renamed and modified to remove all references to Health Home Services.

Section 8.1.14.1 is renamed and modified to remove all references to Health Home Services.

Section 8.1.14.2 is renamed and modified to remove all references to Health Home Services.

Section 8.1.19 is modified to update the time frames for responding to the OIG and to add language regarding Credible Allegation of Fraud notices.

Section 8.1.20.2 items (j) and (l) are modified to correct UMCM references. Items (n) and (o) are modified to include pharmacy providers. Item (s) “Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports” is added.

Section 8.1.20.2 is modified to add STAR+PLUS LTSS Utilization reporting requirements.

Section 8.1.24 is modified to change the Texas Health Steps Periodicity Schedule to ACIP Immunization Schedule. Section 8.1.25 is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”.

Section 8.1.26 Health Home Services is added.

Section 8.1.26.1 Health Home Services and Participating Providers is added.

Section 8.1.26.2 MCO Health Home Services Evaluation is added.

Section 8.2.2.3.2 is modified to correct the acronym for Oral Evaluation and Fluoride Varnish.
| Section 8.2.2.3.3 | is modified to clarify statutory authority. |
| Section 8.2.2.3.5 | is modified to add training requirements for pharmacy and DME. |
| Section 8.2.2.8 | is modified to remove the acronym “CPW”. |
| Section 8.2.11 | is modified to replace the acronym CPW with “Case Management for Children and Pregnant Women” and the acronym THSteps with “Texas Health Steps”. |
| Section 8.2.7.1 | is modified to correct URL for UM guidelines. |
| Section 8.2.8 | is modified to clarify the pay and chase requirements for prenatal and preventative care, and recoveries in the context of state child support enforcement actions (SSA §1902(a)(25)(E) and (F); and to correct contract cross reference. |
| Section 8.2.10 | is modified to remove the acronym “CPW” and to replace it with Case Management for Children and Pregnant Women. |
| Section 8.3.1.1 | is modified to clarify eligibility for DAHS. |
| Section 8.3.1.2 | is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver” and to add DAHS to the list of Community Based LTSS under the HCBS STAR+PLUS Waiver. |
| Section 8.3.2.6 | is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”. |
| Section 8.3.2.8 | is modified to update the MAO reference. |
| Section 8.3.3 | is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”. |
| Section 8.3.4 | is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver” and to increase the cost of care threshold from 200% to 202%. |
| Section 8.3.4.1 | is modified to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed. |
| Section 8.3.4.2 | is modified to change the section name from “For Medical Assistance Only (MAO) Non-Member Applicants” to “For 217-Like Group Applicants' and to replace references to “1915(c) STAR+PLUS Waiver” and “SPW” with “HCBS STAR+PLUS Waiver”. In addition, risk criteria language is removed. |
| Section 8.3.4.3 | is modified to replace references to “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver”. |
| Section 8.3.5 | is modified to replace references to “1915(c) STAR+PLUS Waiver” with “HCBS STAR+PLUS Waiver”. |
| Section 8.3.6.4 | is modified to replace references to the 1915(b) and 1915(c) waivers with the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. |
| Section 8.4.3 | is modified for consistency with the Medicaid pay and chase requirements. |

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1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.
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8. OPERATIONS PHASE REQUIREMENTS

This Section describes Scope of Work requirements for the Operations Phase of the Contract.

Section 8.1 includes the general Scope of Work that applies to all MCO Programs (STAR, STAR+PLUS, and CHIP).

Section 8.2 includes the additional Medicaid Scope of Work that applies only to the STAR and STAR+PLUS MCOs.

Section 8.3 includes the additional Scope of Work that applies only to STAR+PLUS MCOs.

Section 8.4 includes the additional CHIP Scope of Work that applies only to CHIP MCOs.

The CHIP Perinatal Program is a CHIP subprogram. CHIP Program requirements apply to the CHIP Perinatal Program, unless the Contract otherwise indicates.

Additional information regarding the STAR, STAR+PLUS, and CHIP Program requirements, such as reporting timeframes and formats is included in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and the Uniform Managed Care Manual. HHSC reserves the right to modify these documents as it deems necessary using the procedures set forth in the Attachment A, “Uniform Managed Care Contract Terms and Conditions.”

8.1 General Scope of Work

In each MCO Program and Service Area, HHSC will select MCOs to provide Health Care Services and prescription drug benefits to Members. The MCO must have approval from the Texas Department of Insurance (TDI) to operate as an HMO, ANHC, and/or an EPO in all zip codes in the respective Service Area(s).

Coverage for benefits will be available to enrolled Members effective on the Operational Start Date. The Operational Start Date is March 1, 2012, for all MCO Programs and Service Areas.

8.1.1 Administration and Contract Management

The MCO must comply, to the satisfaction of HHSC, with: (1) all provisions set forth in this Contract, and (2) all applicable provisions of state and federal laws, rules, regulations, and waiver agreements with the Centers for Medicare and Medicaid Services (CMS).

8.1.1.1 Performance Evaluation

By August 1st each year, HHSC will establish two (2) overarching goals and negotiate a third goal suggested by the MCO for the following calendar year. The MCO must identify and propose annual MCO Performance Improvement Projects (PIPs) relating to the overarching goals for the following calendar year no later than September 15th of the current calendar year or 45 calendar days following receipt of the overarching goals from HHSC. The MCO is required to provide three (3) PIPs per MCO Program. At least one (1) PIP must be related to an overarching goal established by HHSC (see Uniform Managed Care Manual Chapter 10.2.7, MMC/CHIP Performance Improvement Project Overarching Goals). Once finalized, the overarching goals and HHSC-approved PIPs are incorporated into the Contract. If HHSC and the MCO cannot agree on the overarching goal or PIPs, HHSC will unilaterally select them.

PIPs will follow CMS protocol, as described below. The purpose of health care quality PIPs is to assess and improve processes, and thereby outcomes, of care. In order for such projects to achieve real improvements in care and for interested parties to have confidence in the reported improvements, PIPs must be designed, conducted, and reported in a methodologically sound manner.
MCOs must use the following ten (10) step CMS protocol when conducting PIPs:

1. select the study topic(s);
2. define the study question(s);
3. select the study indicator(s);
4. use a representative and generalizable study population;
5. use sound sampling techniques (if sampling is used);
6. collect reliable data;
7. implement intervention and improvement strategies;
8. analyze data and interpret study results;
9. plan for real improvement; and
10. achieve sustained improvement.

(See Uniform Managed Care Manual Chapter 10.2.4, Performance Improvement Project Submission Instructions and 10.2.5, Performance Improvement Project Template).

The MCO must participate in semi-annual Contract Status Meetings (CSMs) with HHSC for the primary purpose of reviewing progress toward the achievement of annual PIPs and Contract requirements. HHSC may request additional CSMs as it deems necessary to address areas of noncompliance. HHSC will provide the MCO with reasonable advance notice of additional CSMs, generally at least five (5) Business Days.

The MCO must provide to HHSC, no later than 14 Business Days prior to each semi-annual CSM, an electronic report detailing the MCO’s progress toward meeting the annual PIPs and identifying any other areas of noncompliance.

HHSC will track MCO performance on PIPs. It will also track other key facets of MCO performance through the use of a Performance Indicator Dashboard (see Uniform Managed Care Manual Chapter 10.1). HHSC will compile the Performance Indicator Dashboard based on MCO submissions, data from the External Quality Review Organization (EQRO), and other data available to HHSC. HHSC will share the Performance Indicator Dashboard with the MCO on a quarterly basis.

8.1.1.2 Additional Readiness Reviews and Monitoring Efforts

During the Operations Phase, HHSC may conduct desk and/or onsite reviews as part of its normal Contract monitoring efforts. Additionally, an MCO that chooses to make a change to any operational system or undergo any major transition may be subject to an additional Readiness Review(s). HHSC will determine whether the proposed changes will require a desk review and/or an onsite review. The MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent for onsite reviews conducted as part of Readiness Review or HHSC’s normal Contract monitoring efforts. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.18, “Management Information System Requirements,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.2 Covered Services

The MCO is responsible for authorizing, arranging, coordinating, and providing Covered Services in accordance with the requirements of the Contract. The MCO must provide Medically Necessary Covered Services to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to all Members beginning on the Member’s date of enrollment regardless of pre-existing conditions, prior diagnosis and/or receipt of any prior Health Care Services. The MCO must not impose any pre-existing condition limitations or exclusions or require Evidence of Insurability to provide coverage to any Member.

The MCO must provide full coverage for Medically Necessary Covered Services to all Members and, for STAR+PLUS Members, Functionally Necessary Community Long-term Services and Supports, without regard to the Member’s:
1. previous coverage, if any, or the reason for termination of such coverage;

2. health status;

3. confinement in a health care facility; or

4. for any other reason.

The MCO must not practice discriminatory selection, or encourage segregation among the total group of eligible Members by excluding, seeking to exclude, or otherwise discriminating against any group or class of individuals. Covered Services for all Medicaid MCO Members are listed in Attachments B-2, “STAR Covered Services,” and B-2.2, “STAR+PLUS Covered Services.” Medicaid MCOs are responsible for providing all services and benefits available to clients of the Medicaid Fee-for-Service Program to the MCO’s Medicaid Members, with the exception of Non-Capitated Services (Section 8.2.2.8). Medicaid MCOs must provide the services and benefits described in the most recent Texas Medicaid Provider Procedures Manual and any updates to the Manual provided through Texas Medicaid Bulletins. A description of CHIP Covered Services and exclusions is provided in Attachment B-2.1, “CHIP Covered Services.” Covered Services are subject to change due to changes in federal and state law; changes in Medicaid, CHIP or CHIP Perinatal Program policy; and changes in medical practice, clinical protocols, or technology.

8.1.2.1 Value-added Services

MCOs may propose additional services for coverage. These are referred to as “Value-added Services.” Value-added Services may be actual Health Care Services, benefits, or positive incentives that HHSC determines will promote healthy lifestyles and improved health outcomes among Members. Value-added Services that promote healthy lifestyles should target specific weight loss, smoking cessation, or other programs approved by HHSC. Temporary phones, cell phones, additional transportation benefits, and extra home health services may be Value-added Services, if approved by HHSC. Best practice approaches to delivering Covered Services are not considered Value-added Services.

The MCO generally must offer Value-added Services to all MCO Program Members in a Service Area. For Medicaid Acute Care services, the MCO may distinguish between the Dual Eligible and non-Dual Eligible populations. The MCO is not required to offer the same Value-added Services to CHIP Perinate Members as traditional CHIP Members and CHIP Perinate Newborn Members. Value-added Services do not need to be consistent across more than one (1) MCO Program or across more than one (1) Service Area. Value-added Services that are approved by HHSC during the contracting process will be included in the Contract’s scope of services.

Any Value-added Services that a MCO elects to provide must be provided at no additional cost to HHSC. The costs of Value-added Services are not reportable as allowable medical or administrative expenses, and therefore are not factored into the rate setting process. In addition, the MCO must not pass on the cost of the Value-added Services to Providers. The MCO must specify the conditions and parameters regarding the delivery of the Value-Added Services in the MCO’s Marketing Materials and Member Handbook, and must clearly describe any limitations or conditions specific to the Value-added Services.

During the Operations Phase, Value-added Services can be added or removed only by written amendment of the Contract. MCOs will be given the opportunity to add or enhance Value-added Services twice per State Fiscal Year, with changes to be effective September 1 and March 1. MCOs will also be given the opportunity to delete or reduce Value-added Services once per State Fiscal Year, with changes to be effective September 1. HHSC may allow additional modifications to Value-added Services if Covered Services are amended by HHSC during a State Fiscal Year. This approach allows HHSC to coordinate biannual revisions to HHSC’s MCO Comparison Charts for Members. A MCO’s request to add, enhance, delete, or reduce a Value-added Service must be submitted to HHSC by April 1 of each year to be effective September 1 for the following contract period. A second request to add or enhance Value-added Services must be submitted to HHSC by October 1 each year to be effective March 1. (See Uniform Managed Care Manual Chapter 4.5 “Physical and Behavioral Health Value-Added Services Template.”)

A MCO’s request to add a Value-added Service must:

a. define and describe the proposed Value-added Service;

b. specify the Service Areas and MCO Programs for the proposed Value-added Service;
c. identify the category or group of Members eligible to receive the Value-added Service if it is a type of service that is not appropriate for all mandatory Members;

d. note any limits or restrictions that apply to the Value-added Service;

e. identify the Providers responsible for providing the Value-added Service;

f. Describe how the MCO will identify the Value-added Service in administrative data (Encounter Data);

g. propose how and when the MCO will notify Providers and Members about the availability of such Value-added Service;

h. describe how a Member may obtain or access the Value-added Service; and

i. include a statement that the MCO will provide such Value-added Service for at least 12 months from the September 1 effective date.

A MCO cannot include a Value-added Service in any material distributed to Members or prospective Members until the Parties have amended the Contract to include that Value-added Service. If a Value-added Service is deleted by amendment, the MCO must notify each Member that the service is no longer available through the MCO. The MCO must also revise all materials distributed to prospective Members to reflect the change in Value-added Services.

8.1.2.2 Case-by-Case Added Services

Except as provided below, the MCO may offer additional benefits that are outside the scope of services to individual Members on a case-by-case basis. Case-by-case services may be based on Medical Necessity, cost-effectiveness, the wishes of the Member/Member’s family, the potential for improved health status of the Member, and for STAR+PLUS Members based on Functional Necessity.

Section 8.1.2.2, “Case-by-Case Added Services,” does not apply to the CHIP Perinate Members (unborn children).

8.1.3 Access to Care

All Covered Services must be available to Members on a timely basis in accordance the Contract's requirements and medically appropriate guidelines, and consistent with generally accepted practice parameters. The MCO must comply with the access requirements as established by the Texas Department of Insurance (TDI) for all MCOs doing business in Texas, except as otherwise required by this Contract. Medicaid MCOs must be responsive to the possibility of increased Members due to the phase-out of the PCCM model in Service Areas where HHSC has determined that adequate MCO coverage exists.

The MCO must provide coverage for Emergency Services to Members 24 hours a day and seven (7) days a week, without regard to prior authorization or the Emergency Service provider's contractual relationship with the MCO. The MCO's policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws and regulations, whether the provider is Network or Out-of-Network. A MCO is not responsible for payment for unauthorized non-emergency services provided to a Member by Out-of-Network providers.

The MCO must also have a toll-free emergency and crisis Behavioral Health Services Hotline available 24 hours a day, seven (7) days a week. The Behavioral Health Services Hotline must meet the requirements described in Section 8.1.15.3. For Medicaid Members, a MCO must provide coverage for Emergency Services in compliance with 42 C.F.R. §438.114, and as described in more detail in Section 8.2.2.1. The MCO may arrange Emergency Services and crisis Behavioral Health Services through mobile crisis teams.

For CHIP Members, Emergency Covered Services, including emergency Behavioral Health Services, must be provided in accordance with the requirements of the Texas Insurance Code and TDI regulations.

MCO must require, and make best efforts to ensure, that PCPs are accessible to STAR, STAR+PLUS, CHIP, and CHIP Perinate Newborn Members 24 hours a day, seven (7) days a week and that its Network Primary Care Providers (PCPs) have after-hours access.
telephone availability that is consistent with **Section 8.1.4**. The MCO must ensure that Network Providers offer office hours to Members that are at least equal to those offered to the MCO's commercial lines of business or Medicaid fee-for-service participants, if the provider accepts only Medicaid patients.

CHIP MCOs are not required to establish PCP Networks for CHIP Perinates (Unborn Child).

The MCO must provide that if Medically Necessary Covered Services are not available through Network Providers, the MCO must, upon the request of a Network Provider, allow a referral to a non-network physician or provider within the time appropriate to the circumstances relating to the delivery of the services and the condition of the patient, but in no event to exceed five (5) Business Days after receipt of reasonably requested documentation. The MCO must fully reimburse the non-network provider in accordance with the Out-of-Network methodology for Medicaid as defined by HHSC in 1 T.A.C. §353.4, and for CHIP, at the usual and customary rate defined by TDI in 28 T.A.C. Section 11.506.

The Member will not be responsible for any payment for Medically Necessary Covered Services, including Functionally Necessary Covered Services, other than:

1. HHSC-specified copayments for CHIP Members, where applicable;
2. HHSC-specified copayments for Medicaid Members, where applicable (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract); and
3. STAR+PLUS Members who qualify for HCBS STAR+PLUS Waiver services and enter a 24-hour setting will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC. If the MCO provides Members who do not qualify for the HCBS STAR+PLUS Waiver services in a 24-hour setting as an alternative to nursing facility or Hospitalization, the Member will be required to pay the provider of care room and board costs and any income in excess of the personal needs allowance, as established by HHSC.

**8.1.3.1 Waiting Times for Appointments**

Through its Provider Network composition and management, the MCO must ensure that appointments for the following types of Covered Services are provided within the following timeframes. In all cases below, “day” is defined as a calendar day.

1. Emergency Services must be provided upon Member presentation at the service delivery site, including at non-network and out-of-area facilities;
2. urgent care, including urgent specialty care, must be provided within 24 hours of request.
3. routine primary care must be provided within 14 days of request;
4. initial outpatient behavioral health visits must be provided within 14 days of request;
5. routine specialty care referrals must be provided within 30 days of request;
6. pre-natal care must be provided within 14 days of request, except for high-risk pregnancies or new Members in the third trimester, for whom an appointment must be offered within five (5) days, or immediately, if an emergency exists;
7. preventive health services for adults must be offered to a Member within 90 days of request; and
8. preventive health services for children, including well-child checkups should be offered to CHIP Members in accordance with the American Academy of Pediatrics (AAP) periodicity schedule. Medicaid MCOs should utilize the Texas Health Steps periodicity schedule. For a New Member birth through age 20, overdue or upcoming well-child checkups, including Texas Health Steps medical checkups, should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. The Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due on the child’s birthday. The annual medical checkup is considered timely if it occurs no later than 364 calendar days after the child’s birthday. For purposes of this requirement, the terms “New Member” and “Existing Member” are defined in Chapter 12.4 of the **Uniform Managed Care Manual**.

**8.1.3.2 Access to Network Providers**
The MCO's Network must have PCPs in sufficient numbers, and with sufficient capacity, to provide timely access to regular and preventive pediatric care, and Texas Health Steps services to all child Members in Medicaid, and in accordance with the waiting times for appointments in Section 8.1.3.1.

**PCP Access:** At a minimum, the MCO must ensure that all Members have access to an age-appropriate PCP in the Provider Network with an Open Panel within 30 miles of the Member's residence. For the purposes of assessing compliance with this requirement, an internist who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20, and a pediatrician is not considered an age-appropriate choice for a Member age 21 and over. Note: This provision does not apply to CHIP Perinates, but it does apply to CHIP Perinate Newborns.

**OB/GYN Access:** STAR, STAR+PLUS and CHIP Program Networks: with the following exception, STAR, STAR+PLUS and CHIP MCOs must ensure that all female Members have access to an OB/GYN in the Provider Network within 75 miles of the Member's residence. CHIP MCOs must ensure that CHIP Perinate Members (unborn children) in rural areas have access to Network OB/GYNs within 125 miles of the Member's residence.

If an OB/GYN is acting as the Member's PCP, the MCO must follow the access requirements for the PCP (within 30 miles of the Member's residence).

The MCO must allow female Members to select an OB/GYN within its Provider Network. A female Member who selects an OB/GYN must be allowed direct access to the OB/GYN's Health Care Services without a referral from the Member's PCP or a prior authorization. The MCO must allow pregnant Member who is past the 24th week of pregnancy to remain under the Member's current OB/GYN care though the Member's post-partum checkup, even if the OB/GYN provider is, or becomes, Out-of-Network.

**Outpatient Behavioral Health Service Provider Access:** At a minimum, the MCO must ensure that all Members have access to a covered outpatient Behavioral Health Service Provider in the Network within 75 miles of the Member's residence. Outpatient Behavioral Health Service Providers must include Masters and Doctorate-level trained practitioners practicing independently or at community mental health centers, other clinics or at outpatient Hospital departments. A Qualified Mental Health Provider - Community Services (QMHP-CS) is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C. §412.303(48). QMHP-CSs must be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs must be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services.

**Other Specialist Physician Access:** At a minimum, the MCO must ensure that all Members have access to a Network specialist physician for all covered services within 75 miles of the Member's residence for common medical specialties. For adult Members, common medical specialties must include general surgery, cardiology, orthopedics, urology, and ophthalmology. For child Members, common medical specialties must include orthopedics and otolaryngology. In addition, all Members must be allowed to: 1) select a Network ophthalmologist or therapeutic optometrist to provide eye Health Care Services, other than surgery, and 2) have access without a PCP referral to eye Health Care Services from a Network specialist who is an ophthalmologist or therapeutic optometrist for non-surgical services.

**Hospital Access:** The MCO must ensure that all Members have access to an Acute Care Hospital in the Provider Network within 30 miles of the Member's residence. For MCOs participating in the CHIP Program, exceptions to this access standard must be approved by HHSC on a case-by-case basis for Perinate Members (unborn children). MCOs participating in the Medicaid Rural Service Area may also request exceptions on a case-by-case basis.

**Pharmacy Access:** Effective March 1, 2012, the MCO must meet the following minimum requirements. The MCO must ensure that all Members have access to at least one (1) Network Pharmacy within 15 miles of the Member's residence, and access to at least one (1) pharmacy with 24-hour coverage within 75 miles of the Member's residence. MCOs may request exceptions to this requirement on a case-by-case basis.

Effective September 1, 2012, HHSC will apply additional benchmark performance standards. For purposes of this requirement only, the terms urban, suburban, and rural counties have the following meaning:

- **Urban - Counties that have been designated as metropolitan by the Office of Management and Budget (OMB), and that contain the most populated city within a metropolitan area, also known as Metropolitan Statistical Area.** HHSC Strategic Decision Support (SDS) classifies these counties as Metro Central City counties. A county meets the definition of metropolitan if it has a central city, or pair of twin cities in it, with a minimum population of 50,000.

- **Suburban - Counties that have been designated as metropolitan by the OMB, and that are adjacent (share a boundary) to a Metro Central City county.** The SDS classifies these counties as Metro Suburban counties.
Rural - Non-metropolitan counties of the state, regardless of whether they are adjacent or non-adjacent to a metropolitan county.

For counties included in the Medicaid Rural Service Area, the following standard applies to STAR effective September 1, 2012:

- In urban counties, at least 75 percent of Members must have access to a Network Pharmacy within two (2) miles of the Member's residence;
- In suburban counties, at least 55 percent of Members must have access to a Network Pharmacy within 5 miles of the Member's residence; and
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence.

For all other counties and Programs, the following standard applies effective September 1, 2012:

- In urban counties, at least 80 percent of Members must have access to a Network Pharmacy within two (2) miles of the Members' residence;
- In suburban counties, at least 75 percent of Members must have access to a Network Pharmacy within five (5) miles of the Member's residence; and
- In rural counties, at least 90 percent of Members must have access to a Network Pharmacy within 15 miles of the Member's residence.

Note: MCOs may request exceptions to these requirements on a case-by-case basis. Mail order pharmacies, including specialty pharmacies that only mail prescriptions, will not be included when calculating these percentages. However, MCOs will be required to report on the number of prescriptions filled and number of clients served through mail order/specialty pharmacies by MCO Program and Service Area.

All other Covered Services, except for services provided in the Member's residence: At a minimum, the MCO must ensure that all Members have access to at least one (1) Network Provider for each of the remaining Covered Services described in Attachments B-2, STAR Covered Services, B-2.1 CHIP Covered Services, and B-2.2, STAR+PLUS Covered Services, within 75 miles of the Member's residence. This access requirement includes, but is not limited to, specialists, specialty Hospitals, psychiatric Hospitals, diagnostic and therapeutic services, and single or limited service health care physicians or Providers, as applicable to the MCO Program.

The MCO is not precluded from making arrangements with physicians or providers outside the MCO's Service Area for Members to receive a higher level of skill or specialty than the level available within the Service Area, including but not limited to, treatment of cancer, burns, and cardiac diseases. HHSC may consider exceptions to the above access-related requirements when an MCO has established, through utilization data provided to HHSC, that a normal pattern for securing Health Care Services within an area does not meet these standards, or when an MCO is providing care of a higher skill level or specialty than the level which is available within the Service Area.

8.1.3.3 Monitoring Access

The MCO is required to systematically and regularly verify that Covered Services furnished by Network Providers are available and accessible to Members in compliance with the standards described in Sections 8.1.3.1 and 8.1.3.2, and for Covered Services furnished by PCPs, the standards described in Section 8.1.4.2.

The MCO must enforce access and other Network standards required by the Contract and take appropriate action with noncompliant Providers.

8.1.4 Provider Network

The MCO must enter into written contracts with properly credentialed Providers as described in this Section. The Provider contracts must comply with the Uniform Managed Care Manual's requirements, and include reasonable administrative and professional terms.

The MCO must maintain a Provider Network sufficient to provide all Members with access to the full range of Covered Services required under the Contract. The MCO must ensure its Providers and Subcontractors meet all current and future state and federal eligibility criteria, reporting requirements, and any other applicable rules and/or regulations related to the Contract.

The Provider Network must be responsive to the linguistic, cultural, and other unique needs of any minority, elderly, or disabled individuals, or other special populations served by the MCO. This includes the capacity to communicate with
Members in languages other than English, when necessary, as well as with those who are deaf or hearing impaired.

The MCO must seek to obtain the participation in its Provider Network of qualified providers currently serving the Medicaid and CHIP Members in the MCO’s proposed Service Area(s). Medicaid MCOs utilizing Out-of-Network providers to render services to their Members must not exceed the utilization standards established in 1 T.A.C. §353.4. HHSC may modify this requirement for Medicaid MCOs that demonstrate good cause for noncompliance, as set forth in §353.4(e)(3).

The MCO must seek participation in the Provider Network from the following types of entities that may serve American Indian and Alaskan Native children:

1. health clinics operated by a federally-recognized tribe in the Service Area;
2. Federally Qualified Health Centers (FQHC) operated by a federally-recognized tribe in the Service Area; and
3. Urban Indian organizations in the Service Area.

All Providers: Except as provided in Section 8.1.4.10, all Providers must be licensed in the State of Texas to provide the Covered Services for which the MCO is contracting with the Provider, and not be under sanction or exclusion from the Medicaid program. All Acute Care Providers serving Medicaid Members must be enrolled as Medicaid providers and have a Texas Provider Identification Number (TPIN). All Pharmacy Providers must be enrolled with HHSC’s Vendor Drug Program. Long-term Services and Supports Providers are not required to have a TPIN but must have a LTSS Provider number. Providers must also have a National Provider Identifier (NPI) in accordance with the timelines established in 45 C.F.R. Part 162, Subpart D.

Inpatient Hospital and medical services: The MCO must ensure access to Acute Care Hospitals and Specialty Hospitals in the MCO's Network. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. The MCO must enter into a Network Provider Agreement with any willing State Hospital that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

Children's Hospitals/Hospitals with specialized pediatric services: The MCO must ensure Members access to Hospitals designated as Children's Hospitals by Medicare and Hospitals with specialized pediatric services, such as teaching Hospitals and Hospitals with designated children's wings. Covered Services provided by such Hospitals must be available and accessible 24 hours per day, seven (7) days per week. If the MCO does not have a designated Children's Hospital and/or Hospital with specialized pediatric services in proximity to the Member's residence in its Network, the MCO must enter into written arrangements for services with Out-of-Network Hospitals. Provider Directories, Member Materials, and Marketing Materials must clearly distinguish between Hospitals designated as Children’s Hospitals and Hospitals that have designated children’s units.

Trauma: The MCO must ensure Members access to Texas Department of State Health Services (TDSHS)-designated Level I and Level II trauma centers within the State, or Hospitals meeting the equivalent level of trauma care in the MCO’s Service Area or in close proximity to such Service Area. The MCO must make written Out-of-Network reimbursement arrangements with the DSHS-designated Level I and Level II trauma centers or Hospitals meeting equivalent levels of trauma care if the MCO does not include such a trauma center in its Network.

Transplant centers: The MCO must ensure Member access to HHSC-designated transplant centers or centers meeting equivalent levels of care. A list of HHSC-designated transplant centers can be found in the Procurement Library. If the MCO’s Network does not include a designated transplant center or center meeting equivalent levels of care in proximity to the Member’s residence, the MCO must make written arrangements with Out-of-Network providers for such care.

Hemophilia centers: The MCO must ensure Member access to hemophilia centers supported by the Centers for Disease Control (CDC). A list of these hemophilia centers can be found at http://www.cdc.gov/ncbddd/hemophilia/HTC.html. If the MCO’s Network does not include CDC-supported hemophilia centers in proximity to the Member’s residence, the MCO must make written arrangements with Out-of-Network providers for such care.

Physician services: The MCO must ensure that Primary Care Providers are available and accessible 24 hours per day, seven (7) days per week, within the Provider Network. The MCO must contract with a sufficient number of participating physicians and specialists within each Service Area to comply with Section 8.1.3’s access requirements and meet Members’ needs for all Covered Services.

The MCO must ensure that an adequate number of participating physicians have admitting privileges at one (1) or more participating Acute Care Hospitals in the Provider Network to ensure that necessary admissions are made. In no case may there
be less than one Network PCP with admitting privileges available and accessible 24 hours per day, seven (7) days per week for each Acute Care Hospital in the Provider Network.

The MCO must ensure that an adequate number of participating specialty physicians have admitting privileges at one or more participating Hospitals in the MCO's Provider Network to ensure necessary admissions are made. The MCO must require that all physicians who admit to Hospitals maintain Hospital access for their patients through appropriate call coverage.

Urgent Care Clinics: The MCO must ensure that Urgent Care Clinics, including multi-specialty clinics serving in this capacity, are included within the Provider Network.

Laboratory services: The MCO must ensure that Network reference laboratory services are of sufficient size and scope to meet Members' non-emergency and emergency needs and the access requirements in Section 8.1.3. Reference laboratory specimen procurement services must facilitate the provision of clinical diagnostic services for physicians, Providers, and Members through the use of convenient reference satellite labs in each Service Area, strategically located specimen collection areas in each Service Area, and the use of a courier system under the management of the reference lab. For Medicaid Members, Texas Health Steps requires Providers to use the DSHS Laboratory Services for specimens obtained as part of a Texas Health Steps medical checkup, including Texas Health Steps newborn screens; blood lead testing; hemoglobin electrophoresis; and total hemoglobin tests that are processed at the Austin Laboratory; and Pap Smear, gonorrhea and chlamydia screening processed at the Women's Health Laboratories in San Antonio. Providers may submit specimens for glucose, cholesterol, HDL, lipid profile, HIV and RPR to the DSHS Laboratory or to a laboratory of the provider's choice. Hematocrit may be performed at the provider's clinic if the provider needs an immediate result for anemia screening. Providers should refer to the Texas Health Steps Online Provider Training Modules referencing specimen collection on the DSHS website and the Texas Medicaid Provider Procedures Manual, Children's Services Handbook for the most current information and any updates.

Pharmacy Providers: The MCO must ensure that all Pharmacy Network Providers are licensed with the Texas State Board of Pharmacy. These Providers must not be under sanction or exclusion from the Medicaid and/or CHIP Programs. The MCO must enter into a Network Provider Agreement with any willing pharmacy provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms. However, the MCO may enter into selective contracts for specialty pharmacy services with one or more pharmacy provider, subject to the following conditions. These arrangements must comply with Texas Government Code §533.005(a)(23)(G). Furthermore, if the selective contracts for specialty pharmacy services conflict with final rules promulgated by HHSC, then the MCO must terminate the contracts or amend them to comply with the rules.

Diagnostic imaging: The MCO must ensure that diagnostic imaging services are available and accessible to all Members in each Service Area in accordance with the access standards in Section 8.1.3. The MCO must ensure that diagnostic imaging procedures that require the injection or ingestion of radiopaque chemicals are performed only under the direction of physicians qualified to perform those procedures.

Home health services: All Members living within the MCO's Service Area must have access to at least one (1) Network Provider of home health Covered Services. (These services are provided as part of the Acute Care Covered Services, not the Community Long Term Services and Supports.)

Community Long Term Services and Supports: All Members living within a STAR+PLUS MCO's Service Area must have access to Medically Necessary and Functionally Necessary Covered Services.

Ambulance providers: The MCO must enter into a Network Provider Agreement with any willing ambulance provider that meets the MCO's credentialing requirements and agrees to the MCO's contract rates and terms.

8.1.4.1 Provider Contract Requirements

The MCO is prohibited from requiring a provider or provider group to enter into an exclusive contracting arrangement with the MCO as a condition for Network participation.

The MCO’s contract with health care Providers must be in writing, must be in compliance with applicable federal and state laws and regulations, and must include minimum requirements specified in Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Uniform Managed Care Manual Chapter 8.1 “Provider Contract Checklist.”

As described in Section 7, the MCO must submit model Provider contracts to HHSC for review during Readiness Review. The MCO must resubmit the model Provider contracts any time it makes substantive modifications to such agreements. HHSC retains the right to reject or require changes to any Provider contract that does not comply with MCO Program requirements or
8.1.4.2 Primary Care Providers

The MCO’s PCP Network may include Providers from any of the following practice areas: General Practice; Family Practice; Internal Medicine; Pediatrics; Obstetrics/Gynecology (OB/GYN); Advanced Practice Nurses (APNs) and Physician Assistants (PAs) (when APNs and PAs are practicing under the supervision of a physician specializing in Family Practice, Internal Medicine, Pediatrics or Obstetrics/Gynecology who also qualifies as a PCP under this contract); Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and similar community clinics; and specialist physicians who are willing to provide a Medical Home to selected Members with special needs and conditions. Section 533.005(a)(13) of the Texas Government Code requires the MCO to use APNs practicing under the supervision of a physician as PCPs in its Provider Network for STAR and STAR+PLUS.

An internist or other Provider who provides primary care to adults only is not considered an age-appropriate PCP choice for a Member birth through age 20. An internist or other Provider who provides primary care to adults and children may be a PCP for children if:

1. the Provider assumes all MCO PCP responsibilities for such child Members in a specific age range from birth through age 20,
2. the Provider has a history of practicing as a PCP for the specified age range, as evidenced by the Provider’s primary care practice including an established patient population within the specified age range, and
3. the Provider has admitting privileges to a local Hospital that includes admissions to pediatric units.

A pediatrician is not considered an age-appropriate choice for a Member age 21 and over.

The PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions may be a specialist physician who agrees to provide PCP services to the Member. The specialty physician must agree to perform all PCP duties required in the Contract, and PCP duties must be within the scope of the specialist’s license. Any interested person may initiate the request through the MCO for a specialist to serve as a PCP for a Member with disabilities, Special Health Care Needs, or Chronic or Complex Conditions. The MCO must handle such requests in accordance with 28 T.A.C. Part 1, Chapter 11, Subchapter J.

PCPs who provide Covered Services for STAR and CHIP newborns must either have admitting privileges at a Hospital that is part of the MCO’s Provider Network, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital. STAR+PLUS PCPs must either have admitting privileges at a Network Hospital, or make referral arrangements with a Provider who has admitting privileges to a Network Hospital.

The MCO must require, through contract provisions, that PCPs are accessible to Members 24 hours a day, seven (7) days a week. The MCO is encouraged to enter into Network Provider agreements with sites that offer primary care services during evening and weekend hours. The following are acceptable and unacceptable telephone arrangements for contacting PCPs after their normal business hours.

Acceptable after-hours coverage:

1. the office telephone is answered after-hours by an answering service that meets language requirements of the Major Population Groups and that can contact the PCP or another designated medical practitioner. All calls answered by an answering service must be returned within 30 minutes;
2. the office telephone is answered after normal business hours by a recording in the language of each of the Major Population Groups served, directing the patient to call another number to reach the PCP or another provider designated by the PCP. Someone must be available to answer the designated provider’s telephone. Another recording is not acceptable; and
3. the office telephone is transferred after office hours to another location where someone will answer the telephone and be able to contact the PCP, or another designated medical provider, who can return the call within 30 minutes.

Unacceptable after-hours coverage:
The office telephone is only answered during office hours;

2. the office telephone is answered after-hours by a recording that tells patients to leave a message;

3. the office telephone is answered after-hours by a recording that directs patients to go to an Emergency Room for any services needed; and

4. returning after-hours calls outside of 30 minutes.

The CHIP MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the AAP recommendations. Medicaid MCOs must require PCPs, through contract provisions, to provide children birth through age 20 with preventive services in accordance with the Texas Health Steps periodicity schedule. The MCO must require PCPs, through contract provisions, to provide adults with preventive services in accordance with the U.S. Preventive Services Task Force requirements. The MCO must make best efforts to ensure that PCPs follow these periodicity requirements for children and adult Members. Best efforts must include, but not be limited to, Provider education, Provider profiling, monitoring, and feedback activities.

The MCO must require PCPs, through contract provisions, to assess the medical needs of Members for referral to specialty care providers and provide referrals as needed. PCPs must coordinate Members’ care with specialty care providers after referral. The MCO must make best efforts to ensure that PCPs assess Member needs for referrals and make such referrals. Best efforts must include, but not be limited to, Provider education activities and review of Provider referral patterns.

8.1.4.3 PCP Notification

The MCO must furnish each PCP with a current list of Members enrolled or assigned to that Provider no later than five (5) Business Days after the MCO receives the Enrollment File from the HHSC Administrative Services Contractor each month. The MCO may offer and provide such enrollment information in alternative formats, such as through access to a secure Internet site, when such format is acceptable to the PCP.

8.1.4.4 Provider Credentialing and Re-credentialing

The MCO must review, approve and periodically recertify the credentials of all participating physician Providers and all other licensed Providers who participate in the MCO’s Network. The MCO may subcontract with another entity to which it delegates such credentialing activities if such delegated credentialing is maintained in accordance with the National Committee for Quality Assurance (NCQA) delegated credentialing requirements and any comparable requirements defined by HHSC.

At a minimum, the scope and structure of a MCO’s credentialing and re-credentialing processes must be consistent with recognized MCO industry standards, such as those provided by NCQA, and relevant state and federal regulations including 28 T.A.C. §§11.1902, relating to provider credentialing and notice. Medicaid MCOs must also comply with 42 C.F.R. §438.12 and 42 C.F.R. §438.214(b). The initial credentialing process, including application and verification of information, must be completed before the effective date of the Provider’s initial Network Provider agreement. The re-credentialing process must occur at least every three (3) years.

The MCO may not discriminate for the participation, reimbursement, or indemnification of any provider who is acting within the scope of his or her license or certification under applicable State law, solely on the basis of that license or certification. Additionally, if the MCO declines to include individual or groups of providers in its Network, it must give the affected providers written notice of the reasons for its decision.

The re-credentialing process must take into consideration Provider performance data including, but not be limited to, Member Complaints and Appeals, quality of care, and utilization management.

MCOs must comply with the requirements of Texas Insurance Code Chapter 1452, Subchapter C, regarding expedited credentialing and payment of physicians who have joined medical groups that are already contracted with the MCO.

8.1.4.5 Board Certification Status

The MCO must maintain a policy with respect to board certification for PCPs and specialty physicians that encourages participation of board certified PCPs and specialty physicians in the Provider Network. The MCO must make information on
the percentage of board-certified PCPs in the Provider Network and the percentage of board-certified specialty physicians, by specialty, available to HHSC upon request.

8.1.4.6 Provider Relations Including Manual, Materials and Training

The MCO must maintain a provider relations presence in each Service Area or, for the Medicaid Rural Service Area, in regions as approved by HHSC.

The MCO must prepare and issue Provider Manual(s) to all Network Providers, including any necessary specialty manuals (e.g., behavioral health). For newly contracted Providers, the MCO must issue copies of the Provider Manual(s) no later than five (5) Business Days after inclusion in the Network. The Provider Manual must contain sections relating to special requirements of the MCO Program(s) and the enrolled populations in compliance with the requirements of this Contract, including Uniform Managed Care Manual Chapter 3.3.

HHSC or its designee must approve the Provider Manual, and any substantive revisions to the Provider Manual, prior to publication and distribution to Providers. The Provider Manual must contain the critical elements defined in Uniform Managed Care Manual Chapter 3, Critical Elements. HHSC's initial review of the Provider Manual is part of the Operational Readiness Review described in Section 7, Transition Phase Requirements.

The MCO must provide training to all Providers and their staff regarding the requirements of the Contract and special needs of Members. The MCO's STAR, STAR+PLUS, CHIP and/or CHIP Perinatal Program training must be completed within 30 days of placing a newly contracted Provider on active status. The MCO must provide ongoing training to new and existing Providers as required by the MCO, or as required by HHSC to comply with the Contract. The MCO must maintain and make available upon request enrollment or attendance rosters dated and signed by each attendee, or other written evidence of training of each Provider and his or her staff.

The MCO must establish ongoing Provider training that includes, but is not limited to, the following issues:

1. Covered Services and the Provider's responsibilities for providing and/or coordinating such services. Special emphasis must be placed on areas that vary from commercial coverage rules (e.g., Early Childhood Intervention services, therapies and DME/Medical Supplies); pharmacy services and processes, including information regarding outpatient drug benefits, HHSC's drug formulary, preferred drugs, prior authorization processes, and 72 hour emergency supplies of prescription drugs; and for Medicaid, making referrals and coordination with Non-capitated Services;
2. relevant requirements of the Contract;
3. The MCO's quality assurance and performance improvement program and the Provider's role in such a program;
4. the MCO's policies and procedures, especially regarding Network and Out-of-Network referrals;
5. Member cost-sharing obligations, benefit limitations, Value-added Services, and prohibitions on balance-billing Members for Covered Services;
6. Cultural Competency Training;
7. Texas Health Steps benefits, periodicity, and required elements of a checkup;
8. Medical Transportation Program services available to Medicaid members such as rides to services by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, and meals and lodging when away from home;
9. the importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
10. information about the MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
11. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit;
12. For STAR in the Medicaid Rural Service Area, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process;
13. administrative issues such as claims filing and services available to Members; and

Provider Materials must comply with state and federal laws; Attachment A, Uniform Managed Care Contract Terms and Conditions; and Uniform Managed Care Manual Chapter 3, Critical Elements.

As described above, HHSC must approve the MCO's Provider Manual and all revisions. Additionally, the MCO must submit, for HHSC's review, all other Provider Materials relating to Medicaid or CHIP prior to use or mailing. If HHSC has not responded to MCO's request for review within 15 Business Days, the MCO may use the submitted materials. HHSC reserves the right to require discontinuation or correction of any Provider Materials that are not in compliance with State and Federal laws or the Contract's requirements.
8.1.4.7 Provider Hotline

The MCO must operate a toll-free telephone line for Provider inquiries from 8 a.m. to 5 p.m. local time for the Service Area, Monday through Friday, except for State-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html. The Provider Hotline must be staffed with personnel who are knowledgeable about Covered Services, each applicable MCO Program, and for Medicaid, about Non-capitated Services.

The MCO must ensure that after regular business hours the line is answered by an automated system with the capability to provide callers with operating hours information and instructions on how to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition. The MCO must have a process in place to handle after-hours inquiries from Providers seeking to verify enrollment for a Member with an Urgent Condition or an Emergency Medical Condition, provided, however, that the MCO and its Providers must not require such verification prior to providing Emergency Services.

The MCO must ensure that the Provider Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system is used;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. the average hold time is two (2) minutes or less; and
4. the call abandonment rate is seven percent (7%) or less.

The MCO must conduct ongoing call quality assurance to ensure these standards are met. The Provider Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO’s Programs. The Provider Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor Provider Hotline performance and submit reports summarizing call center performance as required by Section 8.1.20. If the MCO subcontracts with a Behavioral Health Organization (BHO) that is responsible for Provider Hotline functions related to Behavioral Health Services, the BHO’s Provider Hotline must meet the requirements in Section 8.1.4.7.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Provider Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.4.8 Provider Reimbursement

The MCO must pay for all Medically Necessary Covered Services provided to all Members for whom the MCO is paid a capitation. A STAR+PLUS MCO must also pay for all Functionally Necessary Covered Services provided to all Members for whom the MCO is paid a capitation. The MCO must ensure that claims payment is timely and accurate as described in Section 8.1.18.5. The MCO must require tax identification numbers from all participating Providers. The MCO is required to do back-up withholding from all payments to Providers who fail to give tax identification numbers or who give incorrect numbers.

Provider payments must comply with all applicable state and federal laws, rules, and regulations, including the following sections of the Patient Protection and Affordable Care Act (PPACA) and, upon implementation, corresponding federal regulations:

• Section 2702 of PPACA, entitled "Payment Adjustment for Health Care-Acquired Conditions;"
• Section 6505 of PPACA, entitled "Prohibition on Payments to Institutions or Entities Located Outside of the United States;" and
• Section 1202 of the Health Care and Education Reconciliation Act as amended by PPACA, entitled "Payments to Primary Care Physicians."
8.1.4.8.1 Provider Preventable Conditions

STAR and STAR+PLUS MCOs must identify Present on Admission (POA) indicators as required in the Uniform Managed Care Manual, and STAR and STAR+PLUS MCOs must reduce or deny payments for Provider Preventable Conditions that were not POA using a methodology approved by HHSC in the Uniform Managed Care Manual.

8.1.4.8.2 Provider Incentives

The MCO will conduct a pilot “gain sharing” program, subject to HHSC’s approval. The program will focus on collaborating with Network physicians and Hospitals in order to allow them to share a portion of the MCO’s savings resulting from reducing inappropriate utilization of services, including inappropriate admissions and readmissions. The program will include mechanisms whereby the MCO will provide incentive payments to Hospitals and physicians for quality care. The program will include quality metrics required for incentives, recruitment strategies of providers, and a proposed structure for payment.

8.1.4.9 Termination of Provider Contracts

Unless prohibited or limited by applicable law, the MCO must make a good faith effort to give written notice of termination of a Network Provider, within 15 calendar days after receipt or issuance of the termination notice, to each Member who receives his or her primary care from, or who is seen on a regular basis by, the Network Provider. The MCO must send notice to: (1) all Members in a PCP’s panel, and (2) all Members who have had two or more visits with the Network Provider for home-based or office-based care in the past 12 months. The MCO must notify HHSC of provider terminations in accordance with UMCM Chapter 5.4.1.1, “Provider Termination Report.”

The MCO’s process for terminating CHIP Provider contracts must comply with the Texas Insurance Code and TDI regulations.

8.1.4.10 Out-of-State Providers

Providers that have a primary office location outside of the State of Texas but are enrolled as a Texas Medicaid Provider may be included in the MCO’s Medicaid Network(s).

Providers that have a primary office location outside of the State of Texas may be included in the MCO’s CHIP Network.

Providers that have a primary office location outside the State of Texas are required to be licensed in either the State of Texas or the state in which they practice.

8.1.5 Member Services

The MCO must maintain a Member Services Department to assist Members and their family members or guardians in obtaining Covered Services for Members. The MCO must maintain employment standards and requirements (e.g., education, training, and experience) for Member Services Department staff and provide a sufficient number of staff for the Member Services Department to meet the requirements of this Section.

8.1.5.1 Member Materials

The MCO must design, print and distribute Member identification (ID) cards and a Member Handbook to Members. Within five (5) Business Days following the receipt of an Enrollment File from the HHSC Administrative Services Contractor, the MCO must mail a Member’s ID card and Member Handbook to the Case Head or Account Name for each new Member. When the Case Head or Account Name represents two (2) or more new Members, the MCO is only required to send one (1) Member Handbook. The MCO is responsible for mailing materials only to those households for whom valid address data are contained in the Enrollment File.

The MCO must print and deliver Provider Directories to the HHSC Administrative Services Contractor as described in Section 8.1.5.4.

Member Materials must be at or below a 6th grade reading level as measured by the appropriate score on the Flesch reading ease test. Member Materials must be available in English, Spanish, and the languages of other Major Population Groups.
HHSC will provide the MCO with reasonable notice when the enrolled population reaches the 10% threshold for a Major Population Group in the MCO's Service Area. All Member Materials must be available in a format accessible to the visually impaired, which may include large print, Braille, and audiotapes.

The MCO must submit member materials to HHSC for approval prior to use or mailing. HHSC will identify any required changes to the Member materials within 15 Business Days. If HHSC has not responded to a request for review by the fifteenth Business Day, the Contractor may proceed to use the submitted materials. HHSC reserves the right to require discontinuation of any Member materials that violate the terms of this Contract, including but not limited to Marketing Policies and Procedures as described in Uniform Managed Care Manual Chapter 4.3, "Uniform Managed Care Marketing Policies and Procedures."

If the MCO distributes HHSC-approved Member Materials groups of Members or all Members (i.e., "mass communications,") it also must post a copy of the materials on its website.

The MCO's Member Materials and other communications cannot contain discretionary clauses, as described in Section 1271.057(b) of the Texas Insurance Code. For CHIP MCOs, this restriction also applies to the MCO's Evidence of Coverage or Certificate of Coverage documents.

8.1.5.2 Member Identification (ID) Card

All Member ID cards must, at a minimum, include the following information:

1. the Member's name;
2. the Member's Medicaid or CHIP Program number;
3. the effective date of the PCP assignment (excluding CHIP Perinates);
4. the PCP's name (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates), address (optional for all products), and telephone number (not required for Dual Eligible STAR+PLUS Members or for CHIP Perinates);
5. the name of the MCO;
6. the 24-hour, seven (7) day a week toll-free Member services telephone number and BH Hotline number operated by the MCO; and
7. any other critical elements identified in Uniform Managed Care Manual Chapter 3, Critical Elements.

The MCO must reissue the Member ID card if a Member reports a lost card or name change, if the Member requests a new PCP, or for any other reason that results in a change to the information disclosed on the ID card.

8.1.5.3 Member Handbook

HHSC must approve the Member Handbook, and any substantive revisions, prior to publication and distribution. As described in Section 7, “Transition Phase Requirements,” the MCO must develop and submit to HHSC the draft Member Handbook for approval during the Readiness Review and must submit a final Member Handbook incorporating changes required by HHSC prior to the Operational Start Date.

The Member Handbook for each applicable MCO Program must, at a minimum, meet the Member materials requirements specified by Section 8.1.5.1 and must include critical elements in Uniform Managed Care Manual Chapter 3, “Critical Elements.” CHIP MCOs must issue Member Handbooks to both CHIP Perinates and CHIP Perinate Newborns. The Member Handbook for CHIP Perinate Newborns may be the same as that used for CHIP.

The MCO must produce a revised Member Handbook, or an insert informing Members of changes to Covered Services, upon HHSC notification and at least 30 days prior to the effective date of such change in Covered Services. In addition to modifying the Member Materials for new Members, the MCO must notify all existing Members of the Covered Services change during the timeframe specified in this subsection.

8.1.5.4 Provider Directory

The Provider Directory for each MCO Program, and any substantive revisions, must be approved by HHSC prior to publication and distribution, with the exception of PCP information changes or clerical corrections. The MCO is responsible for submitting draft Provider Directory updates to HHSC for prior review and approval.

As described in Section 7, “Transition Phase Requirements,” during Readiness Review the MCO must develop and submit to
HHSC the draft Provider Directory template for approval and must submit a final Provider Directory incorporating changes required by HHSC prior to the Operational Start Date. Such draft and final Provider Directories must be submitted according to the deadlines established in Section 7, “Transition Phase Requirements.”

The Provider Directory for each applicable MCO Program must, at a minimum, meet the Member Materials requirements specified by Section 8.1.5.1 above and must include critical elements in Uniform Managed Care Manual Chapter 3. The Provider Directory must include only Network Providers credentialed by the MCO in accordance with Section 8.1.4.4. If the MCO contracts with limited Provider Networks, the Provider Directory must comply with the requirements of 28 T.A.C. §11.1600(b)(11), relating to the disclosure and notice of limited Provider Networks.

At a minimum, the MCO must update the Provider Directory on a quarterly basis. The MCO must make such updates available to existing Members on request, and must provide such updates to the HHSC Administrative Services Contractor at the beginning of each State Fiscal Quarter. Weight limits for the Provider Directories are included in Uniform Managed Care Manual Chapter 3.1, “MMC Provider Directory” and Chapter 3.2, “CHIP Provider Directory”. HHSC will require MCOs that exceed the weight limits to compensate HHSC for postage fees in excess of the weight limits.

The MCO must send the most recent Provider Directory, including any updates, to Members upon request. The MCO must, at least annually, include written and verbal offers of such Provider Directory in its Member outreach efforts and education materials.

8.1.5.5 Internet Website

The MCO must develop and maintain, consistent with HHSC standards and Section 843.2015 of the Texas Insurance Code and other applicable state laws, a website to provide general information about the MCO’s Program(s), its Provider Network, its customer services, and its Complaints and Appeals process. The website must contain a link to financial literacy information on the Office of Consumer Credit Commissioner’s webpage. The MCO may develop a page within its existing website to meet the requirements of this section.

The MCO must maintain a Provider Directory for each applicable MCO Program on its website. The MCO must ensure that Members have access to the most current and accurate information concerning the MCO's Network Provider participation. To comply with this requirement, at least twice per month the MCO must update Network Provider information in either: (1) its online Provider Directory, or (2) its online Provider search functionality, if applicable. The online Provider Directory or online Provider search functionality must designate PCPs with open versus closed panels. The online Provider Directory or online Provider search functionality must also identify Providers that provide Long-Term Services and Supports (LTSS). The MCO must list Home Health Ancillary providers on its website, with an indicator for pediatric services if provided.

To minimize download and wait times, the website must avoid tools or techniques that require significant memory or disk resources or require special intervention on the customer side to install plug-ins or additional software. Use of proprietary items that would require a specific browser is not allowed. HHSC strongly encourages the use of tools that take advantage of efficient data access methods and reduce the load on the server or bandwidth.

8.1.5.6 Member Hotline

The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week. The Member Hotline must be staffed with personnel who are knowledgeable about its MCO Program(s) and Covered Services between the hours of 8:00 a.m. to 5:00 p.m. local time for the Service Area, Monday through Friday, excluding state-approved holidays. The State-approved holiday schedule is updated annually and can be found at http://sao.hr.state.tx.us/compensation/holidays.html.
The MCO must ensure that after hours, on weekends, and on holidays the Member Services Hotline is answered by an automated system with the capability to provide callers with operating hours and instructions on what to do in cases of emergency. All recordings must be in English, Spanish, and the languages of other Major Population Groups in the Service Area. A voice mailbox must be available after hours for callers to leave messages. The MCO’s Member Services representatives must return calls received by the automated system from Members or their representatives on the next Business Day.

If the Member Hotline does not have a voice-activated menu system, the MCO must have a menu system that will accommodate Members who cannot access the system through other physical means, such as pushing a button.

The MCO must ensure that its Member Service representatives treat all callers with dignity and respect the callers’ need for privacy. At a minimum, the MCO’s Member Service representatives must be:

1. knowledgeable about Covered Services;
2. able to answer non-technical questions about the role of the PCP, as applicable;
3. able to answer non-clinical questions about referrals or the process for receiving authorization for procedures or services;
4. able to give information about Providers in a particular area;
5. knowledgeable about Fraud, Abuse, and Waste and the requirements to report any conduct that, if substantiated, may constitute Fraud, Abuse, or Waste;
6. trained regarding Cultural Competency;
7. trained regarding the process used to confirm the status of persons with Special Health Care Needs;
8. for Medicaid Members, able to answer non-clinical questions about accessing Non-capitated Services.
9. for Medicaid Members, trained regarding: a) the emergency prescription process and what steps to take to immediately address problems when pharmacies do not provide a 72-hour supply of emergency medicines; and b) DME processes for obtaining services and how to address common problems.
10. for CHIP Members, able to give correct cost-sharing information relating to premiums, co-pays or deductibles, as applicable. (Cost-sharing does not apply to CHIP Perinates (unborn child), CHIP Perinate Newborns, and some Members in the traditional CHIP Program. See Uniform Managed Care Manual Chapter 6.3, for additional information regarding CHIP cost-sharing; and
11. hotlines must meet Cultural Competency requirements and must appropriately handle calls from non-English speaking (and particularly, Spanish-speaking) callers, as well as calls from individuals who are deaf or hard-of-hearing. To meet these requirements, the MCO must employ bilingual Spanish-speaking Member Services representatives and must secure the services of other contractors as necessary to meet these requirements. The MCO must provide such oral interpretation services to all Hotline callers free of charge.

The MCO must process all incoming Member correspondence and telephone inquiries in a timely and responsive manner. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. The MCO must ensure that the toll-free Member Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no more than one percent (1%) of incoming calls receive a busy signal;
3. at least 80% of calls must be answered by Hotline staff within 30 seconds; measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The Member Services Hotline may serve multiple MCO Programs if Hotline staff is knowledgeable about all of the MCO’s Medicaid and/or CHIP Programs. The Member Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all Service Areas, including the Provider Network in each Service Area.

The MCO must monitor its performance regarding HHSC Member Hotline standards and submit performance reports summarizing call center performance for the Member Hotline as indicated in Section 8.1.20 and Uniform Managed Care Manual Chapter 5.4.3, “Hotline Reports.”

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Member Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.5.6.1 Nurseline

If the MCO provides a 24-hour nurse hotline, it must train hotline staff about: a) emergency prescription process and what steps to take to immediately address Medicaid Members’ problems when pharmacies do not provide a 72-hour supply of emergency medicines; and b) DME processes for obtaining services and how to address common problems. The 24-hour Nurse Hotline will attempt to respond immediately to problems concerning emergency medicines by means at its disposal, including explaining the rules to Medicaid Members so that they understand their rights and, if need be, by offering to contact the pharmacy that is refusing to fill the prescription to explain the 72-hour supply policy and DME processes.

8.1.5.7 Member Education

The MCO must, at a minimum, develop and implement health education initiatives that educate Members about:

1. how the MCO system operates, including the role of the PCP;
2. Covered Services, limitations and any Value-added Services offered by the MCO;
3. the value of screening and preventive care, and
4. how to obtain Covered Services, including:
   a. Emergency Services;
   b. accessing OB/GYN and specialty care;
   c. Behavioral Health Services;
   d. Disease Management programs;
   e. Service Coordination, treatment for pregnant women, Members with Special Health Care Needs, including Children with Special Health Care Needs; and other special populations;
   f. Early Childhood Intervention (ECI) Services;
   g. screening and preventive services, including well-child care (Texas Health Steps medical checkups for Medicaid Members);
   h. for CHIP Members, Member copayments responsibilities (note that copayments to do not apply to CHIP Perinates (unborn child) and CHIP Perinate Newborn Members);
   i. for Medicaid Members, Member copayment responsibilities (if HHSC implements Medicaid cost sharing after the Effective Date of the Contract);
   j. suicide prevention;
   k. identification and health education related to Obesity;
   l. obtaining 72 hour supplies of emergency prescriptions from Network pharmacies;
   m. Case Management for Children and Pregnant Women; and
5. Medical Transportation Program for Medicaid Members.

The MCO must provide a range of health promotion and wellness information and activities for Members in formats that meet the needs of all Members. The MCO must propose, implement, and assess innovative Member education strategies for wellness care and immunization, as well as general health promotion and prevention. The MCO must conduct wellness promotion
programs to improve the health status of its Members. The MCO may cooperatively conduct health education classes with one or more of the contracted MCOs in the Service Area. The MCO must work with its Providers to integrate health education, wellness, and prevention training into each Member's care.

The MCO also must provide condition and disease-specific information and educational materials to Members, including information on its Service Management and Disease Management programs as described in Sections 8.1.13 and 8.1.14. Condition- and disease-specific information must be oriented to various groups of Members, such as children, the elderly, persons with disabilities and non-English speaking Members, as appropriate to the MCO's Medicaid or CHIP Programs.

8.1.5.8 Cultural Competency Plan

The MCO must have a comprehensive written Cultural Competency Plan describing how it will ensure culturally competent services, and provide Linguistic Access and Disability-related Access. The Cultural Competency Plan must describe how the individuals and systems within the MCO will effectively provide services to people of all cultures, races, ethnic backgrounds, and religions as well as those with disabilities in a manner that recognizes, values, affirms, and respects the worth of the individuals and protects and preserves the dignity of each. As described in Section 7, “Transition Phase Requirements,” the MCO must submit the Cultural Competency Plan to HHSC during Readiness Review. During the Operations Phase, the MCO must submit modifications and amendments to the Plan to HHSC no later than 30 days prior to implementation of a change. The MCO must also make the Plan available to its Network Providers.

8.1.5.9 Member Complaint and Appeal Process

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Complaints regarding its services, processes, procedures, and staff. The MCO must ensure that Member Complaints are resolved within 30 calendar days after receipt. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of the MCO’s receipt. Please see Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

The MCO must develop, implement and maintain a system for tracking, resolving, and reporting Member Appeals regarding the denial or limited authorization of a requested service, including the type or level of service and the denial, in whole or in part, of payment for service. Within this process, the MCO must respond fully and completely to each Appeal and establish a tracking mechanism to document the status and final disposition of each Appeal.

The MCO must ensure that Member Appeals are resolved within 30 calendar days, unless the MCO can document that the Member requested an extension or the MCO shows there is a need for additional information and the delay is in the Member's interest. The MCO is subject to liquidated damages if at least 98 percent of Member Appeals are not resolved within 30 days of the MCO’s receipt. Please see Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

Medicaid MCOs must follow the Member Complaint and Appeal Process described in Section 8.2.7. CHIP MCOs must comply with the CHIP Complaint and Appeal Process described in Sections 8.4.3.

8.1.6 Marketing and Prohibited Practices

The MCO and its Subcontractors must adhere to the Marketing Policies and Procedures as set forth in Uniform Managed Care Manual Chapter 4.3, “Uniform Managed Care Marketing Policies and Procedures.”

8.1.7 Quality Assessment and Performance Improvement

The MCO must provide for the delivery of quality care with the primary goal of improving the health status of Members and, where the Member’s condition is not amenable to improvement, maintain the Member’s current health status by implementing measures to prevent any further decline in condition or deterioration of health status. The MCO must work in collaboration with Providers to actively improve the quality of care provided to Members, consistent with the Quality Improvement Goals and all other requirements of the Contract. The MCO must provide mechanisms for Members and Providers to offer input into the MCO’s quality improvement activities.
8.1.7.1 QAPI Program Overview

The MCO must develop, maintain, and operate a Quality Assessment and Performance Improvement (QAPI) Program consistent with the Contract and TDI requirements, including 28 T.A.C. §11.1901(a)(5) and §11.1902. Medicaid MCOs must also meet the requirements of 42 C.F.R. §438.240.

The MCO must have on file with HHSC an approved plan describing its QAPI Program, including how the MCO will accomplish the activities required by this section. The MCO must submit a QAPI Program Annual Summary in a format and timeframe specified by HHSC or its designee. The MCO must keep participating physicians and other Network Providers informed about the QAPI Program and related activities. The MCO must include in Provider contracts a requirement securing cooperation with the QAPI.

The MCO must approach all clinical and non-clinical aspects of quality assessment and performance improvement based on principles of Continuous Quality Improvement (CQI)/Total Quality Management (TQM) and must:

1. evaluate performance using objective quality indicators;
2. foster data-driven decision-making;
3. recognize that opportunities for improvement are unlimited;
4. solicit Member and Provider input on performance and QAPI activities;
5. support continuous ongoing measurement of clinical and non-clinical effectiveness and Member satisfaction;
6. support programmatic improvements of clinical and non-clinical processes based on findings from ongoing measurements; and
7. support re-measurement of effectiveness and Member satisfaction, and continued development and implementation of improvement interventions as appropriate.

8.1.7.2 QAPI Program Structure

The MCO must maintain a well-defined QAPI structure that includes a planned systematic approach to improving clinical and non-clinical processes and outcomes. The MCO must designate a senior executive responsible for the QAPI Program and the Medical Director must have substantial involvement in QAPI Program activities. At a minimum, the MCO must ensure that the QAPI Program structure:

1. is organization-wide, with clear lines of accountability within the organization;
2. includes a set of functions, roles, and responsibilities for the oversight of QAPI activities that are clearly defined and assigned to appropriate individuals, including physicians, other clinicians, and non-clinicians;
3. includes annual objectives and/or goals for planned projects or activities including clinical and non-clinical programs or initiatives and measurement activities; and
4. evaluates the effectiveness of clinical and non-clinical initiatives.

8.1.7.3 Clinical Indicators

The MCO must engage in the collection of clinical indicator data. The MCO must use such clinical indicator data in the development, assessment, and modification of its QAPI Program.

8.1.7.4 QAPI Program Subcontracting

If the MCO subcontracts any of the essential functions or reporting requirements contained within the QAPI Program to another entity, the MCO must maintain detailed files documenting work performed by the Subcontractor. The file must be available for review by HHSC or its designee upon request.
8.1.7.5 Behavioral Health Integration into QAPI Program

The MCO must integrate behavioral health into its QAPI Program and include a systematic and ongoing process for monitoring, evaluating, and improving the quality and appropriateness of Behavioral Health Services provided to Members. Except for the Members identified below, the MCO must collect data, and monitor and evaluate for improvements to physical health outcomes resulting from behavioral health integration into the Member’s overall care.

STAR Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program, and Behavioral Health Services are not a covered benefit for CHIP Perinates (unborn children).

8.1.7.6 Clinical Practice Guidelines

The MCO must adopt not less than two (2) evidence-based clinical practice guidelines for each applicable MCO Program. Such practice guidelines must be based on valid and reliable clinical evidence, consider the needs of the MCO’s Members, be adopted in consultation with Network Providers, and be reviewed and updated periodically, as appropriate. The MCO must develop practice guidelines based on the health needs and opportunities for improvement identified as part of the QAPI Program.

The MCO may coordinate the development of clinical practice guidelines with other HHSC MCOs in a Service Area to avoid providers receiving conflicting practice guidelines from different MCOs.

The MCO must disseminate the practice guidelines to all affected Providers and, upon request, to Members and potential Members.

The MCO must take steps to encourage adoption of the guidelines, and to measure compliance with the guidelines, until such point that 90% or more of the Providers are consistently in compliance, based on MCO measurement findings. The MCO must employ substantive Provider motivational incentive strategies, such as financial and non-financial incentives, to improve Provider compliance with clinical practice guidelines. The MCO’s decisions regarding utilization management, Member education, coverage of services, and other areas included in the practice guidelines must be consistent with the MCO’s clinical practice guidelines.

8.1.7.7 Provider Profiling

The MCO must conduct PCP and other Provider profiling activities at least annually. As part of its QAPI Program, the MCO must describe the methodology it uses to identify which and how many Providers to profile and to identify measures to use for profiling such Providers.

Provider profiling activities must include, without limitation:

1. developing PCP and Provider-specific reports that include a multi-dimensional assessment of a PCP or Provider’s performance using clinical, administrative, and Member satisfaction indicators of care that are accurate, measurable, and relevant to the enrolled population;

2. establishing PCP, Provider, group, Service Area or regional Benchmarks for areas profiled, where applicable, including STAR, STAR+PLUS, and CHIP Program-specific Benchmarks, where appropriate; and

3. providing feedback to individual PCPs and Providers regarding the results of their performance and the overall performance of the Provider Network.

8.1.7.8 Network Management

The MCO must:

1. use the results of its Provider profiling activities to identify areas of improvement for individual PCPs and Providers, and/or groups of Providers;

2. establish Provider-specific quality improvement goals for priority areas in which a Provider or Providers do not meet established MCO standards or improvement goals;
3. develop and implement incentives, which may include financial and non-financial incentives, to motivate Providers to improve performance on profiled measures; and

4. at least annually, measure and report to HHSC on the Provider Network and individual Providers’ progress, or lack of progress, towards such improvement goals.

If the MCO implements a physician incentive plan, the plan must comply with the requirements of 42 C.F.R. §438.6(h), §422.208 and §422.210. The MCO cannot make payments under a physician incentive plan if the payments are designed to induce providers to reduce or limit Medically Necessary Covered Services to Members.

If the physician incentive plan places a physician or physician group at a substantial financial risk for services not provided by the physician or physician group, the MCO must ensure adequate stop-loss protection and conduct and submit annual Member surveys no later than five (5) Business Days after the MCO finalizes the survey results (refer to 42 C.F.R. §422.208 for information concerning “substantial financial risk” and “stop-loss protection”).

The MCO must make information regarding physician incentive plans available to Members upon request, in accordance with the Uniform Managed Care Manual’s requirements. The MCO must provide the following information to the Member:

1. whether the Member’s PCP or other Providers are participating in the MCO’s physician incentive plan;
2. whether the MCO uses a physician incentive plan that affects the use of referral services;
3. the type of incentive arrangement; and
4. whether stop-loss protection is provided.

No later than five (5) Business Days prior to implementing or modifying a physician incentive plan, the MCO must provide the following information to HHSC:

1. Whether the physician incentive plan covers services that are not furnished by a physician or physician group. The MCO is only required to report on items 2-4 below if the physician incentive plan covers services that are not furnished by a physician or physician group.
2. The type of incentive arrangement (e.g., withhold, bonus, capitation);
3. The percent of withhold or bonus (if applicable);
4. The panel size, and if patients are pooled, the method used (HHSC approval is required for the method used); and

If the physician or physician group is at substantial financial risk, the MCO must report proof that the physician or group has adequate stop-loss coverage, including the amount and type of stop-loss coverage.

8.1.7.9 Collaboration with the EQRO

The MCO will collaborate with HHSC’s external quality review organization (EQRO) to develop studies, surveys, or other analytical approaches that will be carried out by the EQRO. The purpose of the studies, surveys, or other analytical approaches is to assess the quality of care and service provided to Members and to identify opportunities for MCO improvement. To facilitate this process, the MCO will supply claims data to the EQRO in a format identified by HHSC in consultation with MCOs, and will supply medical records for focused clinical reviews conducted by the EQRO. The MCO must also work collaboratively with HHSC and the EQRO to annually measure selected HEDIS measures that require chart reviews. During the first year of operations, HHSC anticipates that the selected measures will include, at a minimum, well-child visits and immunizations, appropriate use of asthma medications, measures related to Members with diabetes, and control of high blood pressure.

8.1.8 Utilization Management
The MCO must have a written utilization management (UM) program description, which includes, at a minimum:

1. procedures to evaluate the need for Medically Necessary Covered Services;
2. the clinical review criteria used, the information sources, the process used to review and approve the provision of Covered Services;
3. the method for periodically reviewing and amending the UM clinical review criteria; and
4. the staff position functionally responsible for the day-to-day management of the UM function.

The MCO must make best efforts to obtain all necessary information, including pertinent clinical information, and consult with the treating physician as appropriate in making UM determinations. When making UM determinations, the MCO must comply with the requirements of 42 C.F.R. §456.111 (Hospitals) and 42 CFR §456.211 (Mental Hospitals), as applicable.

The MCO must issue coverage determinations, including adverse determinations, according to the following timelines:

1. within three (3) Business Days after receipt of the request for authorization of services;
2. within one (1) Business Day for concurrent Hospitalization decisions; and
3. within one (1) hour for post-stabilization or life-threatening conditions, except that for Emergency Medical Conditions and Emergency Behavioral Health Conditions, the MCO must not require prior authorization.

The MCO’s UM Program must include written policies and procedures to ensure:

1. consistent application of review criteria that are compatible with Members’ needs and situations;
2. determinations to deny or limit services are made by physicians under the direction of the Medical Director;
3. at the HMO’s discretion, pharmacy prior authorization determinations may be made by pharmacists, subject to the limitations described in Attachment A, Section 4.04, “Medical Director;”
4. appropriate personnel are available to respond to utilization review inquiries 8:00 a.m. to 5:00 p.m., Monday through Friday, with a telephone system capable of accepting utilization review inquiries after normal business hours. The MCO must respond to calls within one (1) Business Day;
5. confidentiality of clinical information; and
6. quality is not adversely impacted by financial and reimbursement-related processes and decisions.

For MCOs with preauthorization or concurrent review programs, qualified medical professionals must supervise preauthorization and concurrent review decisions.

The MCO UM Program must include policies and procedures to:

1. routinely assess the effectiveness and the efficiency of the UM Program;
2. evaluate the appropriate use of medical technologies, including medical procedures, drugs and devices;
3. target areas of suspected inappropriate service utilization;
4. detect over- and under-utilization;
5. routinely generate Provider profiles regarding utilization patterns and compliance with utilization review criteria and policies;
6. compare Member and Provider utilization with norms for comparable individuals;
7. routinely monitor inpatient admissions, emergency room use, ancillary, and out-of-area services;

8. ensure that when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by MHMR which are published at: http://www.mhmr.state.tx.us/centraloffice/behavioralhealthservices/RDMClinGuide.html; and

9. refer suspected cases of Network Provider, Out-of-Network provider, or Member Fraud, Abuse, or Waste to the Office of Inspector General (OIG) as required by Section 8.1.19.

8.1.9 Early Childhood Intervention (ECI)

The MCO must ensure that Network Providers are educated regarding the federal laws on child find (e.g., 20 U.S.C. §1435 (a)(5); 34 C.F.R. §303.321(d)) and require Network Providers to identify and refer any Member birth through 35 months of age suspected of having a developmental disability or delay, or who is at risk of delay, to the designated ECI program for screening and assessment within two (2) Business Days from the day the Provider identifies the Member. The MCO must use written educational materials developed or approved by the Department of Assistive and Rehabilitative Services - Division for Early Childhood Intervention Services for these "child find" activities. Eligibility for ECI services will be determined by the local ECI program using the criteria contained in 40 T.A.C. §108.25.

Note that, beginning on Operational Start Date, ECI Providers must submit claims for all physical, occupational, speech, and language therapy to the MCO.

ECI Targeted Case Management services are Non-capitated Services, as described in Section 8.2.2.8.

The MCO must contract with qualified ECI Providers to provide ECI Covered Services to Members birth through 35 months of age who have been determined eligible for ECI services. The MCO must permit Members to self refer to local ECI Service Providers without requiring a referral from the Member's PCP. The MCO's policies and procedures, including its Provider Manual, must include written policies and procedures for allowing such self-referral to ECI providers.

The MCO will implement the Individual Family Service Plan (IFSP) and other services, including ongoing case management and other Covered Services required by the Member's IFSP. Ongoing case management does not include ECI Targeted Case Management services. The IFSP is an agreement developed by the interdisciplinary team that consists of the MCO, ECI Case Manager/Service Coordinator, the Member/family, and other professionals who participated in the Member's evaluation or are providing direct services to the child. The interdisciplinary team may include the Member's Primary Care Physician (PCP) with parental consent. The IFSP identifies the Member's present level of development based on assessment, describes the services to be provided to the child to meet the needs of the child and the family, and identifies the person or persons responsible for each service required by the plan. The IFSP must be maintained by the MCO and, with parental consent, provided to the PCP to enhance coordination of the plan of care. The IFSP may be included in the Member's medical record.

The ECI program includes covering medical diagnostic procedures and providing medical records required to perform developmental assessments and developing the IFSP within the 45-day timeline established in federal rule (34 C.F.R. §303.342(a)). The MCO must require compliance with these requirements through Provider contract provisions. The MCO must not withhold authorization for the provision of such medical diagnostic procedures. The MCO must promptly provide relevant medical records available as needed.

The MCO must require, through contract provisions, that all Medically Necessary health and Behavioral Health Services contained in the Member's IFSP are provided to the Member in the amount, duration, scope and service setting established by the IFSP. The MCO must allow services to be provided by an Out-of-Network provider if a Network Provider is not available to provide the services in the amount, duration, scope and service setting as required by the IFSP. The IFSP will serve as authorization for services and the MCO cannot create unnecessary barriers for the Member to obtain IFSP services, including requiring prior authorization for the ECI assessment or additional authorization for services. For STAR Members in the Dallas Service Area, Behavioral Health Services will be provided through NorthSTAR and will not be included on the IFSP.

8.1.10 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) - Specific Requirements
The MCO must, by contract, require its Providers to coordinate with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to provide medical information necessary for WIC eligibility determinations, such as height, weight, hematocrit or hemoglobin. The MCO must make referrals to WIC for Members who are potentially eligible for WIC. The MCO may use the nutrition education provided by WIC to satisfy certain health education requirements of the Contract.

### 8.1.11 Coordination with Texas Department of Family and Protective Services

The MCO must cooperate and coordinate with the Texas Department of Family and Protective Services (TDFPS) for the care of a child who is receiving services from or has been placed in the conservatorship of TDFPS.

The MCO must comply with all provisions related to Covered Services, including Behavioral Health Services, in the following documents:

1. a court order (Order) entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS;
2. a TDFPS Service Plan entered by a Court of Continuing Jurisdiction placing a child under the protective custody of TDFPS; and
3. a TDFPS Service Plan voluntarily entered into by the parents or person having legal custody of a Member and TDFPS.

The MCO cannot deny, reduce, or controvert the Medical Necessity of any health or Behavioral Health Services included in the above-referenced Orders of TDFPS Service Plans. The MCO may participate in the preparation of the medical and behavioral care plan prior to TDFPS submitting the health care plan to the Court. Any modification or termination of court-ordered services must be presented and approved by the court having jurisdiction over the matter.

A Member or the parent or guardian whose rights are subject to an Order or TDFPS Service Plan cannot use the MCO’s Complaint or Appeal processes, or the HHSC Fair Hearing process to Appeal the necessity of the Covered Services.

The MCO must include information in its Provider Manuals and training materials regarding:

1. providing medical records to TDFPS;
2. scheduling medical and Behavioral Health Services appointments within 14 days unless requested earlier by TDFPS; and
3. recognition of abuse and neglect, and appropriate referral to TDFPS.

The MCO must continue to provide all Covered Services to a Member receiving services from, or in the protective custody of, TDFPS until the Member has been (1) disenrolled from the MCO due to loss of Medicaid managed care eligibility; or (2) enrolled in STAR Health, HHSC’s managed care program for children in foster care.

### 8.1.12 Services for People with Special Health Care Needs

#### 8.1.12.1 Identification

The MCO must develop and maintain a system and procedures for identifying Members with Special Health Care Needs (MSHCN), including people with disabilities or chronic or complex medical and behavioral health conditions and Children with Special Health Care Needs (CSHCN). The MCO must contact Members pre-screened by the HHSC Administrative Services Contractor as MSHCN to determine whether they meet the MCO’s MSHCN assessment criteria, and to determine whether the Member requires special services described in this section. The MCO must implement mechanisms to assess each Member that has been prescreened by the Administrative Services Contractor, or identified by the MCO as having special health care needs, in order to identify ongoing special conditions requiring a course of treatment or regular care monitoring. The MCO’s assessment mechanisms must use appropriate health care professionals.
The MCO must provide information to the HHSC Administrative Services Contractor that identifies Members who the MCO has assessed to be MSHCN, including any Members pre-screened by the HHSC Administrative Services Contractor and confirmed by the MCO as a MSHCN. The information must be provided in a format and on a timeline as determined by HHSC. The information must be updated with newly identified MSHCN by the 10th day of each month. In the event that a MSHCN changes MCOs, the MCO must provide the receiving MCO information concerning the results of the MCO’s identification and assessment of that Member’s needs to prevent duplication of those activities.

8.1.12.2 Access to Care and Service Management

Once identified, the MCO must have effective systems to ensure the provision of Covered Services to meet the special preventive, primary Acute Care, and specialty health care needs appropriate for treatment of a Member’s condition(s). All STAR+PLUS Members are considered to be MSHCN. The MCO must provide access to identified PCPs and specialty care Providers with experience serving MSHCN. Such Providers must be board-qualified or board-eligible in their specialty. The MCO may request exceptions from HHSC for approval of traditional providers who are not board-qualified or board-eligible but who otherwise meet the MCO’s credentialing requirements.

For services to CSHCN, the MCO must have Network PCPs and specialty care Providers that have demonstrated experience with CSHCN in pediatric specialty centers such as children's Hospitals, teaching Hospitals, and tertiary care centers.

The MCO is responsible for working with MSHCN, their health care providers, their families and, if applicable, legal guardians to develop a seamless package of care in which primary, Acute Care, and specialty service needs are met through a Service Plan that is understandable to the Member, and his or her representatives.

The Service Plan includes, but is not limited to, the following:

1. the Member's history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide the services.

The Service Plan should incorporate as a component of the plan the Individual Family Service Plan (IFSP) for members in the Early Childhood Intervention (ECI) Program. The Service Plan may include information regarding non-covered services, such as Non-Capitated Services (see below), community and other resources, and information on how to access affordable, integrated housing.

The MCO is responsible for providing Service Management, developing a Service Plan, and ensuring MSHCN, including CSHCN, have access to treatment by a multidisciplinary team when the Member’s PCP determines the treatment is Medically Necessary, or to avoid separate and fragmented evaluations and service plans. The team must include both physician and non-physician providers that the PCP determines are necessary for the comprehensive treatment of the Member. The team must:

1. participate in Hospital discharge planning;
2. participate in pre-admission Hospital planning for non-emergency Hospitalizations;
3. develop specialty care and support service recommendations to be incorporated into the Service Plan; and
4. provide information to the Member, or when applicable, the Member’s representatives concerning the specialty care recommendations.

MSHCN, their families, legal guardians, or their health providers may request Service Management from the MCO. The MCO must make an assessment of whether Service Management is needed and furnish Service Management when appropriate. The MCO may also recommend to an MSHCN, CSHCN, or their families or legal guardians that Service Management be furnished if the MCO determines that Service Management would benefit the Member.

The MCO must provide information and education in its Member Handbook and Provider Manual about the care and treatment available in the MCO's plan for Members with Special Health Care Needs, including the availability of Service Management.

The MCO must have a mechanism in place to allow Members with Special Health Care Needs to have direct access to a specialist as appropriate for the Member's condition and identified needs, such as a standing referral to a specialty physician. The MCO must also provide MSHCN with access to non-primary care physician specialists as PCPs, as required by 28 T.A.C.
§11.900, and Section 8.1.4.2, Primary Care Providers.

The MCO must implement a systematic process to coordinate Non-capitated Services, and enlist the involvement of community organizations that may not be providing Covered Services but are otherwise important to the health and wellbeing of Members. The MCO also must make a best effort to establish relationships with State and local programs and community organizations, such as those listed below, in order to make referrals for MSHCN and other Members who need community services:

1. Community Resource Coordination Groups (CRCGs);
2. Early Childhood Intervention (ECI) Program;
3. local school districts (Special Education);
4. Health and Human Services Commission's Medical Transportation Program (MTP);
5. Texas Department of Assistive and Rehabilitative Services (DARS) Blind Children's Vocational Discovery and Development Program;
6. Texas Department of State Health (DSHS) services, including community mental health programs, Title V Maternal and Child Health, Children with Special Health Care Needs (CSHCN) Programs;
7. other state and local agencies and programs such as food stamps, and the Women, Infants, and Children's (WIC) Program, and Case Management for Children and Pregnant Women; and
8. civic and religious organizations and consumer and advocacy groups, such as United Cerebral Palsy, which also work on behalf of the MSHCN population.

8.1.13 Service Management for Certain Populations

The MCO must have service management programs and procedures for the following populations, as applicable to the MCO:

1. high-cost catastrophic cases;
2. women with high-risk pregnancies (STAR and STAR+PLUS Programs only);
3. individuals with mental illness and co-occurring substance abuse; and
4. Farmworker Children (FWC) (STAR and STAR+PLUS Programs only).

8.1.14 Disease Management (DM)

The MCO must provide or arrange the provision of comprehensive disease management (DM) programs consistent with state and federal statutes and regulations. The program design of these DM programs must focus on the whole person, typically high-risk enrollees with complex chronic or co-morbid conditions rather than traditionally-designed programs with restricted diagnoses or disease silos. These programs must identify enrollees at highest risk of utilization of medical services, tailor interventions to better meet enrollees' needs, encourage provider input in care plan development, and apply clinical evidence-based practice protocols for individualized care.

MCOs must focus their DM programs on 3 main components:

• client self-management;
• provider practice/delivery system design; and
• technological support.

Under client self-management, a client becomes an informed and active participant in the management of physical and mental health conditions and co-morbidities. Under the provider practice/delivery system design approach, medical home providers take an active role in helping their patients make informed healthcare decisions. Technology, such as the use of predictive modeling, helps identify potential program patients and providers.
The disease management requirements do not apply to Dual Eligible Members or CHIP Perinate Members.

8.1.14.1 DM and Participating Providers

At a minimum, the MCO must:

1. implement a system for Providers to request specific DM interventions;
2. give Providers information, including differences between recommended prevention and treatment and actual care received by Members enrolled in a DM program, and information concerning such Members' adherence to a service plan; and
3. for Members enrolled in a DM program, provide reports on changes in a Member's health status to his or her PCP.

8.1.14.2 MCO DM Evaluation

HHSC or its EQRO will evaluate the MCO’s DM program.

8.1.15 Behavioral Health (BH) Network and Services

The requirements in this subsection pertain to all MCOs except: (1) the STAR MCOs in the Dallas Service Area, whose Members receive Behavioral Health Services through the NorthSTAR Program, and (2) the CHIP Perinatal Program MCOs with respect to their Perinate Members (unborn children).

The MCO must provide, or arrange to have provided, to Members all Medically Necessary Behavioral Health (BH) Services as described in Attachments B-2, “STAR Covered Services,” B-2.1, “CHIP Covered Services,” and B-2.2, “STAR+PLUS Covered Services,” All BH Services must comply with the access standards included in Section 8.1.3. For Medicaid MCOs, BH Services are described in more detail in the Texas Medicaid Provider Procedures Manual and the Texas Medicaid Bulletins. When assessing Members for BH Services, the MCO and its Network Behavioral Health Service Providers must use the DSM-IV multi-axial classification. HHSC may require use of other assessment instrument/outcome measures in addition to the DSM-IV. Providers must document DSM-IV and assessment/outcome information in the Member’s medical record.

8.1.15.1 BH Provider Network

The MCO must maintain a Behavioral Health Services Provider Network that includes psychiatrists, psychologists, and other Behavioral Health Service Providers. To ensure accessibility and availability of qualified Providers to all Members in the Service Area, the Provider Network must include Behavioral Health Service Providers with experience serving special populations among the MCO Program(s)’ enrolled population, including, as applicable, children and adolescents, persons with disabilities, the elderly, and cultural or linguistic minorities.

8.1.15.2 Member Education and Self-referral for Behavioral Health Services

The MCO must maintain a Member education process to help Members know where and how to obtain Behavioral Health Services.

The MCO must permit Members to self refer to any Network Behavioral Health Services Provider without a referral from the Member’s PCP. The MCOs’ policies and procedures, including its Provider Manual, must include written policies and procedures for allowing such self-referral to Behavioral Health Services.

The MCO must permit Members to participate in the selection of the appropriate behavioral health providers, and must provide the Member with information on accessible Network Providers with relevant experience.

8.1.15.3 Behavioral Health Services Hotline
This Section includes Member Hotline requirements. Requirements for Provider Hotlines are found in Section 8.1.4.7.

The MCO must have an emergency and crisis Behavioral Health Services Hotline staffed by trained personnel 24 hours a day, seven (7) days a week, toll-free throughout the Service Area. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess Behavioral Health emergencies. Emergency and crisis Behavioral Health Services may be arranged through mobile crisis teams. It is not acceptable for an emergency intake line to be answered by an answering machine.

The MCO must operate a toll-free hotline as described in Section 8.1.5.6 to handle Behavioral Health-related calls. The MCO may operate one hotline to handle emergency and crisis calls and routine Member calls. The MCO cannot impose maximum call duration limits and must allow calls to be of sufficient length to ensure adequate information is provided to the Member. Hotline services must meet Cultural Competency requirements and provide linguistic access to all Members, including the interpreters required for effective communication.

The Behavioral Health Services Hotline may serve multiple MCO Programs if the Hotline staff is knowledgeable about all of the MCO Programs. The Behavioral Health Services Hotline may serve multiple Service Areas if the Hotline staff is knowledgeable about all such Service Areas, including the Behavioral Health Provider Network in each Service Area. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for all MCO Programs and Service Areas:

1. 99% of calls are answered by the fourth ring or an automated call pick-up system;
2. no incoming calls receive a busy signal;
3. at least 80% of calls must be answered by toll-free line staff within 30 seconds measured from the time the call is placed in queue after selecting an option;
4. the call abandonment rate is seven percent (7%) or less; and
5. the average hold time is two (2) minutes or less.

The MCO must conduct ongoing quality assurance to ensure these standards are met.

The MCO must monitor the MCO’s performance against the Behavioral Health Services Hotline standards and submit performance reports summarizing call center performance as indicated in Section 8.1.20 and the Uniform Managed Care Manual.

As a component of quality monitoring, HHSC may require the MCO to implement a system where callers are given the option of participating in an automated survey at the end of a call.

If HHSC determines that it is necessary to conduct onsite monitoring of the MCO’s Behavioral Health Services Hotline functions, the MCO is responsible for all reasonable travel costs incurred by HHSC or its authorized agent(s) relating to such monitoring. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking and other incidental travel expenses incurred by HHSC or its authorized agent in connection with the onsite monitoring.

8.1.15.4 Coordination between the BH Provider and the PCP

The MCO must require, through Provider contract provisions, that PCPs have screening and evaluation procedures for the detection and treatment of, or referral for, any known or suspected Behavioral Health problems and disorders. PCPs may provide any clinically appropriate Behavioral Health Services within the scope of their practice.

The MCO must provide training to Network PCPs on how to screen for and identify behavioral health disorders, the MCO’s referral process for Behavioral Health Services, and clinical coordination requirements for such services. The MCO must include training on coordination and quality of care such as behavioral health screening techniques for PCPs and new models of behavioral health interventions.

The MCO must develop and disseminate policies regarding clinical coordination between Behavioral Health Service Providers and PCPs. The MCO must require that Behavioral Health Service Providers refer Members with known or suspected and
untreated physical health problems or disorders to their PCP for examination and treatment, with the Member’s or the Member’s legal guardian’s consent. Behavioral Health Providers may only provide physical Health Care Services if they are licensed to do so. This requirement must be specified in all Provider Manuals.

The MCO must require that behavioral health Providers send initial and quarterly (or more frequently if clinically indicated) summary reports of a Members’ behavioral health status to the PCP, with the Member’s or the Member’s legal guardian’s consent. This requirement must be specified in all Provider Manuals.

8.1.15.5 Follow-up after Hospitalization for Behavioral Health Services

The MCO must require, through Provider contract provisions, that all Members receiving inpatient psychiatric services are scheduled for outpatient follow-up and/or continuing treatment prior to discharge. The outpatient treatment must occur within seven (7) days from the date of discharge. The MCO must ensure that Behavioral Health Service Providers contact Members who have missed appointments within 24 hours to reschedule appointments.

8.1.15.6 Chemical Dependency

The MCO must comply with 28 T.A.C. §3.8001 et seq., regarding utilization review for Chemical Dependency Treatment. Chemical Dependency Treatment must comply with the standards set forth in 28 T.A.C. Part 1, Chapter 3, Subchapter HH.

8.1.15.7 Court-Ordered Services

“Court-Ordered Commitment” means a commitment of a Member to a psychiatric facility for treatment that is ordered by a court of law pursuant to the Texas Health and Safety Code, Title VII, Subtitle C.

The MCO must provide inpatient psychiatric services to Members birth through age 20, up to the annual limit, who have been ordered to receive the services by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to Court-Ordered Commitments to psychiatric facilities. The MCO is not obligated to cover placements as a condition of probation, authorized by the Texas Family Code. The MCO cannot deny, reduce or controvert the Medical Necessity of inpatient psychiatric services provided pursuant to a Court-ordered Commitment for Members birth through age 20. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination.

A Member who has been ordered to receive treatment under the provisions of Chapter 573 or 574 of the Texas Health and Safety Code can only Appeal the commitment through the court system.

8.1.15.8 Local Mental Health Authority (LMHA)

The MCO must coordinate with the Local Mental Health Authority (LMHA) and state psychiatric facility regarding admission and discharge planning, treatment objectives and projected length of stay for Members committed by a court of law to the state psychiatric facility.

Medicaid MCOs are required to comply with additional Behavioral Health Services requirements relating to coordination with the LMHA and care for special populations. These Medicaid MCO requirements are described in Section 8.2.8.

8.1.16 Financial Requirements for Covered Services

The MCO must pay for or reimburse Providers for all Medically Necessary Covered Services provided to all Members. STAR+PLUS MCOs must also provide Functionally Necessary Community Long-term Services and Supports to Members. The MCO is not liable for cost incurred in connection with health care rendered prior to the date of the Member’s Effective Date of Coverage in that MCO.

Coverage under Medicaid and CHIP is secondary to all other insurance coverage. A Member may receive collateral health benefits under a different type of insurance such as workers compensation or personal injury protection under an automobile policy. If a Member is entitled to coverage for specific services payable under another insurance plan and the MCO paid for such Covered Services, the MCO may obtain reimbursement from the responsible insurance entity not to exceed 100% of the
8.1.17 Accounting and Financial Reporting Requirements

The MCO’s accounting records and supporting information related to all aspects of the Contract must be accumulated in accordance with Federal Acquisition Regulations (“FAR”), Generally Accepted Accounting Principles (GAAP), Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and the cost principles contained in the Cost Principles Document in Uniform Managed Care Manual Chapter 6.1. HHSC will not recognize or pay services that cannot be properly substantiated by the MCO and verified by HHSC.

The MCO must:

1. maintain accounting records for each applicable MCO Program separate and apart from other corporate accounting records;
2. maintain records for all claims payments, refunds and adjustment payments to providers, Capitation Payments, interest income and payments for administrative services or functions and must maintain separate records for medical and administrative fees, charges, and payments;
3. ensure and provide access to HHSC and/or its auditors or agents to the detailed records and supporting documentation for all costs incurred by the MCO. The MCO must ensure such access to its Subcontractors, including Affiliates, for any costs billed to or passed to the MCO with respect to an MCO Program;
4. maintain an accounting system that provides an audit trail containing sufficient financial documentation to allow for the reconciliation of billings, reports, and financial statements with all general ledger accounts; and

The MCO agrees to pay for all reasonable costs incurred by HHSC to perform an examination, review or audit of the MCO’s books relating to this Contract.

8.1.17.1 Financial Reporting Requirements

HHSC will require the MCO to provide financial reports by MCO Program and by Service Area to support Contract monitoring as well as State and Federal reporting requirements. All financial information and reports submitted by the MCO become the property of HHSC. HHSC may, at its discretion, release such information and reports to the public at any time and without notice to the MCO. In accordance with state and federal laws regarding Member confidentiality, HHSC will not release any Member-identifying information contained in such reports.

CHIP Perinatal Program data will be integrated into the CHIP Program financial reports. Except for the Financial Statistical Report, no separate CHIP Perinatal Program reports are required. For all other CHIP financial reports, where appropriate, HHSC will designate specific attributes within the CHIP Program financial reports that CHIP MCOs must complete to allow HHSC to extract financial data particular to the CHIP Perinatal Program.

Any data submitted with respect to the required financial reports or filings that is in PDF (or similar file format such as TIF) must be generated in a text-searchable format.

Due dates, content, and formats for the following deliverables and reports may be referenced herein or in Uniform Managed Care Manual Chapter 5.0 “Consolidated Deliverables Matrix.”

(a) Financial-Statistical Report (FSR) – The MCO must file four (4) quarterly and two (2) annual Financial-Statistical Reports (FSR) for each complete State Fiscal Year, in the format and timeframe specified by HHSC. HHSC will include FSR format and directions in Uniform Managed Care Manual Chapter 5.3.1. The MCO must incorporate financial and statistical data of delegated networks (e.g., IPAs, ANHCs, Limited Provider Networks), if any, in its FSR Reports. The FSR is one (1) of the primary financial reports used by HHSC to monitor Contract financial results. It is a modified (HHSC-defined) form of an income statement, with some other elements added. Not all expenses incurred may be included on the FSR.

All amounts reported in the FSRs must be reported in accordance with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.” Each FSR must provide amounts by month, with a year-to-date total (based on the SFY, or other...
Contract period as designated by HHSC). Each successive FSR will show the most current amounts for each month in the SFY; thus, a given month’s amount may change in future FSRs as more claims run-out is experienced for the month. Quarterly FSRs are generally due 30 days after the end of each State Fiscal Quarter. The MCO must transmit these reports electronically, in a locked MS Excel file.

After the 4th Quarter FSR, the first annual FSR for a given SFY (the “90-day FSR”) must reflect claims run-out and accruals through the 90th calendar day after the end of the Contract Year. This report must be filed on or before the 120th calendar day after the end of the Contract Period. If the MCO has made a pre-tax profit in excess of the thresholds as established in the Contract with respect to the Experience Rebate, then a payment for any amounts to be refunded to HHSC is due in conjunction with filing the 90-day FSR. The second annual report for a given SFY (the “334-day FSR”) must reflect data completed through the 334th calendar day after the end of the Contract Period, and must be filed on or before the 365th calendar day following the end of the Contract Period. The 334-day FSR is routinely audited by HHSC and/or its independent auditors.

HHSC will post all or part of an FSR on the HHSC website.

As set forth above, CHIP MCOs are required to submit separate FSRs for the CHIP Perinatal Program, in accordance with Uniform Managed Care Manual Chapters 5.3.1.7 and 5.3.1.8.

(b) **Delivery Supplemental Payment (DSP) Report** - The MCO must submit a monthly DSP Report in accordance with Uniform Managed Care Manual Chapter 5.3.5. The Report must include only unduplicated deliveries and only deliveries for which the MCO has made a payment to either a Hospital or other provider.

(c) **Claims Lag Report** - The MCO must submit a Claims Lag Report on a quarterly basis, by the last day of the month following the reporting period. The report must disclose the amount of incurred claims each month and the amount paid each month, on a contract-to-date basis. The report must be submitted in accordance with Uniform Managed Care Manual Chapter 5.6.2.

(d) **Third Party Liability and Recovery (TPL/TPR) Report** – The MCO must file TPL/TPR Reports in accordance with Uniform Managed Care Manual Chapter 5.3.4. MCOs must submit TPL/TPR reports quarterly, by MCO Program and Service Area. TPL/TPR reports must include total dollars costs avoided, and total dollars recovered from third party payers through the MCO’s coordination of benefits and subrogation efforts during the Quarter.

(e) **Report of Legal and Other Proceedings and Related Events** - The MCO must comply with the Uniform Managed Care Manual Chapter 5.8, regarding the disclosure of certain matters involving either the MCO, its Affiliates, and/or its Material Subcontractors. Reports are due both on an as-occurs basis and annually each August 31st. The as-occurs report is due no later than 30 days after the event that triggered the notification requirement.

(f) **Audit Reports** - The MCO must comply with the Uniform Managed Care Manual Chapter 5.3.11 regarding notification and/or submission of certain internal and external audit reports.

(g) **Affiliate Report** – The MCO must submit an Affiliate Report on an as-occurs basis and annually by August 31st of each year in accordance with the Uniform Managed Care Manual. The “as-occurs” update is due within 30 days of the event that triggered the change. Note that “Affiliate” is a defined term (see Attachment A, "Uniform Managed Care Contract Terms and Conditions").

(h) **MCO Disclosure Report** - The MCO must file:

1. an updated MCO Disclosure Report September 1st of each Contract Year; and
2. a “change notification” abbreviated version of the report, no later than 30 days after any of the following events:
   a. entering into, renewing, modifying, or terminating a relationship with an affiliated party;
   b. after any change in control, ownership, or affiliations; or,
   c. after any material change in, or need for addition to, the information previously disclosed.

The MCO Disclosure Report will include, at a minimum, a listing of the MCO’s control, ownership, and any affiliations, and
information regarding Affiliate transactions. This report will replace, and be in lieu of, the former “Section 1318 Financial Disclosure Report” and the “Form CMS 1513,” and will disclose the same information, plus other information as may be required by HHSC and/or CMS Program Integrity requirements. Minor quarterly adjustments in stock holdings for publicly-traded corporations are excluded from the reporting requirements. The reporting format will be included in the Uniform Managed Care Manual. Until the reporting format is included in the Uniform Managed Care Manual, the MCO will report the information described herein on CMS 1513 form.

(i) TDI Filings – The MCO must provide HHSC with a copy of the following information no later than 30 calendar days after the MCO’s submission to TDI:

1. the “Health Annual Statement” and the “Annual Audited Financial Report” including all schedules, attachments, exhibits, supplements, management discussion, supplemental filings, etc., and any other annual financial filings (including any filings that may take the place of the above-named annual financial filings, and any financial filings that occur less frequently than on a quarterly basis);
2. the annual figures for controlled risk-based capital; and
3. the quarterly financial statements.

Additionally, if the MCO is a foreign carrier (i.e., domiciled in another state), copies of any filings with the National Association of Insurance Commissioners (NAIC), as well as the financial statements filed with the state insurance department in its state of domicile, must be submitted to HHSC no later than 30 calendar days after submission to NAIC or the state of domicile.

Notwithstanding the 30 calendar day deadlines described above, the MCO must notify HHSC if it cannot provide the most recent Annual Statements by March 31st each year, and the Annual Audited Financial Report by June 30th each year. The notice should include an expected submission date.

(j) Registration Statement (also known as the “Form B”) –
With the following exceptions, MCOs must submit a complete state insurance department registration statement, also known as Form B, and all annual and other amendments to this form, and any other related or similar information filed by the MCO with the insurance regulatory authority of its domiciliary jurisdiction. The exceptions to this requirement are those MCOs that are either (i) part of a County Hospital District or other governmental entity, or (ii) a stand-alone entity with no parent or other Affiliates. If the MCO is excepted from the TDI Form B filing requirement, the MCO must demonstrate this and explain the nature of the exemption.

The Form B is filed in three (3) forms: (i) the initial registration; (ii) the annual amendment; and (iii) the every-five-years complete restatement of registration. For purposes herein, the MCO must submit:

1. the complete registration restatement that was due to TDI by approximately May 2010;
2. each annual registration amendment form (which is due to TDI within 120 days of the end of the MCO’s parent’s fiscal year), commencing with the most recent one that the MCO has filed after May 2010;
3. future complete five-year registration re-statements (the first of which will be due to TDI by approximately May 2015); and
4. any other registration statement amendments or re-statements that may be submitted to TDI, per TDI regulations.

If the MCO was not yet subject to TDI requirements with respect to the May 2010 registration re-statement, it must submit its initial registration.

If the MCO anticipates that the registration statement annual amendment form will be filed at some other date than approximately 120 days after the end of the parent’s fiscal year, then the MCO must notify HHSC of the anticipated filing date.

All registration statement submission items herein are due to HHSC by the later of: (i) 30 calendar days after the MCO’s submission of the item to TDI, or (ii) the date identified in this section.
(k) **TDI Examination Report** - The MCO must furnish HHSC with a full and complete copy of any examination report issued by TDI, including the financial, market conduct, target exam, quality of care components, and corrective action plans and responses. The MCO must submit this information to HHSC no later than 30 calendar days after the MCO receives the final version of the examination report from TDI.

The MCO must furnish HHSC with a copy of any similar examination report issued by a state insurance department in any other states where the MCO operates a Medicaid, CHIP, or other managed care product. These reports are also due no later than 30 calendar days after the MCO receives the final version of the examination report.

Each September 1st, the MCO must notify HHSC of the anticipated date of the next issuance of a state department of insurance financial examination report, unless the last submitted financial examination report is less than two (2) years old. This annual notification should include a list of any other states in which the MCO is potentially subject to such examination reports, or a statement that there are no other states.

(l) **Employee Bonus and/or Incentive Payment Plan** – If a MCO intends to include Employee Bonus or Incentive Payments as allowable administrative expenses, the MCO must furnish a written Employee Bonus and/or Incentive Payments Plan to HHSC. The written plan must include a description of the MCO’s criteria for establishing bonus and/or incentive payments, the methodology to calculate bonus and/or incentive payments, and the timing of bonus and/or incentive payments. The Bonus and/or Incentive Payment Plan and description must be submitted during the Transition Phase, no later than 30 days after the Effective Date of the Contract. If the MCO substantively revises the Employee Bonus and/or Incentive Payment Plan, the MCO must submit the revised plan to HHSC at least 30 days in advance of its effective date.

HHSC reserves the right to disallow all or part of a plan that it deems inappropriate. Any such payments are subject to audit, and must comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses.”

(m) **Filings with other entities, and other existing financial reports** – The MCO must submit an electronic copy of the following reports or filings pertaining to the MCO, or its parent, or its parent’s parent:

1. **SEC Form 10-K**. For publicly-traded (stock-exchange-listed) for-profit corporations, submit the most-recent annual SEC Form 10K filing.

2. **IRS Form 990**. For nonprofit entities, submit the most recent annual IRS Form 990 filing, complete with any and all attachments or schedules. If a nonprofit entity is exempt from the IRS 990 filing requirement, demonstrate this and explain the nature of the exemption.

3. If the MCO is a nonprofit entity that is a component or subsidiary of a County Hospital District, or otherwise an entity of a government, then submit the annual financial statements as prepared under the relevant rules or statutes governing annual financial reporting and disclosure for the MCO and/or its parent, including all attachments, schedules, and supplements.

4. **Annual Report**. The MCO must submit this report if it is different than or supplementary to the audited financial statements or Form 10-K required herein, and if it is distributed to either shareholders, customers, employees, owner(s), parent, bank or creditor(s), donors, the community, or to any regulatory body or constituents, or is otherwise externally distributed or posted.

5. **Bond or debt rating analysis**. If the MCO or its ultimate parent has been the subject of any bond rating analysis, ratings affirmation, write-up, or related report, such as by AM Best, Fitch Ratings, Moody’s, Standard & Poor, etc., submit the most recent complete detailed report from each rating entity that has produced such a report.

All of the above such reports or filings are due to HHSC no later than 30 calendar days after such report is filed or otherwise initially distributed. Each report should include all exhibits, attachments, notes, supplemental data, management letters, auditor letters, etc., and any updates, revisions, clarifications, or supplemental filings. If the reporting entity has a regular required due date for any of the above reports, and receives an extension on the filing deadline, then the MCO should notify HHSC of any such extension and the estimated revised filing date.

### 8.1.18 Management Information System Requirements

The MCO must maintain a Management Information System (MIS) that supports all functions of the MCO’s processes and
procedures for the flow and use of MCO data. If the MCO subcontracts a MIS function, the Subcontractor’s MIS must comply with the requirements of this section.

The MCO must have hardware, software, and a network and communications system with the capability and capacity to handle and operate all MIS subsystems for the following operational and administrative areas:

1. Enrollment/Eligibility Subsystem;
2. Provider Subsystem;
3. Encounter/Claims Processing Subsystem;
4. Financial Subsystem;
5. Utilization/Quality Improvement Subsystem;
6. Reporting Subsystem;
7. Interface Subsystem; and
8. TPL/TPR Subsystem, as applicable to each MCO Program.

The MIS must enable the MCO to meet the Contract requirements, including all applicable state and federal laws, rules, and regulations. The MIS must have the capacity and capability to capture and utilize various data elements required for MCO administration.

The MCO must have a system that can be adapted to changes in Business Practices/Policies within the timeframes negotiated by the Parties. The MCO is expected to cover the cost of such systems modifications over the life of the Contract.

The MCO is required to participate in the HHSC Systems Work Group.

The MCO must provide HHSC written notice of major systems changes and implementations no later than 180 days prior to the planned change or implementation, including any changes relating to Material Subcontractors, in accordance with the requirements of this Contract and Attachment A, "Uniform Managed Care Contract Terms and Conditions." HHSC retains the right to modify or waive the notification requirement contingent upon the nature of the request from the MCO.

The MCO must provide HHSC any updates to the MCO’s organizational chart relating to MIS and the description of MIS responsibilities at least 30 days prior to the effective date of the change. The MCO must provide HHSC official points of contact for MIS issues on an ongoing basis.

HHSC, or its agent, may conduct a Systems Readiness Review to validate the MCO’s ability to meet the MIS requirements as described in Section 7, “Transition Phase Requirements.” The System Readiness Review may include a desk review and/or an onsite review and must be conducted for the following events:

1. a new plan is brought into the MCO Program;
2. an existing plan begins business in a new Service Area or a Service Area expansion;
3. an existing plan changes location;
4. an existing plan changes its processing system, including changes in Material Subcontractors performing MIS or claims processing functions; and
5. an existing plan in one (1) or two (2) HHSC MCO Programs is initiating a Contract to participate in any additional MCO Programs.

If HHSC determines that it is necessary to conduct an onsite review, the MCO is responsible for all reasonable travel costs associated with such onsite reviews. For purposes of this section, “reasonable travel costs” include airfare, lodging, meals, car rental and fuel, taxi, mileage, parking, and other incidental travel expenses incurred by HHSC or its authorized agent in
connection with the onsite reviews. This provision does not limit HHSC’s ability to collect other costs as damages in accordance with Attachment A, Section 12.02(e), “Damages.”

If for any reason an MCO does not fully meet the MIS requirements, then the MCO must, upon request by HHSC, either correct such deficiency or submit to HHSC a Corrective Action Plan and Risk Mitigation Plan to address such deficiency. Immediately upon identifying a deficiency, HHSC may impose contractual remedies according to the severity of the deficiency. Refer to Attachment A, “Uniform Managed Care Contract Terms and Conditions,” Article 12 and Attachment B-3, “Deliverables/Liquidated Damages Matrix,” for additional information regarding remedies and damages. Refer to Section 7, “Transition Phase Requirements,” and Section 8.1.1.2, “Additional Readiness Reviews and Monitoring Efforts,” for additional information regarding MCO Readiness Reviews. Refer to Attachment A, "Uniform Managed Care Contract Terms and Conditions," Section 4.08(c) for information regarding Readiness Reviews of the MCO’s Material Subcontractors.

8.1.18.1 Encounter Data

The MCO must provide complete Encounter Data for all Covered Services, including Value-added Services. Encounter Data must follow the format and data elements as described in the HIPAA-compliant 837 Companion Guides and Encounter Submission Guidelines. HHSC will specify the method of transmission, the submission schedule, and any other requirements in Uniform Managed Care Manual Chapter 5.0, “Consolidated Deliverables Matrix.” The MCO must submit Encounter Data transmissions at least monthly, and include all Encounter Data and Encounter Data adjustments processed by the MCO. In addition, Pharmacy Encounter Data must be submitted no later than 25 calendar days after the date of adjudication and include all Encounter Data and Encounter Data adjustments processed by the MCO. Encounter Data quality validation must incorporate assessment standards developed jointly by the MCO and HHSC. The MCO must submit complete and accurate Encounter Data not later than the 30th calendar day after the last day of the month in which the claim was adjudicated. The MCO must make original records available for inspection by HHSC for validation purposes. Encounter Data that does not meet quality standards must be corrected and returned within a time period specified by HHSC.

For reporting claims processed by the MCO and submitted on Encounter 837 and NCPDP format, the MCO must use the procedure codes, diagnosis codes, provider identifiers, and other codes as directed by HHSC. Any exceptions will be considered on a code-by-code basis after HHSC receives written notice from the MCO requesting an exception.

8.1.18.2 MCO Deliverables related to MIS Requirements

At the beginning of each State Fiscal Year, the MCO must submit the following documents and corresponding checklists for HHSC’s review and approval:

1. Disaster Recovery Plan;*
2. Business Continuity Plan;* and

* The Business Continuity Plan and the Disaster Recovery Plan may be combined into one document.

Additionally, at the beginning of each State Fiscal Year, if the MCO modifies the following documents, it must submit the revised documents and corresponding checklists for HHSC’s review and approval:

1. Joint Interface Plan;
2. Risk Management Plan; and

The MCO must submit plans and checklists in accordance with the Uniform Managed Care Manual Chapter 5.2, “Information Concerning MIS Deliverables;” Chapter 7, “Management Information Systems;” and Chapter 5.0, “Consolidated Deliverables Matrix.” Additionally, if a Systems Readiness Review is triggered by one of the events described in Section 8.1.18, the MCO must submit all of the deliverables identified in this Section 8.1.18.2 in accordance with an HHSC-approved timeline.
The MCO must follow all applicable Joint Interface Plans (JIPs) and all required file submissions for HHSC’s Administrative Services Contractor, External Quality Review Organization (EQRO), and HHSC Medicaid Claims Administrator. The JIPs can be accessed through Uniform Managed Care Manual Chapter 7.1, “Joint Interface Plans (JIP).”

8.1.18.3 System-wide Functions

The MCO’s MIS system must include key business processing functions and/or features, which must apply across all subsystems as follows:

1. process electronic data transmission or media to add, delete or modify membership records with accurate begin and end dates;
2. track Covered Services received by Members through the system, and accurately and fully maintain those Covered Services as HIPAA-compliant Encounter transactions;
3. transmit or transfer Encounter Data transactions on electronic media in the HIPAA format to the contractor designated by HHSC to receive the Encounter Data;
4. maintain a history of changes and adjustments and audit trails for current and retroactive data;
5. maintain procedures and processes for accumulating, archiving, and restoring data in the event of a system or subsystem failure;
6. employ industry standard medical billing taxonomies (procedure codes, diagnosis codes, NDC codes) to describe services delivered and Encounter transactions produced;
7. accommodate the coordination of benefits;
8. produce standard Explanation of Benefits (EOBs) for providers;
9. Pay financial transactions to Network Providers and Out-of-Network providers in compliance with federal and state laws, rules and regulations;
10. ensure that all financial transactions are auditable according to GAAP guidelines;
11. ensure that Financial Statistical Reports (FSRs) comply with Uniform Managed Care Manual Chapter 6.1, “Cost Principles for Expenses,” with respect to segregating costs that are allowable for inclusion in HHSC-designed financial reports;
12. relate and extract data elements to produce report formats (provided within the Uniform Managed Care Manual) or otherwise required by HHSC;
13. ensure that written process and procedures manuals document and describe all manual and automated system procedures and processes for the MIS; and
14. maintain and cross-reference all Member-related information with the most current Medicaid, or CHIP Program Provider number.

8.1.18.4 Health Insurance Portability and Accountability Act (HIPAA) Compliance

The MCO’s MIS system must comply with applicable certificate of coverage and data specification and reporting requirements promulgated pursuant to the Health Insurance Portability and Accountability Act (HIPAA) of 1996, P.L. 104-191 (August 21, 1996), as amended or modified. The MCO must comply with HIPAA Electronic Data Interchange (EDI) requirements, including the HIPAA-compliant format version. MCO’s enrollment files must be in the 834 HIPAA-compliant format. Eligibility inquiries must be in the 270/271 HIPAA-compliant format, with the exception of pharmacy services. Pharmacies may submit eligibility inquiries in the NCPDP E1 HIPAA-compliant format. Claim transactions for pharmacy services must be in the NCPDP B1/B2 HIPAA-compliant formats; all others must be in the 837/835 HIPAA-compliant format.
The MCO must also be 5010 compliant by January 2012. The following website includes the final rules for 5010 Compliancy and ICD-10 Compliancy:

The MCO must provide its Members with a privacy notice as required by HIPAA. The MCO must provide HHSC with a copy of its privacy notice during Readiness Review and any changes to the notice prior to distribution.

8.1.18.5 Claims Processing Requirements

The MCO must process and adjudicate all provider claims for Medically Necessary health care Covered Services that are filed within the timeframes specified in Uniform Managed Care Manual Chapter 2.0, “Claims Manual,” and pharmacy claims in that are filed in accordance with the timeframes specified in Uniform Managed Care Manual Chapter 2.2, “Pharmacy Claims Manual.” The MCO is subject to contractual remedies, including liquidated damages and interest, if the MCO does not process and adjudicate claims in accordance with the procedures and the timeframes listed in Uniform Managed Care Manual Chapters 2.0 and 2.2.

The MCO must administer an effective, accurate, and efficient claims payment process in compliance with federal laws and regulations, applicable state laws and rules, and the Contract, including Uniform Managed Care Manual Chapters 2.0 and 2.2. In addition, a Medicaid MCO must be able to accept and process provider claims in compliance with the Texas Medicaid Provider Procedures Manual and Texas Medicaid Bulletins.

The MCO’s claims system must maintain information at the claim and line detail level. The claims system must maintain adequate audit trails and report accurate claims performance measures to HHSC.

The MCO must maintain an automated claims processing system that registers the date a claim is received by the MCO the detail of each claim transaction (or action) at the time the transaction occurs, and has the capability to report each claim transaction by date and type to include interest payments. The claims system must maintain information at the claim and line detail level. The claims system must maintain accurate audit trails and report accurate claims performance measures to HHSC.

The MCO must offer its Providers/Subcontractors the option of submitting and receiving claims information through electronic data interchange (EDI) that allows for automated processing and adjudication of claims. EDI processing must be offered as an alternative to the filing of paper claims. Electronic claims must use HIPAA-compliant electronic formats.

HHSC reserves the right to require the MCO to receive initial electronic claims through an HHSC-contracted vendor at a future date. This function will allow Providers to send claims to one location, which will then identify where the claim should be submitted. The MCO will be expected to have an interface that allows receipt of these electronic submissions. If HHSC implements this requirement, then the MCO must maintain a mechanism to receive claims in addition to the HHSC claims portal. Providers must be able to send claims directly to the MCO or its Subcontractor.

The MCO must provide a web portal that supports Batch Processing for Network Providers. Batch Processing is a billing technique that uses a single program loading to process many individual jobs, tasks, or requests for service. Specifically in managed care, batch billing is a technique that allows providers to send billing information all at once in a “batch” rather than in separate individual transactions.

The MCO must make an electronic funds transfer (EFT) payment process (for direct deposit) available to Network Providers.

The MCO may deny a claim submitted by a provider for failure to file in a timely manner as provided for in Uniform Managed Care Manual Chapters 2.0 and 2.2. The must not pay any claim submitted by a provider based on an order or referral that excludes the National Provider Identifier (NPI) for the ordering or referring provider. The MCO must not pay any claim submitted by a provider excluded or suspended from the Medicare, Medicaid, or CHIP programs for Fraud, Abuse, or Waste. The MCO must not pay any claim submitted by a Provider that is on payment hold under the authority of HHSC or its authorized agent(s), or who has pending accounts receivable with HHSC.

The MCO’s provider agreement must specify that program violations arising out of performance of the contract are subject to administrative enforcement by the Health and Human Services Commission Office of Inspector General (OIG) as specified in 1 Tex. Admin. Code, Chapter 371, Subchapter G.
The MCO is subject to the requirements related to coordination of benefits for secondary payors in the Texas Insurance Code Section 843.349(e-f).

The MCO must notify HHSC of major claim system changes in writing no later than 180 days prior to implementation. The MCO must provide an implementation plan and schedule of proposed changes. HHSC reserves the right to require a desk or onsite Readiness Review of the changes.

The MCO must make available to Providers claims coding and processing guidelines for the applicable provider type. Providers must receive 90 days notice prior to the MCO’s implementation of changes to claims guidelines.

8.1.18.6 National Correct Coding Initiative

MCOs must comply with the requirements of Section 6507 of the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), regarding “Mandatory State Use of National Correct Coding Initiatives,” including all applicable rules, regulations, and methodologies implemented as a result of this initiative.

8.1.19 Fraud and Abuse

A MCO is subject to all state and federal laws and regulations relating to Fraud, Abuse, and Waste in health care and the Medicaid and CHIP programs. The MCO must cooperate and assist HHSC and any state or federal agency charged with the duty of identifying, investigating, sanctioning or prosecuting suspected Fraud, Abuse or Waste. In order to facilitate cooperation with the Office of Inspector General (OIG) at HHSC, the MCO must have staff available for Special Investigative Unit (SIU) representation located in the state. The MCO must allow access to premises and provide originals and/or copies of all records and information requested free of charge to the Inspector General for the Texas Health and Human Services System, HHSC or its authorized agent(s), the Centers for Medicare and Medicaid Services (CMS), the U.S. Department of Health and Human Services (DHHS), Federal Bureau of Investigation, the Office of the Attorney General, TDI, or other units of state government.

Each MCO must designate one primary and one secondary contact person for all HHSC OIG records requests. HHSC OIG records requests will be sent to the designated MCO contact person(s) in writing via email, fax or regular mail, and will provide the specifics of the information being requested (see below). The MCO will respond to the appropriate HHSC OIG staff member within the timeframe designated in the request. If the MCO is unable to provide all of the requested information with in the designated timeframe, an extension may be granted and must be request in writing (email) by the MCO no less than two (2) Business Days prior to the due date. When a request for data is provided to the MCO, the MCO's response must include data for all data fields, as available. If any data field is left blank, an explanation must accompany the response. The data must be provided in the order and format requested. The MCO must not include any additional data fields in its response. All requested information must be accompanied by a notarized Business Records Affidavit unless indicated otherwise in HHSC OIG's request.

The most common requests will include:

- 1099 data and other financial information - three (3) Business Days.
- Claims data for sampling - 5 Business Days.
- Urgent claims data requests - three (3) Business Days (with OIG manager's approval).
- Provider education information - 10 Business Days.
- Files associated with an HMO conducted investigation - 15 Business Days.
- Other time-sensitive requests - as needed.

The MCO must submit a written Fraud and Abuse compliance plan to the HHSC OIG for approval each year. The plan must be submitted 90 days prior to the start of the State Fiscal Year. (See Section 7, Transition Phase Requirements. for requirements regarding timeframes for submitting the original plan.) If an MCO has not made any changes to its plan from the previous year, it may notify the HHSC OIG that: (1) no changes have been made to the previously-approved plan, (2) the plan will remain in place for the upcoming State Fiscal Year. The notification must be signed and certified by an officer or director of the MCO that is responsible for carrying out the Fraud and Abuse compliance plan. Upon receipt of a written request from the HHSC OIG, the MCO must submit the complete Fraud and Abuse compliance plan.

The MCO is subject to and must meet all requirements in Section 531.113 of the Texas Government Code, Section 533.012 of the Texas Government Code, Title 1 Texas Administrative Code (TAC), Part 15, Chapter 353, Subchapter F, Rule 353.501-353.505, and Title 1 Texas Administrative Code (TAC), Part 15, Chapter 370, Subchapter F, Rule 370.501-370.505 as
well as all laws specified in Attachment A, Section 7.02. Failure to comply with any requirement of 8.1.19 and 8.1.20.2(c) and (d) subjects the MCO to enforcement pursuant to 1 TEX. ADMIN. CODE Chapter 371 Subchapter G in addition to any other legal remedy.

42 C.F.R. § 455.23 requires the State Medicaid agency to suspend all Medicaid payments to a provider after the agency determines there is a credible allegation of fraud for which an investigation is pending under the Medicaid program against an individual or entity unless the agency has good cause to not suspend payments or suspend payment only in part. In Texas, HHSC OIG is responsible for evaluating allegations of fraud and imposing payment suspensions when appropriate. The rules governing payment suspensions based upon pending investigations of credible allegations of fraud apply to Medicaid managed care entities. Managed care capitation payments may be included in a suspension when an individual network provider is under investigation based upon credible allegations of fraud, depending on the allegations at issue.

The MCO is required to cooperate with HHSC OIG when payment suspensions are imposed. When HHSC OIG sends notice that payments to a provider have been suspended, the MCO must also suspend payments to the provider within 1 business day. When such notice is received, the MCO must respond to the notice within 3 business days and inform HHSC OIG of whether the MCO has implemented the suspension.

The MCO must also report all of the following information to HHSC OIG after it suspends payments to the provider: date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, amount of payments held, and, if applicable, the good cause rationale for not suspending payment (for example, the provider is not enrolled in the MCO's network) or imposing a partial payment suspension. If the MCO does not suspend payments to the provider, HHSC may impose contractual or other remedies.

For payment suspensions initiated by the MCO, the MCO must report the following information to HHSC OIG: the nature of the suspected fraud, basis for the suspension, date the suspension was imposed, date the suspension was discontinued, reason for discontinuing the suspension, outcome of any appeals, the amount of payments held, and, if applicable, the good cause rationale for imposing a partial payment suspension.

Additional Requirements for STAR and STAR+PLUS MCOs:

In accordance with Section 1902(a)(68) of the Social Security Act, STAR and STAR+PLUS MCOs and their Subcontractors that receive or make annual Medicaid payments of at least $5 million must:

1. Establish written policies for all employees, managers, officers, contractors, Subcontractors, and agents of the MCO or Subcontractor. The policies must provide detailed information about the False Claims Act, administrative remedies for false claims and statements, any state laws about civil or criminal penalties for false claims, and whistleblower protections under such laws, as described in Section 1902(a)(68)(A).
2. Include as part of such written policies detailed provisions regarding the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.
3. Include in any employee handbook a specific discussion of the laws described in Section 1902(a)(68)(A), the rights of employees to be protected as whistleblowers, and the MCO's or Subcontractor's policies and procedures for detecting and preventing Fraud, Waste, and Abuse.

8.1.20 General Reporting Requirements

The MCO must provide and must require its Subcontractors to provide:

1. all information required under the Contract, including but not limited to, the reporting requirements or other information related to the performance of its responsibilities hereunder as reasonably requested by the HHSC; and
2. any information in its possession sufficient to permit HHSC to comply with the Federal Balanced Budget Act of 1997 or other federal or state laws, rules, and regulations. All information must be provided in accordance with the timelines, definitions, formats and instructions as specified by HHSC. Where practicable, HHSC may consult with MCOs to establish timetables and formats reasonably acceptable to both parties.

Any deliverable or report in Section 8.1.20 without a specified due date is due quarterly on the last day of the month following the end of the reporting period. Where the due date states 30 days, the MCO is to provide the deliverable by the last day of the month following the end of the reporting period. Where the due date states 45 days, the MCO is to provide the deliverable by the 15th day of the second month following the end of the reporting period. (See Uniform Managed Care Manual Chapter 5.0, “Consolidated Deliverables Matrix.”)

8.1.20.1 Health Plan Employer Data Information System (HEDIS) and Other Statistical Performance Measures
The MCO must provide to HHSC or its designee all information necessary to analyze the MCO’s provision of quality care to Members using measures to be determined by HHSC in consultation with the MCO. Such measures must be consistent with HEDIS or other externally based measures or measurement sets, and involve collection of information beyond that present in Encounter Data. The Performance IndicatorDashboards, found in Uniform Managed Care Manual Chapter 10.1 provides additional information on the role of the MCO and the EQRO in the collection and calculation of HEDIS, Consumer Assessment of Health Plan Survey (CAHPS), and other performance measures.

8.1.20.2 Reports

The MCO must provide the following reports, in addition to the Financial Reports described in Section 8.1.17 and the reporting requirements listed elsewhere in the Contract. Uniform Managed Care Manual Chapter 5.0, "Consolidated Deliverables Matrix", includes a list of all required reports, and a description of the format, content, file layout and submission deadlines for each report.

For the following reports, MCO must integrate CHIP Perinatal Program data into CHIP Program reports. With the exception of FSR reporting, separate CHIP Perinatal Program reports generally are not required. Where appropriate, HHSC will designate specific attributes within the CHIP Program reports that the CHIP MCOs must complete to allow HHSC to extract data particular to the CHIP Perinatal population.

(a) Claims Summary Report  - The MCO must submit quarterly Claims Summary Reports by MCO Program, Service Area and claim type by the 30th day following the end of the reporting period unless otherwise specified. Claim Types include facility and/or professional services for Acute Care, Behavioral Health, Vision, Pharmacy, and Long Term Services and Supports. Within each claim type, claims data must be reported separately by applicable claim form. The format for the Claims Summary Report is contained in Uniform Managed Care Manual Chapter 5.6.1.

(b) QAPI Program Annual Summary Report  - The MCO must submit a QAPI Program Annual Summary in a format and timeframe as specified in Uniform Managed Care Manual Chapter 5.7, Quality Reports.

(c) Fraudulent Practices Report  - Utilizing the HHSC-Office of Inspector General (OIG) fraud referral form, the MCO's assigned officer or director must report and refer all possible acts of Waste, Abuse, or Fraud to the HHSC-OIG within 30 Business Days of receiving the reports of possible acts of Waste, Abuse, or Fraud from the MCO's Special Investigative Unit (SIU). The report and referral must include: an investigative report identifying the allegation, statutes/regulations violated or considered, and the results of the investigation; copies of program rules and regulations violated for the time period in question; copies of any HMO contractual provisions, policies, published HMO program bulletins, policy notification letters, or provider policy or procedure manuals that apply to the alleged conduct for the time period in question; the estimated overpayment identified; a summary of the interviews conducted; the Encounter Data submitted by the provider for the time in question; and all supporting documentation obtained as the result of the investigation. This requirement applies to all reports of possible acts of Waste, Abuse, and Fraud. Additional reports required by the Office of the Inspector General relating to Waste, Abuse, or Fraud are listed in Uniform Managed Care Manual Chapter 5.5, Fraud Deliverable/Report Formats.

(d) Provider Termination Report: (CHIP, STAR, and STAR+PLUS) - MCO must submit a quarterly report that identifies any Providers who cease to participate in MCO's Provider Network, either voluntarily or involuntarily. The report must be submitted in the format specified by HHSC, no later than 30 days after the end of the reporting period.

(e) PCP Network & Capacity Report : (CHIP only) - For the CHIP Program, MCO must submit a quarterly report listing all unduplicated PCPs in the MCO's Provider Network. For the CHIP Perinatal Program, the Perinate Newborn Members are assigned PCPs that are part of the CHIP PCP Network. Perinate Members are not assigned PCPs. The report must be submitted in the format specified by HHSC no later than 30 days after the end of the reporting quarter.

(f) Summary Report of Member Complaints and Appeals - The MCO must submit quarterly Member Complaints and Appeals reports. The MCO must include in its reports Complaints and Appeals submitted to its subcontracted risk groups (e.g., IPAs) and any other Subcontractor that provides Member services. The MCO must submit the Complaint and Appeals reports electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified in Uniform Managed Care Manual Chapter 5.4.2, Complaints and Appeals Report.

HHSC may direct the CHIP MCOs to provide segregated Member Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

(g) Summary Report of Provider Complaints - The MCO must submit Provider complaints reports on a quarterly basis. The MCO must include in its reports complaints submitted by providers to its subcontracted risk groups (e.g., IPAs) and any
other Subcontractor that provides provider services. The complaint reports must be submitted electronically on or before 45 days following the end of the State Fiscal Quarter, using the format specified by HHSC in the Uniform Managed Care Manual Chapter 5.4.2, Complaints and Appeals Report.

HHSC may direct the CHIP MCOs to provide segregated Provider Complaints and Appeals reports for the CHIP Perinatal Program on an as-needed basis.

(h) **Hotline Reports** - The MCO must submit quarterly status reports of the Member Hotline, the Behavioral Health Services Hotline, and the Provider Hotline performance compared to the performance standards set out in Sections 8.1.4.7, 8.1.5.6, and 8.1.15.3, using the format specified by HHSC in Uniform Managed Care Manual Chapter 5.4.3, “Hotline Reports.”

If the MCO is not meeting a hotline performance standard, HHSC may require the MCO to submit monthly hotline performance reports and implement corrective actions until the hotline performance standards are met. If a MCO has a single hotline serving multiple Service Areas, multiple MCO Programs, or multiple hotline functions, (i.e. Member, Provider, Behavioral Health Services hotlines), HHSC may request on an annual basis that the MCO submit certain hotline response information by MCO Program, Service Area, and hotline function, as applicable to the MCO. HHSC may also request additional hotline information if a MCO is not meeting a hotline performance standard.

(i) **Historically Underutilized Business (HUB) Reports** – Upon contract award, the MCO must attend a post award meeting, which will be scheduled by the HHSC HUB Program Office, to discuss the development and submission of a HUB Subcontracting Plan (HSP) Progress Assessment Report (PAR) for the inclusion of HUBs. The MCO must maintain its original HSP and submit monthly PAR reports documenting the MCO’s good faith effort to comply with the originally submitted HSP. The report must be in the format included in Uniform Managed Care Manual Chapter 5.4.4.4 for the HUB monthly reports. The MCO must comply with the HUB Program’s HSP and PAR requirements for all Subcontractors.

(j) **Medicaid Managed Care Texas Health Steps Medical Checkups Reports** – Medicaid MCOs must submit reports identifying the number of New Members and Existing Members receiving Texas Health Steps medical checkups, or refusing to obtain the medical checkups. Medicaid MCOs must also document and report those Members refusing to obtain the medical checkups. The documentation must include the reason the Member refused the checkup or the reason the checkup was not received.

The definitions, timeframe, format, and details of the reports are contained and described in Uniform Managed Care Manual Chapters 12.4, 12.5, and 12.6.

(k) **Children of Migrant Farm Workers Annual Plan** – Medicaid MCOs must submit an annual plan in the timeframe and format described in Uniform Managed Care Manual Chapters 12.1 and 12.2 that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers (FWC).

(l) **Children of Migrant Farm Workers Annual Report (FWC Annual Report)** – Medicaid MCOs must submit an annual report, in the timeframe and format described in Uniform Managed Care Manual Chapters 12.1, 12.3, 12.25, and 12.26 about the identification of and delivery of services to Children of Migrant Farm Workers (FWC).

(m) **Frew Quarterly Monitoring Report** – Each calendar year quarter, HHSC prepares a report for the court that addresses the status of the Consent Decree paragraphs of the Frew vs. Suehs lawsuit. Medicaid MCOs must prepare responses to questions posed by HHSC on the Frew Quarterly Monitoring Report template. The timeframe, format, and details of the report are set forth in Uniform Managed Care Manual Chapter 12.

(n) **Frew Annual Provider Training Report** - Per the Frew vs. Suehs Corrective Action Order: Health Care Provider Training, HHSC must compile a summary of the training health care and pharmacy providers receive throughout the year for the October Quarterly Monitoring Report for the court. Medicaid MCOs must report to HHSC health care and pharmacy provider training conducted throughout the year to be included in this report. The training report must include, at a minimum, the number of Medicaid enrolled healthcare and pharmacy providers that received the training and a description of provider feedback received on the subject matter and methodology of the training. The timeframe, format, and details of the report are contained and described in Uniform Managed Care Manual Chapter 12.

(o) **Frew Provider Recognition Report - Per the Frew vs. Suehs Corrective Action Order**: Health Care Provider Training, HHSC must recognize Medicaid enrolled healthcare and pharmacy providers who complete Frew, Texas Health Steps, and/or pharmacy benefit education training. Medicaid MCOs must collect and track provider training recognition information for all Frew, Texas Health Steps, and/or pharmacy benefit education trainings conducted and report the names of those Medicaid
enrolled healthcare and pharmacy providers who consent to being recognized to HHSC quarterly. The timeframe, format, and details of the report are contained and described in Uniform Managed Care Manual Chapter 12.

(p) Medicaid Disproportionate Share Hospital (DSH) Reports - Medicaid MCOs must file preliminary and final Medicaid DSH Reports so that HHSC can identify and reimburse Hospitals that qualify for Medicaid DSH funds. The preliminary and final DSH Reports must include the data elements and be submitted in the form and format specified by HHSC in Uniform Managed Care Manual Chapter 5.3.9, Disproportionate Share Hospital Report. The preliminary DSH Reports are due on or before March 1 of the year following the federal fiscal reporting year. The final DSH Reports are due no later than April 1 of the year following the federal fiscal reporting year.

(q) Out-of-Network Utilization Reports - The MCO must file quarterly Out-of Network Utilization Reports in accordance with Uniform Managed Care Manual Chapter 5.3.8, Out Of Network (OON) Utilization Report. Quarterly reports are due 30 days after the end of each quarter.

(r) Drug Utilization Review (DUR) Reports - MCOs must submit the DUR reports in accordance with the requirements of HHSC’s Uniform Managed Care Manual.

(s) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports - For each State Fiscal Quarter, Medicaid MCOs must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups. The time frame, format, and details of the report are contained and described in Uniform Managed Care Manual Chapter 12.

(t) STAR+PLUS Long Term Services and Supports (LTSS) Utilization Quarterly Reports - The STAR+PLUS MCO must file quarterly LTSS Utilization Reports in accordance with Uniform Managed Care Manual Chapter 5.4.5.1, STAR+PLUS LTSS Utilization Report. Quarterly reports are due 30 days after the end of each quarter.

8.1.21 Pharmacy Services

The MCO must provide pharmacy-dispensed prescriptions as a Covered Service.

The MCO must allow Members access to prescribed drugs though formularies and a preferred drug list (PDL) developed by HHSC. HHSC will maintain separate Medicaid and CHIP formularies, and a Medicaid PDL. The MCO must administer the PDL in a way that allows access to all non-preferred drugs that are on the formulary through a structured prior authorization process.

The following information must be submitted to HHSC for review and approval during Readiness Review, then after the Operational Start Date prior to any changes: pharmacy clinical guidelines; and prior authorization policies and procedures. In determining whether to approve these materials, HHSC will review factors such as the clinical efficacy and Members’ needs.

The MCO may include mail-order pharmacies in their Networks, but must not require Members to use them. Members who opt to use this service may not be charged fees, including postage and handling fees.

In Medicaid fee-for-service, the Vendor Drug Program pays qualified community retail pharmacies for pharmaceutical delivery services. The MCO must implement a process to ensure that Medicaid and CHIP Members receive free outpatient pharmaceutical deliveries from community retail pharmacies in their Service Areas, or through other methods approved by HHSC. Mail order delivery is not an appropriate substitute for delivery from a qualified community retail pharmacy unless requested by the Member. The MCO’s process must be approved by HHSC, submitted using HHSC’s template, and include all qualified community retail pharmacies identified by HHSC.

HHSC will provide the MCO daily formulary and PDL files. The MCO must update its formulary and PDL files, or ensure that its Pharmacy Benefits Manager (PBM) has updated its formulary and PDL files, at least weekly. At HHSC’s direction, the MCO or PBM must be able perform off-cycle formulary and PDL file updates. Such updates must be completed within one (1) Business Day.

The MCO must ensure that prescribers have the ability to utilize real time e-prescribing, which at a minimum will allow for: eligibility confirmation, PDL benefit confirmation, identification of “alternative” (i.e., preferred) drugs that can be used in place of non-preferred drugs, medication history, and prescription routing.

The MCO must allow pharmacies to fill prescriptions for covered drugs ordered by any licensed provider regardless of Network participation.

The MCO will encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME)
The MCO must educate Network Providers about how to access the Medicaid and CHIP formularies and the Medicaid PDL on HHSC’s website, and how to use HHSC’s free subscription service for accessing such information through the internet or hand-held devices.

The MCO is responsible for negotiating reasonable pharmacy provider reimbursement rates, including individual MCO maximum allowable cost (MAC) rates. The MCO must ensure that, as an aggregate, rates comply with 42 C.F.R. Part 50, Subpart E, regarding upper payment limits.

The MCO must comply with the requirements of Sections 8.2.1 (Medicaid) and 8.4.3 (CHIP) regarding payment of out-of-network pharmacy claims.

### 8.1.21.1 Prior Authorization for Prescription Drugs

The MCO must adopt prior authorization policies and procedures that comply with state and federal laws, including 42 U.S.C. §1369r-8 and Texas Government Code §531.073 and §533.005.

The MCO must adhere to HHSC’s PDL for Medicaid. Preferred drugs must adjudicate as payable without prior authorization, unless they are subject to Clinical Edits. HHSC approval is required for all Clinical Edit policies and any revisions thereto.

HHSC’s Medicaid and CHIP prior authorization policies, and the Medicaid PDL, are available on HHSC’s website at [http://www.txvendordrug.com/index.shtml](http://www.txvendordrug.com/index.shtml). HHSC will provide the MCO written notice of changes to website information, and will identify Clinical Edits that are mandatory for MCOs on its Vendor Drug Program website.

HHSC’s website includes exception criteria for each drug class included on HHSC’s Medicaid PDL. These exception criteria describe the circumstances under which a non-preferred drug may be dispensed without a prior authorization.

The MCO may require that the prescriber’s office request prior authorization as a condition of coverage or payment for a prescription drug provided that: 1) a decision whether to approve or deny the prescription is made within 24 hours of the prior authorization request, and 2) if a Member’s prescription for a medication is not filled when a prescription is presented to the pharmacist due to a prior authorization requirement, the MCO must instruct the pharmacist to dispense a 72 hour emergency supply of the prescribed medication if the provider cannot be reached. The pharmacy may fill consecutive 72 hour supplies if the prescriber remains unavailable. The MCO must reimburse the pharmacy for dispensing the temporary supply of medication. The MCO may not charge pharmacies for prior authorization transaction costs or for any software costs related to processing prior authorizations.

The MCO must provide access to a toll-free call center for prescribers to call to request a prior authorization for non-preferred drugs or drug that are subject to Clinical Edits. The MCO must allow prescribers to submit automated prior authorization requests, as well as requests by phone or fax. If the MCO or its PBM operates a separate call center for prior authorization requests, the prior authorization call center must meet the provider hotline performance standards set forth in Section 8.1.4.7, “Provider Hotline.”

The MCO may not require a prior authorization for any drug exempted from prior authorization requirements by federal law.

For drug products purchased by a pharmacy through the Health Resources Services Administration (HRSA) 340B discount drug program, the MCO may only impose Clinical Edit prior authorization requirements. These drugs must be exempted from all PDL prior authorization requirements.

The MCO must notify the prescriber’s office of a prior authorization approval or denial within 24 hours of the prior authorization request. In the event that the MCO cannot make a prior authorization determination within 24 hours, the MCO must have procedures in place so as to permit the Member to receive a supply of the new medication such that the supply will not be exhausted prior to receipt of the notice.

The requirement that the Member be given at least a 72-hour supply for a new medication does not apply when the dispensing pharmacist determines that the taking of the prescribed medication would jeopardize the health or safety of the Member. In such event, the MCO must require that its participating pharmacist make good faith efforts to contact the prescriber.

A provider may appeal prior authorization denials on a Member’s behalf, in accordance with Sections 8.2.6 (Medicaid) and 8.4.2.
8.1.21.2 Coverage Exclusions

In accordance with Section 1927 of the Social Security Act, 42 U.S.C.A. §1396r-8, the MCO must exclude coverage for any drug marketed by a drug company (or labeler) that does not participate in the federal drug rebate program. The MCO is not permitted to provide coverage for any drug product, brand name or generic, legend or non-legend, sold or distributed by a company that did not sign an agreement with the federal government to provide Medicaid rebates for that product.

8.1.21.3 DESI Drugs

The MCO must not provide coverage under any circumstances for drug products that have been classified as less-than-effective by the Food and Drug Administration (FDA) Drug Efficacy Study Implementation (DESI).

8.1.21.4 Pharmacy Rebate Program

Under the provisions of Section 1927 of the Social Security Act, 42 U.S.C.A. §1396r-8, drug companies that wish to have their products covered through the Texas Medicaid Program must sign an agreement with the federal government to provide the pharmacy claims information that is necessary to return federal rebates to the state.

The MCO is not authorized to negotiate rebates with drug companies for preferred pharmaceutical products. HHSC or its designee will negotiate rebate agreements. If the MCO or its PBM has an existing rebate agreement with a manufacturer, all Medicaid and CHIP outpatient drug claims, including provider-administered drugs, must be exempt from such rebate agreements.

The MCO must implement a process to timely support HHSC’s Medicaid and CHIP rebate dispute resolution processes.

a. The MCO must allow HHSC or its designee to contact Network pharmacy Providers to verify information submitted on claims, and upon HHSC’s request, assist with this process.

b. The MCO must establish a single point of contact where the HHSC’s designee can send information on claims needing correction.

c. HHSC will notify the MCO of claims submitted with incorrect information. The MCO must correct this information on the next scheduled pharmacy encounter data transmission.

8.1.21.5 Drug Utilization Review Program

The MCO must have a process in place to conduct prospective and retrospective utilization review of prescriptions that is consistent with Medicare Part D drug utilization review standards (see 42 C.F.R. 423.153). Prospective review should take place at the dispensing pharmacy’s point-of-sale (POS). The prospective review at the POS should compare the prescribed medication against previous drug history for drug-to-drug, ingredient duplication, therapeutic duplication, and high dose situations. The MCO’s retrospective review should monitor prescriber and contracted pharmacies for outlier activities. Retrospective reviews should also determine whether services were delivered as prescribed and consistent with the MCO’s payment policies and procedures.

Prior to the Operational Start Date, HHSC will transmit a file with up to one year of medication history for Members with recent Medicaid eligibility, moving from the fee-for-service program. Outgoing MCOs will transfer this data for members moving to a new MCO.

8.1.21.6 Pharmacy Benefit Manager (PBM)

The MCO must use a PBM to process prescription claims. The PBM must pay claims in accordance with §843.339 of the Texas Insurance Code. This law requires PBMs to pay clean claims: (1) submitted electronically no later than 18 days after adjudication, and (2) not electronically submitted no later than 21 days after adjudication.

The MCO must identify the proposed PBM and the ownership of the proposed PBM. If the PBM is owned wholly or in part by a retail pharmacy provider, chain drug store or pharmaceutical manufacturer, the MCO will submit a written description of the
assurances and procedures that must be put in place under the proposed PBM Subcontract, such as an independent audit, to ensure no conflicts of interest exist and ensure the confidentiality of proprietary information. The MCO must provide a plan documenting how it will monitor such Subcontractors. These assurances and procedures must be submitted for HHSC’s review during Readiness Review (see Section 7, “Transition Phase Requirements”) then prior to initiating any PBM Subcontract after the Operational Start Date.

8.1.21.7 Financial Disclosures for Pharmacy Services

The MCO must disclose all financial terms and arrangements for remuneration of any kind that apply between the MCO and any prescription drug manufacturer or labeler, including, without limitation, formulary management, drug-switch programs, educational support, claims processing, pharmacy network fees, data sales fees, and any other fees. Article 9 of Attachment A, “Uniform Managed Care Contract Terms and Conditions,” provides HHSC with the right to audit such information at any time. HHSC agrees to maintain the confidentiality of information disclosed by the MCO pursuant to this section, to the extent that such information is confidential under Texas or federal law.

8.1.21.8 Limitations Regarding Registered Sex Offenders

As of the Effective Date of this Contract, HHSC’s Medicaid and CHIP formularies do not include sexual performance enhancing medications. If such medications are added to the Medicaid or CHIP formulary after the Effective Date of this Contract, then MCO must comply with the requirements of Texas Government Code §531.071. This law prohibits the provision of sexual performance enhancing medication to persons required to register as sex offenders under Chapter 62, Texas Code of Criminal Procedure.

8.1.21.9 Specialty Drugs

HHSC will adopt rules concerning specialty pharmacy services. Once HHSC adopts these rules, the MCO must develop policies and procedures for reclassifying prescription drugs from retail to specialty drugs. The MCO’s policies and procedures must be consistent with HHSC’s rules, and include processes for notifying Network Pharmacy Providers.

As set forth in Section 8.1.4, the MCO may enter into selective contracts for specialty pharmacy services prior to HHSC’s adoption of rules concerning specialty pharmacy services, subject to the following conditions. These arrangements must comply with Texas Government Code §533.005(a)(23)(G). Furthermore, if these specialty pharmacy services contracts conflict with final rules promulgated by HHSC, then the MCO must terminate the contracts or amend them to comply with the rules.

8.1.21.10 This Section Intentionally Left Blank

8.1.22 Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)

The MCO must make reasonable efforts to include FQHCs and RHCs (freestanding and Hospital-based) in its Provider Network. If a Member visits an FQHC or RHC (or a Municipal Health Department’s public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

MCOs are required to pay full encounter rates (as determined by HHSC) directly to FQHCs and RHCs for Medically Necessary Covered Services. HHSC cost settlements (or “wrap payments”) no longer apply.

8.1.23 Payment by Members.

Except as provided in Section 8.1.23.1, MCOs, Network Providers, and Out-of-Network Providers are prohibited from billing or collecting any amount from a Member for Covered Services. MCOs must inform Members of their responsibility to pay the costs for non-covered services, and must require its Network Providers to:
1. inform Members of costs for non-covered services prior to rendering such services; and

2. obtain a signed private pay form from such Members.

### 8.1.23.1 Cost Sharing

CHIP Network Providers and Out-of-Network Providers may collect copayments authorized in the CHIP State Plan from CHIP Members.

CHIP families that meet the enrollment period cost share limit requirement must report it to the HHSC Administrative Services Contractor. The HHSC Administrative Service Contractor notifies the MCO that a family’s cost share limit has been reached. Upon notification from the HHSC Administrative Services Contractor that a family has reached its cost-sharing limit for the term of coverage, the MCO will generate and mail to the CHIP Member a new Member ID card within five calendar days, showing that the CHIP Member’s cost-sharing obligation for that term of coverage has been met. No cost-sharing may be collected from these CHIP Members for the balance of their term of coverage.

Providers are responsible for collecting all Member copayments at the time of service. Copayments that families must pay vary according to their income level.

Copayments do not apply, at any income level, to Covered Services that qualify as well-baby and well-child care services, preventive services, or pregnancy-related services as defined by 42 C.F.R. §457.520 and SSA § 2103(e)(2).

Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the copayments outlined in the CHIP Cost Sharing Table in Uniform Managed Care Manual Chapter 6.3, “CHIP Cost Sharing,” are the only amounts that an MCO may impose and a provider may collect from a CHIP-eligible family. As required by 42 C.F.R. §457.515, this includes, without limitation, Emergency Services that are provided at an Out-of-Network facility. Cost sharing for such Emergency Services is limited to the copayment amounts set forth in the CHIP Cost Sharing Table. If the MCO would have paid a lesser amount than the CHIP copayment in the absence of a CHIP copayment, then the copayment amount will be capped at the lesser amount.

Federal law prohibits charging premiums, deductibles, coinsurance, copayments, or any other cost-sharing to Members of Native Americans or Alaskan Natives. The HHSC Administrative Services Contractor will notify the MCO of Members who are not subject to cost sharing requirements. The MCO is responsible for educating Providers regarding the cost sharing waiver for this population.

An MCO’s monthly Capitation Payment will not be adjusted for a family’s failure to make its CHIP premium payment. There is no relationship between HHSC’s Capitation Payment to the MCO for coverage provided during a month and the family’s payment of its CHIP premium obligation for that month.

Cost sharing does not apply to CHIP Perinatal Program Members. The exemption from cost sharing applies through the end of the enrollment period.

As of the Effective Date of the Contract, cost sharing does not apply to Medicaid Members. If HHSC implements cost-sharing for Medicaid Members after the Effective Date of this Contract, the requirements of this section will apply, and HHSC will amend the Uniform Managed Care Manual to include Medicaid Cost Sharing Tables. Except for costs associated with unauthorized non-emergency services provided to a Member by Out-of-Network providers and for non-covered services, the Medicaid copayments outlined in the Uniform Managed Care Manual will be the only amounts that an MCO may impose and a provider may collect from a Medicaid-eligible family.

### 8.1.24 Immunizations

The MCO must educate Providers on the Immunization Standard Requirements set forth in Chapter 161, Health and Safety Code; the standards in the Advisory Committee on Immunization Practices (ACIP) Immunization Schedule; the AAP Periodicity Schedule for CHIP Members; and the ACIP Immunization Schedule for Medicaid Members. The MCO must educate Providers that Medicaid Members birth through age 20 must be immunized during the Texas Health Steps checkup according to the ACIP routine immunization schedule. The MCO shall also educate Providers that the screening provider is
responsible for administration of the immunization and should not refer children to Local Health Departments to receive immunizations.

The MCO must educate Providers about, and require Providers to comply with, the requirements of Chapter 161, Health and Safety Code, relating to the Texas Immunization Registry (ImmTrac), to include parental consent on the Vaccine Information Statement.

The MCO must notify Medicaid and CHIP Providers that they may enroll, as applicable, as Texas Vaccines for Children Providers. In addition, the MCO must work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry.

8.1.25 Dental Coverage

The MCO is not responsible for reimbursing dental providers for preventive and therapeutic dental services obtained by Medicaid or CHIP Members, with the exception of the dental services available to STAR+PLUS Members in the enrolled in the HCBS STAR+PLUS Waiver. However, medical and/or Hospital charges, such as anesthesia, that are necessary in order for Medicaid or CHIP Members to access standard therapeutic dental services, are Covered Services for Medicaid or CHIP Members. The MCO must provide access to facilities and physician services that are necessary to support the dentist who is providing dental services to a Medicaid or CHIP Member under general anesthesia or intravenous (IV) sedation.

The MCO must inform Network facilities, anesthesiologists, and PCPs what authorization procedures are required, and how Providers are to be reimbursed for the preoperative evaluations by the PCP and/or anesthesiologist and for the facility services. For dental-related medical Emergency Services, the MCO must reimburse Network and Out-of-Network providers in accordance with federal and state laws, rules, and regulations.

8.1.26 Health Home Services

The MCO must provide Health Home Services. The MCOs must include a designated Provider to serve as the health home. The designated provider must meet the qualifications as established by the U.S. Secretary of Health and Human Services. The designated provider may be a provider operating with a team of health professionals, or a health team selected by the enrollee. The Health Home Services must be part of a person-based approach and holistically address the needs of persons with multiple chronic conditions or a single serious and persistent mental or health condition.

Health Home Services must include:

1. patient self-management education;
2. provider education;
3. evidence-based models and minimum standards of care;
4. standardized protocols and participation criteria;
5. provider-directed or provider-supervised care;
6. a mechanism to incentivize providers for provision of timely and quality care;
7. implementation of interventions that address the continuum of care;
8. mechanisms to modify or change interventions that are not proven effective;
9. mechanisms to monitor the impact of the Health Home Services over time, including both the clinical and the financial impact.
10. comprehensive care management;
11. care coordination and health promotion;
12. comprehensive traditional care, including appropriate follow-up, from inpatient to other settings;
13. patient and family support (including authorized representatives);
14. referral to community and social support services, if relevant, and;
15. use of health information technology to link services, as feasible and appropriate.

The Health Home Services requirements do not apply to Dual Eligible Members unless HHSC enters into a Dual Eligible Demonstration Project with the CMS. Under a demonstration project, STAR+PLUS MCOs will be required to coordinate health home initiatives with their affiliated Medicare Advantage/Special Needs Plans.

8.1.26.1 Health Home Services and Participating Providers
HHSC encourages MCOs to develop provider incentive programs for designated Providers who meet the requirements for patient-centered medical homes found in Texas Government Code §533.0029.

At a minimum, the MCO must:

1. maintain a system to track and monitor all Health Home Services participants for clinical, utilization, and cost measures;
2. implement a system for Providers to request specific Health Home interventions;
3. inform Providers about differences between recommended prevention and treatment and actual care received by Members enrolled in a Health Home Services program and Members’ adherence to a service plan; and
4. provide reports on changes in a Member's health status to his or her PCP for Members enrolled in a Health Home Services program.

8.1.26.2 MCO Health Home Services Evaluation

HHSC or its EQRO will evaluate the MCO's Health Home Services program.

8.2 Additional Medicaid MCO Scope of Work

The following provisions apply to any MCO participating in the STAR or STAR+PLUS MCO Program.

8.2.1 Continuity of Care and Out-of-Network Providers

The MCO must ensure that the care of newly enrolled Members is not disrupted or interrupted. The MCO must take special care to provide continuity in the care of newly enrolled Members whose health or behavioral health condition has been treated by specialty care providers or whose health could be placed in jeopardy if Medically Necessary Covered Services are disrupted or interrupted. See Section 8.1.14, “Disease Management/Health Home Services,” for specific requirements for new Members transferring to the MCO’s Disease Management/Health Home Service Program.

The MCO is required to ensure that Expansion Service Area clients receiving acute care services through a prior authorization as of the STAR and STAR+PLUS Operational Start Date receive continued authorization of those services for the shorter of: (1) 90 calendar days after Operational Start Date, or (2) until the expiration date of the prior authorization. The MCO is also required to ensure that Expansion Service Area clients receiving Community-based Long Term Care Services as of the STAR+PLUS Operational Start Date receive continued authorization of those services for up to six (6) months after the Operational Start Date, unless a new assessment has been completed and new authorizations issued as described in Section 8.3.2.4. During transition, an HHSC’s Administrative Services Contractor or an HHS Agency will provide the MCO with files identifying clients with prior authorizations for acute care services and clients receiving Community-based Long Term Care Services. The MCO is required to work with HHSC, its Administrative Services Contractor, and DADS to ensure that all necessary authorizations are in place within the MCO’s system(s) for the continuation of Community-based Long Term Care Services and prior authorized acute care services. The MCO must describe the process it will use to ensure continuation of these services in its Transition/Implementation Plan for the Expansion Service Areas as noted in Section 7.3.1.1 Contract Start-Up and Planning. The MCO is also required to ensure that Community-based Long Term Care Services Providers in the Expansion Service Areas are educated about and trained regarding the process for continuing such services prior to the Operational Start Date (see Section 8.3.6.1).

As described in Section 8.1.3.2, the MCO must allow pregnant Members past the 24th week of pregnancy to remain under the care of the Member’s current OB/GYN through the Member’s postpartum checkup, even if the provider is Out-of-Network. If a Member wants to change her OB/GYN to one who is in the Network, she must be allowed to do so if the Provider to whom she wishes to transfer agrees to accept her in the last trimester of pregnancy.

The MCO must pay a Member’s existing Out-of-Network providers for Medically Necessary Covered Services until the Member’s records, clinical information and care can be transferred to a Network Provider, or until such time as the Member is no longer enrolled in that MCO, whichever is shorter. Payment to Out-of-Network providers must be made within the time period required for Network Providers. The MCO must comply with Out-of-Network provider reimbursement rules as adopted by HHSC.
With the exception of pregnant Members who are past the 24th week of pregnancy, this Article does not extend the obligation of the MCO to reimburse the Member’s existing Out-of-Network providers for ongoing care for:

1. more than 90 days after a Member enrolls in the MCO’s Program, or

2. for more than nine (9) months in the case of a Member who, at the time of enrollment in the MCO, has been diagnosed with and receiving treatment for a terminal illness and remains enrolled in the MCO.

The MCO’s obligation to reimburse the Member’s existing Out-of-Network provider for services provided to a pregnant Member past the 24th week of pregnancy extends through delivery of the child, immediate postpartum care, and the follow-up checkup within the first six (6) weeks of delivery.

If a Member moves out of a Service Area, the MCO must provide or pay Out-of-Network providers in the new Service Area who provide Medically Necessary Covered Services to Members through the end of the period for which the MCO received a Capitation Payment for the Member.

If Covered Services are not available within the MCO’s Network, the MCO must provide Members with timely and adequate access to Out-of-Network services for as long as those services are necessary and not available in the Network, in accordance with 42 C.F.R. §438.206(b)(4). The MCO will not be obligated to provide a Member with access to Out-of-Network services if such services become available from a Network Provider.

The MCO must ensure that each Member has access to a second opinion regarding the use of any Medically Necessary Covered Service. A Member must be allowed access to a second opinion from a Network Provider or Out-of-Network provider if a Network Provider is not available, at no cost to the Member, in accordance with 42 C.F.R. §438.206(b)(3).

### 8.2.2 Provisions Related to Covered Services for Medicaid Members

#### 8.2.2.1 Emergency Services

MCO policy and procedures, Covered Services, claims adjudication methodology, and reimbursement performance for Emergency Services must comply with all applicable state and federal laws, rules, and regulations including 42 C.F.R. §438.114, whether the provider is Network or Out-of-Network. MCO policies and procedures must be consistent with the prudent layperson definition of an Emergency Medical Condition and the claims adjudication processes required under the Contract and 42 C.F.R. §438.114.

The MCO must pay for professional, facility, and ancillary services provided in a Hospital emergency department that meet the requirements of the Emergency Medical Treatment and Active Labor Act (EMTALA) (42 C.F.R. §§489.20, 489.24 and 438.114(b)&(c)). The MCO must reimburse for both the physician’s services and the Hospital’s Emergency Services, including the emergency room and its ancillary services.

When the medical screening examination determines that an Emergency Medical Condition exists, the MCO must pay for
Emergency Services performed to stabilize the Member. The emergency physician must document these services in the Member's medical record. The MCO must reimburse for both the physician's and Hospital's emergency stabilization services including the emergency room and its ancillary services.

The MCO must cover and pay for Post-Stabilization Care Services in the amount, duration, and scope necessary to comply with 42 C.F.R. §438.114(b)&(e) and 42 C.F.R. §422.113(c)(iii). The MCO is financially responsible for post-stabilization care services obtained within or outside the Network that are not pre-approved by a Provider or other MCO representative, but administered to maintain, improve, or resolve the Member’s stabilized condition if:

1. the MCO does not respond to a request for pre-approval within one (1) hour;
2. the MCO cannot be contacted; or
3. the MCO representative and the treating physician cannot reach an agreement concerning the Member’s care and a Network physician is not available for consultation. In this situation, the MCO must give the treating physician the opportunity to consult with a Network physician and the treating physician may continue with care of the patient until an Network physician is reached. The MCO’s financial responsibility ends as follows: the Network physician with privileges at the treating Hospital assumes responsibility for the Member’s care; the Network physician assumes responsibility for the Member’s care through transfer; the MCO representative and the treating physician reach an agreement concerning the Member’s care; or the Member is discharged.

8.2.2.2 Family Planning - Specific Requirements

The MCO must provide access to confidential family planning services. The MCO must require, through Provider contract provisions, that Members requesting contraceptive services or family planning services are also provided counseling and education about the family planning and family planning services available to Members. The MCO must develop outreach programs to increase community support for family planning and encourage Members to use available family planning services.

The MCO must ensure that Members have the right to choose any Medicaid-enrolled family planning provider, whether the provider chosen by the Member is in or outside the Provider Network. The MCO must provide Members access to information about available providers of family planning services and the Member’s right to choose any Medicaid-enrolled family planning provider.

The MCO must provide, at a minimum, the full scope of services available under the Texas Medicaid program for family planning services. The MCO will reimburse family planning agencies no less than the Medicaid fee-for service amounts for family planning services, including Medically Necessary medications, contraceptives, and supplies and will reimburse Out-of-Network family planning providers in accordance with HHSC’s administrative rules. The MCO cannot require prior authorization for family planning services whether rendered by a Network or Out-of-Network provider.

The MCO must provide medically approved methods of contraception to Members, provided that the methods of contraception are Covered Services. Contraceptive methods must be accompanied by verbal and written instructions on their correct use. The MCO must establish mechanisms to ensure all medically approved methods of contraception are made available to the Member, either directly or by referral to a Subcontractor.

The MCO must develop, implement, monitor, and maintain standards, policies and procedures for providing information regarding family planning to Providers and Members, specifically regarding State and federal laws governing Member confidentiality (including minors). Providers and family planning agencies cannot require parental consent for minors to receive family planning services. The MCO must require, through contractual provisions, that Subcontractors have mechanisms in place to ensure Member’s (including minor’s) confidentiality for family planning services.

8.2.2.3 Texas Health Steps (EPSDT)

8.2.2.3.1 Medical Checkups

The MCO must develop effective methods to ensure that children birth through age 20 receive Texas Health Steps services when due and according to the recommendations established by the Texas Health Steps periodicity schedule for children. The
MCO must arrange for Texas Health Steps services for all eligible Members, except when Members or their representatives knowingly and voluntarily decline or refuse services after receiving sufficient information to make an informed decision. For New Members birth through age 20, overdue or upcoming Texas Health Steps medical checkups should be offered as soon as practicable, but in no case later than 14 days of enrollment for newborns, and no later than 90 days of enrollment for all other eligible child Members. A Texas Health Steps annual medical checkup for an Existing Member age 36 months and older is due beginning on the child’s birthday and is considered timely if it occurs no later than 364 calendar days after the child’s birthday. For purposes of this requirement, the terms “New Member” and “Existing Member” are defined in Chapter 12.4 of the Uniform Managed Care Manual.

The MCO must have mechanisms in place to ensure that all newborn Members have an initial newborn checkup before discharge from the Hospital and in accordance with the Texas Health Steps periodicity schedule.

8.2.2.3.2 Oral Evaluation and Fluoride Varnish

The MCO must educate Providers on the availability of the Oral Evaluation and Fluoride Varnish (OEFV) Medicaid benefit that can be rendered and billed by certified Texas Health Steps providers when performed on the same day as the Texas Health Steps medical checkup. The Provider education must include information about how to assist a Member with referral to a dentist to establish a dental home.

8.2.2.3.3 Lab

The MCO must require Providers to send all Texas Health Steps newborn screens to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code. Providers must include detailed identifying information for all screened newborn Members and the Member's mother to allow DSHS to link the screens performed at the Hospital with screens performed at the newborn follow up Texas Health Steps medical checkup.

All laboratory specimens collected as a required component of a Texas Health Steps checkup (see Texas Medicaid Provider Procedures Manual for age-specific requirements) must be submitted to the DSHS Laboratory Services Section or to a laboratory approved by the department under Section 33.016 of the Health and Safety Code for analysis unless the Texas Medicaid Provider Procedures Manual, Children’s Services Handbook provides otherwise. The MCO must educate Providers about Texas Health Steps Program requirements for submitting laboratory tests to the DSHS Laboratory Services Section.

8.2.2.3.4 Education/Outreach

The MCO must ensure that Members are provided information and educational materials about the services available through the Texas Health Steps Program, and how and when they may obtain the services. The information should tell the Member how they can obtain dental benefits, services through the Medical Transportation Program, and advocacy assistance from the MCO. Standard language describing Texas Health Steps services, including medical, dental and case management services is provided in the UMCM. The MCO should use this language for Member Materials. Any additions to or deviations from the standard language must be reviewed and approved by HHSC prior to publication and distribution to Members.

The MCO will encourage Network pharmacies to also become Medicaid-enrolled durable medical equipment (DME) providers.

The MCO must provide outreach to Members to ensure they receive prompt services and are effectively informed about available Texas Health Steps services. Each month, the MCO must retrieve from the HHSC Administrative Services Contractor Bulletin Board System a list of Members who are due and overdue Texas Health Steps services. Using these lists and its own internally generated list, the MCO will contact such Members to schedule the service as soon as possible. The MCO outreach staff must coordinate with Texas Health Steps outreach unit to ensure that Members have access to the Medical Transportation Program, and that any coordination with other agencies is maintained.

The MCO must cooperate and coordinate with the State, outreach programs and Texas Health Steps regional program staff and agents to ensure prompt delivery of services to Children of Migrant Farm Workers and other migrant populations who may transition into and out of the MCO’s Program more rapidly and/or unpredictably than the general population.

The MCO must make an effort to coordinate and cooperate with existing community and school-based health and education programs that offer services to school-aged children in a location that is both familiar and convenient to the Members. The MCO must make a good faith effort to comply with Head Start’s requirement that Members participating in Head Start receive their Texas Health Steps checkup no later than 45 days after enrolling into either program.
8.2.2.3.5 Training

The MCO must provide appropriate training to all Network Providers and Provider staff in the Providers' area of practice regarding the scope of benefits available and the Texas Health Steps Program. Training must include:

1. Texas Health Steps benefits;
2. the periodicity schedule for Texas Health Steps medical checkups and immunizations;
3. the required elements of Texas Health Steps medical checkups;
4. providing or arranging for all required lab screening tests (including lead screening), and Comprehensive Care Program (CCP) services available under the Texas Health Steps program to Members birth through age 20 years,
5. Medical Transportation services available to Members such as rides to healthcare service by bus, taxi, van, airfare, etc., gas money, mileage reimbursement, meals and lodging when away from home;
6. importance of updating contact information to ensure accurate Provider Directories and the Medicaid Online Provider Lookup;
7. information about MCO's process for acceleration of Texas Health Steps services for Children of Migrant Farm Workers;
8. missed appointment referrals and assistance provided by the Texas Health Steps Outreach and Informing Unit; and
9. administrative issues such as claims filing and services available to Members.
10. 72-hour emergency supply prescription policy and procedures;
11. outpatient prescription drug prior authorization process;
12. how to access the Medicaid formulary and preferred drug list (PDL) on HHSC's website;
13. how to use HHSC's free subscription service for accessing the Medicaid formulary and PDL through the Internet or hand-held devices; and
14. scope of Durable Medical Equipment (DME) and other items commonly found in a pharmacy that are available for Members birth through age 20 years.

MCO must also educate and train Providers regarding the requirements imposed on HHSC and contracting MCOs under the Consent Decree and Corrective Action Orders entered in Frew v. Suehs, et. al. Providers should be educated and trained to treat each Texas Health Steps visit as an opportunity for a comprehensive assessment of the Member.

8.2.2.3.6 Data Validation

The MCO must require all Texas Health Steps Providers to submit claims for services paid (either on a capitated or fee-for-service basis) on the CMS 1500 claim form and use the HIPAA compliant code set required by HHSC. Encounter Data will be validated by chart review of a random sample of Texas Health Steps eligible enrollees against monthly Encounter Data reported by the MCO. HHSC or its designee will conduct chart reviews to validate that all screens are performed when due and as reported, and that reported data is accurate and timely. Substantial deviation between reported and charted Encounter Data could result in the MCO and/or Network Providers being investigated for potential Fraud, Abuse, or Waste without notice to the MCO or the Provider.

8.2.2.4 Perinatal Services

The MCO’s perinatal Health Care Services must ensure appropriate care is provided to women and infant Members from the preconception period through the infant’s first year of life. The MCO’s perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act) and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;
3. access to appropriate levels of care based on risk assessment, including emergency care;
4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;
5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems; and

6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member that meets the eligibility criteria to be designated in the Pregnant Woman Risk Group no later than two (2) weeks after receiving the daily Enrollment File verifying the Member’s enrollment into the MCO or has a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

The MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated Caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must Adjudicate provider claims for services provided to a newborn Member in accordance with HHSC’s claims processing requirements using the proxy ID number or State-issued Medicaid ID number. The MCO cannot deny claims based on a provider’s non-use of State-issued Medicaid ID number for a newborn Member. The MCO must accept provider claims for newborn services based on mother’s name and/or Medicaid ID number with accommodations for multiple births, as specified by the MCO.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO’s prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

8.2.2.5 Sexually Transmitted Diseases (STDs) and Human Immunodeficiency Virus (HIV)

The MCO must provide STD services that include STD/HIV prevention, screening, counseling, diagnosis, and treatment. The MCO is responsible for implementing procedures to ensure that Members have prompt access to appropriate services for STDs, including HIV. The MCO must allow Members access to STD services and HIV diagnosis services without prior authorization or referral by a PCP.

The MCO must comply with Texas Family Code Section 32.003, relating to consent to treatment by a child. The MCO must provide all Covered Services required to form the basis for a diagnosis by the Provider as well as the STD/HIV treatment plan.

The MCO must make education available to Providers and Members on the prevention, detection and effective treatment of STDs, including HIV.

The MCO must require Providers to report all confirmed cases of STDs, including HIV, to the local or regional health authority according to 25 T.A.C. §§97.131 - 97.134, using the required forms and procedures for reporting STDs. The MCO must require the Providers to coordinate with the HHSC regional health authority to ensure that Members with confirmed cases of syphilis, chancroid, gonorrhea, chlamydia and HIV receive risk reduction and partner elicitation/notification counseling.

The MCO must have established procedures to make Member records available to public health agencies with authority to conduct disease investigation, receive confidential Member information, and provide follow up activities.

The MCO must require that Providers have procedures in place to protect the confidentiality of Members provided STD/HIV services. These procedures must include, but are not limited to, the manner in which medical records are to be safeguarded, how employees are to protect medical information, and under what conditions information can be shared. The MCO must inform and require its Providers who provide STD/HIV services to comply with all state laws relating to communicable disease reporting requirements. The MCO must implement policies and procedures to monitor Provider compliance with confidentiality requirements.

The MCO must have policies and procedures in place regarding obtaining informed consent and counseling Members provided STD/HIV services.
8.2.2.6 Tuberculosis (TB)

The MCO must provide Members and Providers with education on the prevention, detection and effective treatment of tuberculosis (TB). The MCO must establish mechanisms to ensure all procedures required to screen at-risk Members and to form the basis for a diagnosis and proper prophylaxis and management of TB are available to all Members, except services referenced in Section 8.2.2.8 as Non-Capitated Services. The MCO must develop policies and procedures to ensure that Members who may be or are at risk for exposure to TB are screened for TB. An at-risk Member means a person who is susceptible to TB because of the association with certain risk factors, behaviors, drug resistance, or environmental conditions. The MCO must consult with the local TB control program to ensure that all services and treatments are in compliance with the guidelines recommended by the American Thoracic Society (ATS), the Centers for Disease Control and Prevention (CDC), and DSHS policies and standards.

The MCO must implement policies and procedures requiring Providers to report all confirmed or suspected cases of TB to the local TB control program within one (1) Business Day of identification, using the most recent DSHS forms and procedures for reporting TB. The MCO must provide access to Member medical records to DSHS and the local TB control program for all confirmed and suspected TB cases upon request.

The MCO must coordinate with the local TB control program to ensure that all Members with confirmed or suspected TB have a contact investigation and receive Directly Observed Therapy (DOT). The MCO must require, through contract provisions, that Providers report to DSHS or the local TB control program any Member who is non-compliant, drug resistant, or who is or may be posing a public health threat. The MCO must cooperate with the local TB control program in enforcing the control measures and quarantine procedures contained in Chapter 81 of the Texas Health and Safety Code.

The MCO must have a mechanism for coordinating a post-discharge plan for follow-up DOT with the local TB program. The MCO must coordinate with the DSHS South Texas Hospital and Texas Center for Infectious Disease for voluntary and court-ordered admission, discharge plans, treatment objectives and projected length of stay for Members with multi-drug resistant TB.

8.2.2.7 Objection to Provide Certain Services

In accordance with 42 C.F.R. §438.102, the MCO may file an objection based on moral or religions grounds to providing, reimbursing for, or providing coverage of a Covered Service or a counseling or referral service related to the Covered Service. The MCO must work with HHSC to develop a work plan to complete the necessary tasks and determine an appropriate date for implementation of the requested changes to the requirements related to Covered Services. The work plan will include timeframes for completing the necessary Contract and waiver amendments, adjustments to Capitation Rates, identification of the MCO and enrollment materials needing revision, and notifications to Members.

In order to meet the requirements of this section, no less than 120 days prior to the proposed effective date of a policy change, the MCO must notify HHSC of grounds for and provide detail concerning its moral or religious objections and the specific services covered under the objection.

8.2.2.8 Medicaid Non-capitated Services

The following Texas Medicaid programs, services, or benefits have been excluded from MCO Covered Services. Medicaid Members are eligible to receive these Non-capitated Services on a Fee-for-Service basis, or through a Dental MCO (for most dental services). MCOs should refer to relevant chapters in the Provider Procedures Manual and the Texas Medicaid Bulletins for more information.

1. Texas Health Steps dental (including orthodontia);
2. Texas Health Steps environmental lead investigation (ELI);
3. Early Childhood Intervention (ECI) case management/service coordination;
4. DSHS Targeted Case Management - coordinated by LMHAs
5. DSHS mental health rehabilitation;
6. Case Management for Children and Pregnant Women;
7. Texas School Health and Related Services (SHARS);
8. Department of Assistive and Rehabilitative Services Blind Children's Vocational Discovery and Development Program;
9. tuberculosis services provided by DSHS-approved providers (directly observed therapy and contact investigation);
10. Health and Human Services Commission's Medical Transportation;
11. DADS hospice services for STAR Members (STAR Members are disenrolled from their health plan upon enrollment into hospice);

12. for STAR, Personal Care Services for persons birth through age 20 are Non-capitated Services;

13. for STAR+PLUS, nursing facility services are Non-capitated Services; and

14. for Members who are enrolled in STAR or STAR+PLUS during an Inpatient Stay under one of the exceptions identified in Attachment A, Section 5.06(a)(2), Hospital facility charges associated with the Inpatient Stay are Non-Capitated Services under the circumstances described in Attachment A, Section 5.06(a)(2).

8.2.2.9 Referrals for Non-capitated Services

Although Medicaid MCOs are not responsible for paying or reimbursing for Non-capitated Services, MCOs are responsible for educating Members about the availability of Non-capitated Services, and for providing appropriate referrals for Members to obtain or access these services. The MCO is responsible for informing Providers that bills for all Non-capitated Services must be submitted to HHSC’s Claims Administrator for reimbursement.

8.2.2.10 Cooperation with Immunization Registry

The MCO must work with HHSC and health care providers to improve the immunization rate of Medicaid clients and the reporting of immunization information for inclusion in the Texas Immunization Registry, called “ImmTrac.”

8.2.2.11 Case Management for Children and Pregnant Women

The MCO must coordinate services with Case Management for Children and Pregnant Women. This coordination includes, but is not limited to, client education, outreach, case collaboration and referrals to Case Management for Children and Pregnant Women. The MCO is required to follow referral procedures as outlined by the State. Referrals to Case Management for Children and Pregnant Women are to be based upon guidelines provided by the State, assessment, plan of care, change in client's physical, mental or psychosocial condition, or at client's request.

Annually, all MCO Care Coordination/Case Management Staff must complete the Texas Health Steps Online module titled: Case Management Services in Texas and maintain proof of completion.

8.2.2.12 Children of Migrant Farm Workers (FWC)

The MCO must cooperate and coordinate with the State, outreach programs, and Texas Health Steps regional program staff and agents to ensure prompt delivery of services, in accordance with the Contract’s timeframes, to FWC Members and other migrant populations who may transition into and out of the MCO more rapidly and/or unpredictably than the general population.

The MCO must provide accelerated services to FWC Members. For purposes of this section, “accelerated services” are services that are provided to FWC Members prior to their leaving Texas for work in other states. Accelerated services include the provision of preventive Health Care Services that will be due during the time the FWC Member is out of Texas. The need for accelerated services must be determined on a case-by-case and according to the FWC Member’s age, periodicity schedule and health care needs.

The MCO must develop an annual plan identifying the process and methods it will use to identify/validate FWC and provide accelerated services to such Members in accordance with Chapter 12 of the Uniform Managed Care Manual.

8.2.3 Medicaid Significant Traditional Providers

In the first three (3) operational years of a Medicaid MCO Program, the MCO must offer Network Provider agreements to all Medicaid Significant Traditional Providers (STPs) identified by HHSC. Medicaid STPs are defined as pharmacy providers and providers of Acute and Long Term Services and Supports and, for STAR+PLUS, Community-based Long Term Care providers in a county that provided a significant level of care to Medicaid clients.

Medicaid STP requirements apply statewide for pharmacy and substance use disorder providers (SUDs). For STAR MCOs, the STP requirements for other provider types apply only in the Hidalgo, Jefferson, and Medicaid Rural Service Area(s); and in the
following counties: Hudspeth, Carson, Deaf Smith, Hutchinson, Potter, Randall, Swisher, Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. For STAR+PLUS MCOs, the STP requirements for other types of providers apply to the Jefferson, El Paso, Lubbock, and Hidalgo Service Areas; as well as the following counties: Austin, Wharton, Matagorda, Bandera, Brooks, Goliad, Karnes, Kenedy, Live Oak, and Fayette. The Procurement Library includes a list of Medicaid STPs by Service Area.

The STP requirement will be in place for three (3) years after the Operational Start Date. During that time, providers who believe they meet the STP requirements may contact HHSC to request HHSC’s consideration for STP status.

The MCO must give STPs the opportunity to participate in its Network for at least three (3) years. However, the STP provider must:

1. agree to accept the MCO’s Provider reimbursement rate for the provider type; and
2. meet the standard credentialing requirements of the MCO, provided that lack of board certification or accreditation by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) is not the sole grounds for exclusion from the Provider Network.

8.2.4 Provider Complaints and Appeals

8.2.4.1 Provider Complaints

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider complaints. Within this process, the MCO must respond fully and completely to each complaint and establish a tracking mechanism to document the status and final disposition of each Provider complaint. The MCO must resolve Provider complaints within 30 days from the date the complaint is received. The HMO is subject to remedies, including liquidated damages, if at least 98 percent of Provider Complaints are not resolved within 30 days of receipt of the Complaint by the HMO. Please see the Attachment A “Uniform Managed Care Contract Terms & Conditions” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

MCOs must also resolve Provider complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will generally provide MCOs ten (10) Business Days to resolve such complaints. If an MCO cannot resolve a complaint by the due date indicated on the notification form, it may submit a request to extend the deadline. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages if Provider complaints are not resolved by the timeframes indicated herein.

8.2.4.2 Appeal of Provider Claims

MCOs must develop, implement, and maintain a system for tracking and resolving all Medicaid Provider appeals related to claims payment. Within this process, the MCO must respond fully and completely to each Medicaid Provider’s claims payment appeal and establish a tracking mechanism to document the status and final disposition of each appeal. The MCO’s process must comply with the requirements of Texas Government Code §533.005(a)(19).

MCOs must contract with non-network physicians to resolve claims disputes related to denial on the basis of Medical Necessity that remain unresolved subsequent to a provider appeal. The determination of the physician resolving the dispute must be binding on the MCO and a Network Provider. The physician resolving the dispute must hold the same specialty or a related specialty as the appealing provider. HHSC reserves the right to amend this process to include an independent review process established by HHSC for final determination on these disputes.

8.2.5 Member Rights and Responsibilities

In accordance with 42 C.F.R. §438.100, MCOs must maintain written policies and procedures for informing Members of their rights and responsibilities, and must notify

Members of their right to request a copy of these rights and responsibilities. The Member Handbook must
include a notice that complies with Uniform Managed Care Manual Chapter 3.4.

8.2.6 Medicaid Member Complaint and Appeal System

The MCO must develop, implement, and maintain a Member Complaint and Appeal system that complies with the requirements in applicable federal and state laws and regulations, including 42 C.F.R. §431.200; 42 C.F.R. Part 438, Subpart F, “Grievance System”; and the provisions of 1 T.A.C. Chapter 357, relating to Medicaid managed care organizations.

The Complaint and Appeal system must include a Complaint process, an Appeal process, and access to HHSC’s Fair Hearing System. The procedures must be the same for all Members and must be reviewed and approved in writing by HHSC or its designee. Modifications and amendments to the Member Complaint and Appeal system must be submitted for HHSC’s approval at least 30 days prior to the implementation.

8.2.6.1 Member Complaint Process

The MCO must have written policies and procedures for receiving, tracking, responding to, reviewing, reporting and resolving Complaints by Members or their authorized representatives. For purposes of Section 8.2.6 an “authorized representative” is any person or entity acting on behalf of the Member and with the Member’s written consent. A Provider may be an authorized representative.

MCOs also must resolve Member Complaints received by HHSC and referred to the MCOs no later than the due date indicated on HHSC’s notification form. HHSC will provide MCOs up to ten (10) Business Days to resolve such Complaints, depending on the severity and/or urgency of the Complaint. HHSC may, in its reasonable discretion, grant a written extension if the MCO demonstrates good cause.

Unless the HHSC has granted a written extension as described above, the MCO is subject to contractual remedies, including liquidated damages, if Member Complaints are not resolved by the timeframes indicated herein.

The MCO must resolve Complaints within 30 days from the date the Complaint is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints are not resolved within 30 days of receipt of the Complaint by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” The Complaint procedure must be the same for all Members. The Member or Member's authorized representative may file a Complaint either orally or in writing. The MCO must also inform Members how to file a Complaint directly with HHSC, once the Member has exhausted the MCO’s Complaint process.

The MCO must designate an officer of the MCO who has primary responsibility for ensuring that Complaints are resolved in compliance with written policy and within the required timeframe. For purposes of Section 8.2.6.2, an “officer” of the MCO means a president, vice president, secretary, treasurer, or chairperson of the board for a corporation, the sole proprietor, the managing general partner of a partnership; or a person having similar executive authority in the organization.

The MCO must have a routine process to detect patterns of Complaints. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Complaints.

The MCO’s Complaint procedures must be provided to Members in writing and through oral interpretive services. A written description of the MCO’s Complaint procedures must be available in prevalent non-English languages for Major Population Groups identified by HHSC, at no more than a 6th grade reading level.

The MCO must include a written description of the Complaint process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TeleTypewriter/Telecommunications Device for the Deaf (TTY/TDD) and interpreter capabilities for making Complaints. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every Complaint received in person, by telephone, or in writing must be acknowledged and recorded in a written record and logged with the following details:

1. date;
2. identification of the individual filing the Complaint;
3. identification of the individual recording the Complaint;
4. nature of the Complaint;
5. disposition of the Complaint (i.e., how the MCO resolved the Complaint);
6. corrective action required; and
7. date resolved.

For Complaints that are received in person or by telephone, the MCO must provide Members or their representatives with written notice of resolution if the Complaint cannot be resolved within one working day of receipt.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making a Complaint.

If the Member makes a request for disenrollment, the MCO must give the Member information on the disenrollment process and direct the Member to the HHSC Administrative Services Contractor. If the request for disenrollment includes a Complaint by the Member, the Complaint will be processed separately from the disenrollment request, through the Complaint process.

The MCO will cooperate with the HHSC’s Administrative Services Contractor and HHSC or its designee to resolve all Member Complaints. Such cooperation may include, but is not limited to, providing information or assistance to internal Complaint committees.

The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the MCO’s Complaint system. The MCO’s Member Advocates must assist Members in writing or filing a Complaint and monitoring the Complaint through the MCO’s Complaint process until the issue is resolved.

8.2.6.2 Medicaid Standard Member Appeal Process

The MCO must develop, implement and maintain an Appeal procedure that complies with state and federal laws and regulations, including 42 C.F.R.§ 431.200 and 42 C.F.R. Part 438, Subpart F, “Grievance System.” An Appeal is a disagreement with an MCO Action as defined in Attachment A, “Uniform Managed Care Contract Terms and Conditions.” The Appeal procedure must be the same for all Members. When a Member or his or her authorized representative expresses orally or in writing any dissatisfaction or disagreement with an Action, the MCO must regard the expression of dissatisfaction as a request to Appeal an Action.

A Member must file a request for an Appeal with the MCO within 30 days from receipt of the notice of the Action. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Appeals are not resolved within 30 days of receipt of the Appeal by the MCO. Please see the Attachment A, “Uniform Managed Care Contract Terms and Conditions,” and Attachment B-3, “Deliverables/Liquidated Damages Matrix.” To ensure continuation of currently authorized services, however, the Member must file the Appeal on or before the later of: (1) ten (10) days following the MCO’s mailing of the notice of the Action, or (2) the intended effective date of the proposed Action. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved in compliance with written policy and within the 30-day time limit.

The provisions of Chapter 4201, Texas Insurance Code, relating to a Member’s right to Appeal an Adverse Determination made by the MCO or a utilization review agent to an independent review organization, do not apply to a Medicaid recipient. Chapter 4201 is preempted by federal Fair Hearings requirements.

The MCO must have policies and procedures in place outlining the Medical Director’s role in an Appeal of an Action. The Medical Director must have a significant role in monitoring, investigating and hearing Appeals. In accordance with 42 C.F.R.§ 438.406, the MCO’s policies and procedures must require that individuals who make decisions on Appeals are not involved in any previous level of review or decision-making, and are health care professionals who have the appropriate clinical expertise in treating the Member’s condition or disease.
The MCO must provide designated Member Advocates, as described in Section 8.2.6.9, to assist Members in understanding and using the Appeal process. The MCO’s Member Advocates must assist Members in writing or filing an Appeal and monitoring the Appeal through the MCO’s Appeal process until the issue is resolved.

The MCO must have a routine process to detect patterns of Appeals. Management, supervisory, and quality improvement staff must be involved in developing policy and procedure improvements to address the Appeals.

The MCO’s Appeal procedures must be provided to Members in writing and through oral interpretive services. A written description of the Appeal procedures must be available in prevalent non-English languages identified by HHSC, at no more than a 6th grade reading level. The MCO must include a written description of the Appeals process in the Member Handbook. The MCO must maintain and publish in the Member Handbook at least one toll-free telephone number with TTY/TDD and interpreter capabilities for requesting an Appeal of an Action. The MCO must provide such oral interpretive service to callers free of charge.

The MCO’s process must require that every oral Appeal received must be confirmed by a written, signed Appeal by the Member or his or her representative, unless the Member or his or her representative requests an expedited resolution. All Appeals must be recorded in a written record and logged with the following details:

1. date notice is sent;
2. effective date of the Action;
3. date the Member or his or her representative requested the Appeal;
4. date the Appeal was followed up in writing;
5. identification of the individual filing;
6. nature of the Appeal; and
7. disposition of the Appeal, including a copy of the notice of disposition and the date it was sent to Member.

The MCO must send a letter to the Member within five (5) Business Days acknowledging receipt of the Appeal request. Except for the resolution of an Expedited Appeal as provided in Section 8.2.6.3, the MCO must complete the entire standard Appeal process within 30 calendar days after receipt of the initial written or oral request for Appeal. The timeframe for a standard Appeal may be extended up to 14 calendar days if the Member or his or her representative requests an extension, or the MCO shows that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay. The MCO must designate an officer who has primary responsibility for ensuring that Appeals are resolved within these timeframes and in accordance with the MCO’s written policies.

During the Appeal process, the MCO must provide the Member a reasonable opportunity to present evidence and any allegations of fact or law in person as well as in writing. The MCO must inform the Member of the time available for providing this information and that, in the case of an expedited resolution, limited time will be available.

The MCO must provide the Member and his or her representative opportunity, before and during the Appeal process, to examine the Member’s case file, including medical records and any other documents considered during the Appeal process. The MCO must include, as parties to the Appeal, the Member and his or her representative, including the legal representative of a deceased Member’s estate.

In accordance with 42 C.F.R. § 438.420, the MCO must continue the Member’s benefits currently being received by the Member, including the benefit that is the subject of the Appeal, if all of the following criteria are met:

1. the Member or his or her representative files the Appeal timely as defined in this Contract;
2. the Appeal involves the termination, suspension, or reduction of a previously authorized course of treatment;
3. the services were ordered by an authorized provider;
4. the original period covered by the original authorization has not expired; and

5. the Member requests an extension of the benefits.

If, at the Member’s request, the MCO continues or reinstates the Member’s benefits while the Appeal is pending, the benefits must be continued until one of the following occurs:

1. the Member withdraws the Appeal;

2. ten (10) days pass after the MCO mails the notice resolving the Appeal against the Member, unless the Member, within the 10-day timeframe, has requested a Fair Hearing with continuation of benefits. In such a case, the benefits will continue until a Fair Hearing decision can be reached; or

3. a State Fair Hearing Officer issues a hearing decision adverse to the Member or the time period or service limits of a previously authorized service has been met.

In accordance with 42 C.F.R.§ 438.420(d), if the final resolution of the Appeal is adverse to the Member and upholds the MCO’s Action, then to the extent that the services were furnished to comply with the Contract, the MCO may recover such costs from the Member.

If the MCO or State Fair Hearing Officer reverses a decision to deny, limit, or delay services that were not furnished while the Appeal was pending, the MCO must authorize or provide the disputed services promptly and as expeditiously as the Member’s health condition requires.

If the MCO or State Fair Hearing Officer reverses a decision to deny authorization of services and the Member received the disputed services while the Appeal was pending, the MCO is responsible for the payment of services.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for making an Appeal.

8.2.6.3 Expedited Medicaid MCO Appeals

In accordance with 42 C.F.R. §438.410, the MCO must establish and maintain an expedited review process for Appeals. Such expedited process will apply when the MCO determines (for a request from a Member) or the provider indicates (in making the request on the Member’s behalf or supporting the Member’s request) that taking the time for a standard resolution could seriously jeopardize the Member’s life or health. The MCO must follow all Appeal requirements for standard Member Appeals as set forth in Section 8.2.6.2, except where differences are specifically noted. The MCO must accept oral or written requests for Expedited Appeals.

Members must exhaust the MCO’s Expedited Appeal process before making a request for an expedited Fair Hearing. After the MCO receives the request for an Expedited Appeal, it must hear an approved request for a Member to have an Expedited Appeal and notify the Member of the outcome of the Expedited Appeal within three (3) Business Days, except that the MCO must complete investigation and resolution of an Appeal relating to an ongoing emergency or denial of continued Hospitalization: (1) in accordance with the medical or dental immediacy of the case; and (2) not later than one (1) Business Day after receiving the Member’s request for Expedited Appeal.

Except for an Appeal relating to an ongoing emergency or denial of continued hospitalization, the timeframe for notifying the Member of the outcome of the Expedited Appeal may be extended up to 14 calendar days if the Member requests an extension or the MCO shows (to the satisfaction of HHSC, upon HHSC’s request) that there is a need for additional information and how the delay is in the Member’s interest. If the timeframe is extended, the MCO must give the Member written notice of the reason for delay if the Member had not requested the delay.

If the decision is adverse to the Member, the MCO must follow the procedures relating to the notice in Section 8.2.6.5. The MCO is responsible for notifying the Member of his or her right to access an expedited Fair Hearing from HHSC. The MCO will be responsible for providing documentation to HHSC and the Member, indicating how the decision was made, prior to HHSC’s expedited Fair Hearing.

The MCO is prohibited from discriminating or taking punitive action against a Member or his or her representative for requesting an Expedited Appeal. The MCO must ensure that punitive action is neither taken against a provider who requests an expedited resolution or supports a Member’s request.
If the MCO denies a request for expedited resolution of an Appeal, it must:

1. transfer the Appeal to the timeframe for standard resolution, and
2. make a reasonable effort to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

### 8.2.6.4 Access to Fair Hearing for Medicaid Members

The MCO must inform Members that they have the right to access the Fair Hearing process at any time during the Appeal system provided by the MCO, with the following exception. In the case of an expedited Fair Hearing process, the MCO must inform the Member that he or she must first exhaust the MCO’s internal Expedited Appeal process prior to filing an Expedited Fair Hearing request. The MCO must notify Members that they may be represented by an authorized representative in the Fair Hearing process.

If a Member requests a Fair Hearing, the MCO will complete the request for Fair Hearing and submit the form via facsimile to the appropriate Fair Hearings office, within five (5) calendar days of the Member's request for a Fair Hearing. Within five (5) calendar days of notification that the Fair Hearing is set, the MCO will prepare an evidence packet for submission to the HHSC Fair Hearings staff and send a copy of the packet to the Member. The evidence packet must comply with HHSC’s Fair Hearings requirements.

### 8.2.6.5 Notices of Action and Disposition of Appeals for Medicaid Members

The MCO must notify the Member, in accordance with 1 T.A.C. Chapter 357, whenever the MCO takes an Action. The notice must, at a minimum, include any information required by the **Uniform Managed Care Manual** Chapters 3.21 and 3.22 regarding notices of actions and incomplete prior authorization requests.

### 8.2.6.6 Timeframe for Notice of Action

In accordance with 42 C.F.R§ 438.404(c), the MCO must mail a notice of Action within the following timeframes:

1. for termination, suspension, or reduction of previously authorized Medicaid-covered services, within the timeframes specified in 42 C.F.R.§§ 431.211, 431.213, and 431.214;
2. for denial of payment, at the time of any Action affecting the claim;
3. for standard service authorization decisions that deny or limit services, within the timeframe specified in 42 C.F.R.§ 438.210(d)(1);
4. if the MCO extends the timeframe in accordance with 42 C.F.R. §438.210(d)(1), it must:
   a. give the Member written notice of the reason for the decision to extend the timeframe and inform the Member of the right to file an Appeal if he or she disagrees with that decision; and
   b. issue and carry out its determination as expeditiously as the Member’s health condition requires and no later than the date the extension expires;
5. for service authorization decisions not reached within the timeframes specified in 42 C.F.R.§ 438.210(d) (which constitutes a denial and is thus an Adverse Action), on the date that the timeframes expire; and
6. for expedited service authorization decisions, within the timeframes specified in 42 C.F.R. 438.210(d).

### 8.2.6.7 Notice of Disposition of Appeal

In accordance with 42 C.F.R.§ 438.408(e), the MCO must provide written notice of disposition of all Appeals including Expedited Appeals. The written resolution notice must include the results and date of the Appeal resolution. For decisions not wholly in the Member’s favor, the notice must contain:
1. the right to request a Fair Hearing;
2. how to request a Fair Hearing;
3. The circumstances under which the Member may continue to receive benefits pending a Fair Hearing;
4. how to request the continuation of benefits;
5. if the MCO’s Action is upheld in a Fair Hearing, the Member may be liable for the cost of any services furnished to the Member while the Appeal is pending; and
6. any other information required by 1 T.A.C. Chapter 357 that relates to a managed care organization’s notice of disposition of an Appeal.

8.2.6.8 Timeframe for Notice of Resolution of Appeals

In accordance with 42 C.F.R.§ 438.408, the MCO must provide written notice of resolution of Appeals, including Expedited Appeals, as expeditiously as the Member’s health condition requires, but the notice must not exceed the timeframes provided in this Section for standard Appeals or Expedited Appeals. For expedited resolution of Appeals, the MCO must make reasonable efforts to give the Member prompt oral notice of resolution of the Appeal, and follow up with a written notice within the timeframes set forth in this Section. If the MCO denies a request for expedited resolution of an Appeal, the MCO must transfer the Appeal to the timeframe for standard resolution as provided in this Section, make reasonable efforts to give the Member prompt oral notice of the denial, and follow up within two (2) calendar days with a written notice.

8.2.6.9 Medicaid Member Advocates

The MCO must provide Member Advocates to assist Members. Member Advocates must be physically located within the Service Area unless an exception is approved by HHSC. Member Advocates must inform Members of the following:

1. their rights and responsibilities,
2. the Complaint process,
3. the Appeal process,
4. Covered Services available to them, including preventive services, and
5. Non-capitated Services available to them.

Member Advocates must assist Members in writing Complaints and are responsible for monitoring the Complaint through the MCO’s Complaint process.

Member Advocates are responsible for making recommendations to the MCO’s management on any changes needed to improve either the care provided or the way care is delivered. Member Advocates are also responsible for helping or referring Members to community resources that are available to meet Members’ needs if services are not available from the MCO as Covered Services.

8.2.7 Additional Medicaid Behavioral Health Provisions

8.2.7.1 Local Mental Health Authority (LMHA)

Assessment to determine eligibility for rehabilitative and targeted DSHS case management services is a function of the LMHA. Covered Services must be provided to Members with severe and persistent mental illness (SPMI) and severe emotional disturbance (SED), when Medically Necessary, whether or not they are also receiving Targeted Case Management or rehabilitation services through the LMHA.

The MCO must enter into written agreements with all LMHAs in the Service Area that describe the process(es) that the MCO and LMHAs will use to coordinate services for Medicaid Members with SPMI or SED. The agreements will:
1. describe the Behavioral Health Services indicated in detail in the Provider Procedures Manual and in the Texas Medicaid Bulletin, include the amount, duration, and scope of basic and Value-added Services, and the MCO's responsibility to provide these services;

2. describe criteria, protocols, procedures and instrumentation for referral of Medicaid Members from and to the MCO and the LMHA;

3. describe processes and procedures for referring Members with SPMI or SED to the LMHA for assessment and determination of eligibility for rehabilitation or Targeted Case Management Services;

4. describe how the LMHA and the MCO will coordinate providing Behavioral Health Services to Members with SPMI or SED;

5. establish clinical consultation procedures between the MCO and LMHA including consultation to effect referrals and ongoing consultation regarding the Member's progress;

6. establish procedures to authorize release and exchange of clinical treatment records;

7. establish procedures for coordination of assessment, intake/triage, utilization review/utilization management and care for persons with SPMI or SED;

8. establish procedures for coordination of inpatient psychiatric services (including Court-ordered Commitment of Members birth through age 20) in state psychiatric facilities within the LMHA's catchment area;

9. establish procedures for coordination of emergency and urgent services to Members;

10. establish procedures for coordination of care and transition of care for new Members who are receiving treatment through the LMHA; and

11. establish that, when Members are receiving Behavioral Health Services from the Local Mental Health Authority, the MCO is using the same UM guidelines as those prescribed for use by Local Mental Health Authorities by DSHS, published at: http://www.dshs.state.tx.us/mhsa/umguidelines/.

The MCO must offer licensed practitioners of the healing arts (defined in 25 T.A.C., Part 1, Chapter 419, Subchapter L), who are part of the Member's treatment team for rehabilitation services (the Treatment Team) the opportunity to participate in the MCO's Network. The practitioner must agree to accept the MCO's Provider reimbursement rate, meet the credentialing requirements, and comply with all the terms and conditions of the MCO's standard Provider contract.

MCOs must allow Members receiving rehabilitation services to choose the licensed practitioners of the healing arts who are currently a part of the Member's Treatment Team. If the Member chooses to receive these services from Out-of-Network licensed practitioners of the healing arts who are part of the Member's Treatment Team, the MCO must reimburse the provider through Out-of-Network reimbursement arrangements.

Nothing in this section diminishes the potential for the Local Mental Health Authority to seek best value for rehabilitative services by providing these services under arrangement, where possible, as specified is 25 T.A.C. §419.455.

8.2.7.2 Substance Abuse Benefit

8.2.7.2.1 Substance Abuse and Dependency Treatment Services

The requirements in this subsection apply to STAR+PLUS MCOs in all Service Areas and to STAR MCOs in all Service Areas except the Dallas Service Area. Members in the Dallas Service Area receive Behavioral Health Services through the NorthSTAR Program.

Substance use disorder includes substance abuse and dependence as defined by the current Diagnostic and Statistical Manual of Mental Disorders (DSM).

8.2.7.2.2 Providers
Providers for the substance abuse and dependency treatment benefit include: Hospitals, chemical dependency treatment facilities licensed by the Department of State Health Services, and practitioners of the healing arts.

MCOs must include Significant Traditional Providers (STPs) of these benefits in its Network, and provide such STPs with expedited credentialing. Medicaid MCOs must enter into provider agreements with any willing Significant Traditional Provider (STP) of these benefits that meets the Medicaid enrollment requirements. MCO credentialing requirements and agrees to the MCO’s contract terms and rates. For purposes of this section, STPs are providers who meet the Medicaid enrollment requirements and have a contract with the Department of State Health Services (DSHS) to receive funding for treatment under the Federal Substance Abuse Prevention and Treatment block grant. The STP requirements described herein apply to all Service Areas, and unlike other STP requirements are not limited to the first three (3) years of operations.

MCOs must maintain a provider education process to inform substance abuse treatment Providers in the MCO’s Network on how to refer Members for treatment.

8.2.7.2.3 Care Coordination

MCOs must ensure care coordination is provided to Members with a substance use disorder. MCOs must work with providers, facilities, and Members to coordinate care for Members with a substance use disorder and to ensure Members have access to the full continuum of Covered Services (including without limitation assessment, detoxification, residential treatment, outpatient services, and medication therapy) as Medically Necessary and appropriate. MCOs must also coordinate services with the DSHS, DFPS, and their designees for Members requiring Non-Capitated Services. Non-Capitated Services includes, without limitation, services that are not available for coverage under the Contract, State Plan or Waiver that are available under the Federal Substance Abuse and Prevention and Treatment block grant when provided by a DSHS-funded provider or covered by the DFPS under direct contract with a treatment provider. MCOs must work with DSHS, DFPS, and providers to ensure payment for Covered Services is available to Out-of-Network Providers who also provide related Non-capitated Services when the Covered Services are not available through Network Providers.

8.2.7.3.4 Member Education and Self-Referral for Substance Abuse and Dependency Treatment Services

MCOs must maintain a Member education process (including hotlines, manuals, policies and other Member Materials) to inform Members of the availability of and access to substance abuse treatment services, including information on self-referral.

8.2.8 Third Party Liability and Recovery and Coordination of Benefits

Medicaid coverage is secondary when coordinating benefits with all other insurance coverage, unless an exception applies under federal law. Coverage provided under Medicaid will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with HHSC's administrative rules regarding Out-of-Network payment (1 T.A.C. §353.4).

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must be in accordance with state and federal law and regulations, including Section 1902(a)(25)(E) and (F) of the Social Security Act, which require MCOs to pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action. The projected amount of TPR that the MCO is expected to recover may be factored into the rate setting process.

HHSC will provide the MCO, by Plan code, a monthly Member file (also known as a TPR client file). The file contains any Third Party Recovery (TPR) data that HHSC's claims administration agent has on file for individual Medicaid clients, organized by name and client number, and adding additional relevant information where available, such as the insured's name/contact information, type of coverage, the insurance carrier, and the effective dates.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, "Financial Reporting Requirements."

After 120 days from the date of adjudication of a claim that is subject to TPR, HHSC has the right to attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated TPR or subrogation action.
8.2.9 Coordination with Public Health Entities

8.2.9.1 Reimbursed Arrangements with Public Health Entities

The MCO must make a good faith effort to enter into a Subcontract for Covered Services with Public Health Entities. Possible Covered Services that could be provided by Public Health Entities include, but are not limited to, the following services:

1. Sexually Transmitted Diseases (STDs) services;
2. confidential HIV testing;
3. immunizations;
4. tuberculosis (TB) care;
5. Family Planning services;
6. Texas Health Steps medical checkups, and
7. prenatal services.

If the MCO is unable to enter into a contract with Public Health Entities, the MCO must document efforts to contract with Public Health Entities, and make such documentation available to HHSC upon request.

MCO Contracts with Public Health Entities must specify the scope of responsibilities of each party, the methodology and agreements regarding billing and reimbursements, reporting responsibilities, Member and Provider educational responsibilities, and the methodology and agreements regarding sharing of confidential medical record information between the Public Health Entity and the MCO or PCP.

The MCO must:

1. identify care managers who will be available to assist public health providers and PCPs in efficiently referring Members to the public health providers, specialists, and health-related service providers either within or outside the MCO’s Network; and
2. inform Members that confidential healthcare information will be provided to the PCP, and educate Members on how to better utilize their PCPs, public health providers, emergency departments, specialists, and health-related service providers.

8.2.9.2 Non-Reimbursed Arrangements with Local Public Health Entities

The MCO must coordinate with Public Health Entities in its Service Area(s) regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. report to Public Health Entities regarding communicable diseases and/or diseases that are preventable by immunization as defined by state law;
2. notify the local Public Health Entity of communicable disease outbreaks involving Members; and
3. educate Members and Providers regarding WIC services available to Members.

To follow-up on suspected or confirmed cases of childhood lead exposure, the MCO must coordinate with local Public Health Entities that have a child lead program, or with the DSHS Childhood Lead Poisoning Prevention Program when the local Public Health Entity does not have a child lead program.

In addition, the MCO must make a good faith effort to establish an effective working relationship with all state and local public
health entities in its Service Area(s) to identify issues and promote initiatives addressing public health concerns.

8.2.10 Coordination with Other State Health and Human Services (HHS) Programs

The MCO must coordinate with other state HHS Programs in each Service Area regarding the provision of essential public Health Care Services. In addition to the requirements listed above in Section 8.2.2, or otherwise required under state law or the Contract, the MCO must meet the following requirements:

1. require Providers to use the DSHS Bureau of Laboratories for specimens obtained as part of a Texas Health Steps medical checkup, as indicated in Section 8.1.4 under Laboratory Services;
2. notify Providers of the availability of vaccines through the Texas Vaccines for Children Program;
3. work with HHSC and Providers to improve the reporting of immunizations to the statewide ImmTrac Registry;
4. educate Providers and Members about services available through the Department of State Health Services (DSHS) Case Management for Children and Pregnant Women program;
5. coordinate with Case Management for Children and Pregnant Women for health care needs that are identified by Case Management for Children and Pregnant Women and referred to the MCO;
6. participate, to the extent practicable, in the community-based coalitions with the Medicaid-funded case management programs in the Department of Assistive and Rehabilitative Services (DARS), the Department of Aging and Disability Services (DADS), and DSHS;
7. cooperate with activities required of state and local public health authorities necessary to conduct the annual population and community-based needs assessment;
8. report all blood lead results, coordinate and follow-up on suspected or confirmed cases of childhood lead exposure with the Childhood Lead Poisoning Prevention Program in DSHS, and follow the Centers for Disease Control and Prevention guidelines for testing children for lead and follow-up actions for children with elevated lead levels located at http://www.dshs.state.tx.us/lead/pdf_files/pb_109_physician_reference.pdf;
9. coordinate with Texas Health Steps Outreach Unit;
10. coordination of care protocols for working with Dental Contractors, as well as protocols for reciprocal referral and communication of data and clinical information regarding the Member's Medically Necessary dental Covered Services; and
11. develop a coordination plan to share with local entities regarding clients identified as requiring special needs or assistance during a disaster.

8.2.11 Advance Directives

Federal and state laws require MCOs and providers to maintain written policies and procedures for informing all adult Members 18 years of age and older about their rights to refuse, withhold or withdraw medical treatment and mental health treatment through advance directives (see Social Security Act §1902(a)(57) and §1903(m)(1)(A)). The MCO’s policies and procedures must include written notification to Members and comply with provisions contained in 42 C.F.R. § 489, Subpart I, relating to advance directives for all Hospitals, critical access Hospitals, skilled nursing facilities, home health agencies, providers of home health care, providers of personal care services and hospices. The MCO’s policies and procedures must comply with state laws and rules regarding:

1. a Member’s right to self-determination in making health care decisions;
2. the Advance Directives Act, Chapter 166, Texas Health and Safety Code, which includes:
   a. a Member’s right to execute an advance written directive to physicians and family or surrogates, or to make a non-written directive to administer, withhold or withdraw life-sustaining treatment in the event of a terminal or irreversible condition;
   b. a Member’s right to make written and non-written out-of-Hospital do-not-resuscitate (DNR) orders;
   c. a Member’s right to execute a Medical Power of Attorney to appoint an agent to make health care decisions on the Member’s behalf if the Member becomes incompetent; and
3. Chapter 137, Texas Civil Practice and Remedies Code, which includes a Member’s right to execute a Declaration for Mental Health Treatment in a document making a declaration of preferences or instructions regarding mental health treatment.

The MCO must maintain written policies for implementing a Member’s advance directive. Those policies must include a clear and precise statement of limitation if a Provider cannot or will not implement a Member’s advance directive.

The MCO cannot require a Member to execute or issue an advance directive as a condition of receiving Health Care Services.

The MCO cannot discriminate against a Member based on whether or not the Member has executed or issued an advance directive.

The MCO’s policies and procedures must require the MCO and Subcontractors to comply with the requirements of state and federal law relating to advance directives. The MCO must provide education and training to employees and Members on issues concerning advance directives.

All materials provided to Members regarding advance directives must be written at a 7th - 8th grade reading comprehension level, except where a provision is required by state or federal law and the provision cannot be reduced or modified to a 7th - 8th grade reading level because it is a reference to the law or is required to be included “as written” in the state or federal law.

The MCO must notify Members of any changes in state or federal laws relating to advance directives within 90 days from the effective date of the change, unless the law or regulation contains a specific time requirement for notification.

8.2.12 SSI Members

A Member’s SSI status is effective the date the State’s eligibility system identifies the Member as Type Program 13 (TP13). The State is responsible for updating the State's eligibility system within 45 days of official notice of the Member’s Federal SSI eligibility by the Social Security Administration (SSA).

8.2.13 Medicaid Wrap-Around Services

For Dual Eligibles who are eligible for full Medicaid in any STAR+PLUS Service Area, the MCO may be required to supplement Medicare coverage by providing services, supplies, and outpatient drugs and biologicals that are available under the Texas Medicaid program. There are three (3) categories of Medicaid wrap-around services:

1. Medicaid Only Services (i.e. services that do not have a corresponding Medicare service);
2. Medicare Services that become a Medicaid expense due to a benefit limitation on the Medicare side being met; and
3. Medicare Services that become a Medicaid expense due to coinsurance (True Cross-over Claims).

HHSC will provide advance written notice to the MCOs identifying the types of Medicaid wrap-around services that will become Covered Services, and the effective date of coverage. HHSC will make capitation rate adjustments to account for the carve-in of these services.

True cross-over claims will continue to be paid by HHSC’s Administrative Services Contractor.

8.2.14 Medical Transportation

HHSC reserves the right to amend the scope of the Contract to include medical transportation services (MTP) for Medicaid Members. For additional information regarding the MTP Program, the MCO should refer to the Nonemergency Medical Transportation (NEMT) Full Risk Broker Services RFP. MCOs should note that the MTP Program includes numerous Frew v. Suehs requirements, including enhanced call center performance standards. If MTP services are added to the scope of the Contract, HHSC will provide advance written notice and conduct appropriate Readiness Review.
8.3 Additional STAR+PLUS Scope of Work

8.3.1 Covered Community-Based Long-Term Services and Supports

The MCO must ensure that STAR+PLUS Members needing Community Long-term Services and Supports are identified, and that services are referred and authorized in a timely manner. The MCO must ensure that Providers of Community Long-term Services and Supports are licensed to deliver the services they provide. The inclusion of Community Long-term Services and Supports in a managed care model presents challenges, opportunities and responsibilities.

Community Long-term Services and Supports may be necessary as a preventative service to avoid more expensive hospitalizations, emergency room visits, or institutionalization. Community Long-term Services and Supports should also be made available to Members to assure maintenance of the highest level of functioning possible in the least restrictive setting. A Member’s need for Community Long-term Services and Supports to assist with the activities of daily living must be considered as important as needs related to a medical condition. MCOS must provide both Medically Necessary and Functionally Necessary Covered Services to Community Long-term Services and Supports Members.

8.3.1.1 Community Based Long-Term Services and Supports Available to All Members

The MCO must enter into written contracts with Providers of Personal Assistance Services and Day Activity and Health Services (DAHS) to ensure access to these services for all STAR+PLUS Members. At a minimum, these Providers must meet all of the following state licensure and certification requirements for providing the services in Attachment B-2.2, "STAR+PLUS Covered Services."

<table>
<thead>
<tr>
<th>Community-based Long-Term Services and Supports Available to All Members</th>
<th>Licensure and Certification Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Attendant Services/Primary Home Care</td>
<td>The Provider must be licensed by DADS as a Home and Community Support Services Agency (HCSSA). The level of licensure required depends on the type of service delivered. NOTE: For primary home care and client managed attendant care, the agency may have only the Personal Assistance Services level of licensure.</td>
</tr>
<tr>
<td>Day Activity and Health Services (DAHS) (for members in mandatory STAR+PLUS eligibility groups, as identified in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver, with incomes below 150% FPL)</td>
<td>The Provider must be licensed by the DADS Regulatory Division as an adult day care provider. To provide DAHS, the Provider must provide the range of services required for DAHS.</td>
</tr>
</tbody>
</table>

8.3.1.2 HCBS STAR+PLUS Waiver Services Available to Qualified Members

The HCBS STAR+PLUS Waivers provides Community Long-term Services and Supports to Medicaid Eligibles who are elderly and to adults with disabilities as a cost-effective alternative to living in a nursing facility. These Members must be age 21 or older, be a Medicaid recipient or be otherwise financially eligible for waiver services. To be eligible for HCBS STAR+PLUS Waiver Services, a Member must meet income and resource requirements for Medicaid nursing facility care, and receive a determination from HHSC on the medical necessity/level of care of the nursing facility care. The MCO must make available to STAR+PLUS Members who meet these eligibility requirements the array of services allowable through HHSC's CMS-approved HCBS STAR+PLUS Waiver (see Attachment B-2.2, "STAR+PLUS Covered Services").
<table>
<thead>
<tr>
<th>Service</th>
<th>Licensure and Certification Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Attendant Services</td>
<td>The Provider must be licensed by DADS as a Home and Community Support Services Agency (HCSSA). The level of licensure required depends on the type of service delivered. For Primary Home Care and Client Managed Attendant Care, the agency may have only the Personal Assistance Services level of licensure.</td>
</tr>
<tr>
<td>Assisted Living Services</td>
<td>The Provider must be licensed by the Texas Department of Aging and Disability Services, Long Term Care Regulatory Division in accordance with 40 T.A.C., Part 1, Chapter 92. The type of licensure determines what services may be provided.</td>
</tr>
<tr>
<td>Emergency Response Service Provider</td>
<td>Licensed by the Texas Department of State Health Services as a Personal Emergency Response Services Agency under 25 T.A.C., Part 1, Chapter 140, Subchapter B.</td>
</tr>
<tr>
<td>Nursing Services</td>
<td>Licensed Registered Nurse by the Texas Board of Nursing under 22 T.A.C., Part 11, Chapter 217. The registered nurse must comply with the requirements for delivery of nursing services, which include requirements such as compliance with the Texas Nurse Practice Act and delegation of nursing tasks. The licensed vocational nurse must practice under the supervision of a registered nurse, licensed to practice in the State.</td>
</tr>
<tr>
<td>Day Activity Health Services (DAHS)</td>
<td>The Provider must be licensed by the DADS Regulatory Division as an adult day care provider. To provide DAHS, the Provider must provide the range of services required for DAHS.</td>
</tr>
<tr>
<td>Adult Foster Care</td>
<td>Adult foster care homes serving three (3) or fewer participants must comply with requirements outlined in 40 T.A.C., Part 1, Chapter 48, Subchapter K. Adult foster care homes serving four (4) participants must be licensed by DADS as an assisted living facility under 40 T.A.C., Part 1, Chapter 92.</td>
</tr>
<tr>
<td>Dental</td>
<td>Licensed by the Texas State Board of Dental Examiners as a Dentist under 22 T.A.C., Part 5, Chapter 101.</td>
</tr>
<tr>
<td>Respite Care</td>
<td>Licensed by DADS as a Home and Community Support Services Agency (HCSSA) under 40 T.A.C., Part 1, Chapter 97.</td>
</tr>
<tr>
<td>Service</td>
<td>Requirements</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Home Delivered Meals</strong></td>
<td>Providers must comply with requirement of 40 T.A.C., Part 1, Chapter 55 for providing home delivered meal services, which include requirements such as dietary requirements, food temperature, delivery times, and training of volunteers and others who deliver meals.</td>
</tr>
<tr>
<td><strong>Physical Therapy (PT) Services</strong></td>
<td>Licensed Physical Therapist through the Texas Board of Physical Therapy Examiners, Chapter 453 of the Texas Occupations Code.</td>
</tr>
<tr>
<td><strong>Occupational Therapy (OT) Services</strong></td>
<td>Licensed Occupational Therapist through the Texas Board of Occupational Therapy Examiners, Chapter 454 of the Texas Occupations Code.</td>
</tr>
<tr>
<td><strong>Speech, Hearing, and Language Therapy Services</strong></td>
<td>Licensed Speech Therapist through the Department of State Health Services.</td>
</tr>
<tr>
<td><strong>Consumer Directed Services (CDS)</strong></td>
<td>No licensure or certification requirements. The Providers must complete DADS’ required training. Current CDSAs contracted by DADS are assumed to have completed the training.</td>
</tr>
<tr>
<td><strong>Transition Assistance Services (TAS)</strong></td>
<td>The Provider must comply with the requirements for delivery of TAS, which include requirements such as allowable purchases, cost limits, and timeframes for delivery. TAS providers must demonstrate knowledge of, and experience in, successfully serving individuals who require home and community-based services.</td>
</tr>
<tr>
<td><strong>Minor Home Modification</strong></td>
<td>No licensure or certification requirements.</td>
</tr>
<tr>
<td><strong>Adaptive Aids and Medical Equipment</strong></td>
<td>No licensure or certification requirements.</td>
</tr>
<tr>
<td><strong>Medical Supplies</strong></td>
<td>No licensure or certification requirements.</td>
</tr>
</tbody>
</table>

### 8.3.2 Service Coordination

The MCO must furnish a Service Coordinator to all STAR+PLUS Members who request one. The MCO should also furnish a Service Coordinator to a STAR+PLUS Member when the MCO determines one is required through an assessment of the Member’s health and support needs. The MCO must ensure that each STAR+PLUS Member has a qualified PCP who is responsible for overall clinical direction and, in conjunction with the Service Coordinator, serves as a central point of integration and coordination of Covered Services, including primary, Acute Care, Long-term Services and Supports, and Behavioral Health Services.

The Service Coordinator must work as a team with the PCP to coordinate all STAR+PLUS Covered Services and any applicable Non-capitated Services. This requirement applies whether or not the PCP is in the MCO’s Network, as some STAR+PLUS Members dually eligible for Medicare may have a PCP that is not in the MCO’s Provider Network. In order to integrate the Member’s Acute Care and primary care, and stay abreast of the Member’s needs and condition, the Service Coordinator must also actively involve and coordinate with the Member’s primary and specialty care providers, including Behavioral Health Service providers, providers of Non-capitated Services, and Medicare Advantage health plans for qualified Dual Eligible Members. When considering whether to refer a Member to a nursing facility or other long-term care facility, the MCO must consider the availability of the Program of All-Inclusive Care for the Elderly (PACE) for that Member.
The MCO must identify and train Members or their families to coordinate their own care, to the extent of the Member’s or the family’s capability and willingness to coordinate care.

8.3.2.3 Discharge Planning

The MCO must have a protocol for quickly assessing the needs of Members discharged from a Hospital or other care or treatment facility. The MCO’s Service Coordinator must work with the Member’s PCP, the Hospital discharge planner(s), the attending physician, the Member, and the Member’s family to assess and plan for the Member’s discharge. When Long-term Services and Supports is needed, the MCO must ensure that the Member’s discharge plan includes arrangements for receiving community-based care whenever possible. The MCO must ensure that the Member, the Member’s family, and the Member’s PCP are all well informed of all service options available to meet the Member’s needs in the community.

8.3.2.4 Transition Plan for New STAR+PLUS Members

The MCO must provide a transition plan for Members enrolled in the STAR+PLUS Program. HHSC, and/or the previous STAR+PLUS MCO contractor, will provide the MCO with detailed Care Plans, names of current providers, etc., for newly enrolled Members already receiving Long-term Services and Supports at the time of enrollment in the MCO. The MCO must ensure that current providers are paid for Medically Necessary and Functionally Necessary Covered Services that are delivered in accordance with the Member’s existing treatment/Long-Term Services and Supports plan after the Member has become enrolled in the MCO and until the transition plan is developed.

The transition planning process must include, but is not limited to, the following:

1. review of existing Long-Term Services and Supports plans prepared by DADS or another STAR+PLUS MCO;
2. preparation of a transition plan that ensures continuous care under the Member’s existing Care Plan during the transfer into the MCO’s Network while the MCO conducts an appropriate assessment and development of a new plan, if needed;
3. if durable medical equipment or supplies had been ordered prior to enrollment but have not been received by the time of enrollment, coordination and follow-through to ensure that the Member receives the necessary supportive equipment and supplies without undue delay; and
4. payment to the existing provider of service under the existing authorization for up to six (6) months, until the MCO has completed the assessment and Service Plans and issued new authorizations.

Except as provided below, the MCO must review any existing care plan and develop a transition plan within 30 days of receiving notice of the Member’s enrollment. For all existing care plans received prior to the Operational Start Date, the MCO will have additional time to complete this process, not-to-exceed 120 days after the Member’s enrollment. The transition plan will remain in place until the MCO contacts the Member or the Member’s representative and coordinates modifications to the Member’s current treatment/Long-Term Services and Supports plan. The MCO must ensure that the existing services continue and that there are no breaks in services. For initial implementation of the STAR+PLUS program in a Service Area, the MCO must honor existing LTSS authorizations for up to six (6) months following the Operational Start Date, or until the MCO has evaluated and assessed the Member and issued new authorizations.

The Service Plan includes, but is not limited to, the following:

1. the Member’s history;
2. summary of current medical and social needs and concerns;
3. short and long term needs and goals;
4. a list of services required, their frequency, and
5. a description of who will provide such services.

The Service Plan may include information for services outside the scope of covered benefits such as how to access affordable, integrated housing. The MCO must ensure that the Member or the Member’s representative is involved in the assessment process and fully
informed about options, is included in the development of the Service Plan, and is in agreement with the plan when completed.

8.3.2.5 Centralized Medical Record and Confidentiality

The Service Coordinator must be responsible for maintaining a centralized record related to Member contacts, assessments and service authorizations. The MCO must ensure that the organization of and documentation included in the centralized Member record meets all applicable professional standards ensuring confidentiality of Member records, referrals, and documentation of information. The MCO must have a systematic process for generating or receiving referrals and sharing confidential medical, treatment, and planning information across providers.

8.3.2.6 Nursing Facilities

Nursing facility care, although a part of the care continuum, presents a challenge for managed care. Because of the process for becoming eligible for Medicaid assistance in a nursing facility, there is frequently a significant time gap between entry into the nursing home and determination of Medicaid eligibility. During this gap, it is likely that the resident will have "nested" in the facility and many of the community supports are no longer available. To require participation of all nursing facility residents would result in the MCO maintaining a Member in the nursing facility without many options for managing their health. For this reason, persons who qualify for Medicaid as a result of nursing facility residency are not enrolled in STAR+PLUS.

The STAR+PLUS MCO must participate in the Promoting Independence (PI) initiative for such individuals. PI is a philosophy that aged and disabled individuals remain in the most integrated setting to receive Long-term Services and Supports. PI is Texas' response to the U.S. Supreme Court ruling in Olmstead v. L.C., which requires states to provide community-based services for persons with disabilities who would otherwise be entitled to institutional services, when:

1. the state's treatment professionals determine that such placement is appropriate;
2. the affected persons do not oppose such treatment; and
3. the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services.

In accordance with legislative direction, the MCO must designate a point of contact to receive referrals for nursing facility residents who may potentially be able to return to the community through the use of HCBS STAR+PLUS Waiver services. To be eligible for this option, an individual must reside in a nursing facility until a written plan of care for safely moving the resident back into a community setting has been developed and approved.

A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The nursing facility will bill the state directly for covered nursing facility services delivered while the Member is in the nursing facility. See Section 8.3.2.7 for further information.

The MCO is responsible for the Member at the time of nursing facility entry and must utilize the Service Coordinator staff to complete an assessment of the Member within 30 days of entry in the nursing facility, and develop a plan of care to transition the Member back into the community if possible. If at this initial review, return to the community is possible, the Service Coordinator will work with the resident and family to return the Member to the community using HCBS STAR+PLUS Waiver Services.

If the initial review does not support a return to the community, the Service Coordinator will conduct a second assessment 90 days after the initial assessment to determine any changes in the individual's condition or circumstances that would allow a return to the community. The Service Coordinator will develop and implement the transition plan.

The MCO will provide these services as part of the PI initiative. The MCO must maintain the documentation of the assessments completed and make them available for state review at any time.

It is possible that the STAR+PLUS MCO will be unaware of the Member's entry into a nursing facility. It is the responsibility of the nursing facility to review the Member's Medicaid card upon entry into the facility and notify the MCO. The nursing facility is also required to notify HHSC of the entry of a new resident.

8.3.2.7 MCO Four-Month Liability for Nursing Facility Care
A STAR+PLUS Member who enters a nursing facility will remain a STAR+PLUS Member for a total of four (4) months. The four (4) months do not have to be consecutive. Upon completion of four months of nursing facility care, the individual will be disenrolled from the STAR+PLUS Program and the Medicaid Fee-for-Service program will provide Medicaid benefits. A STAR+PLUS Member may not change MCOs while in a nursing facility.

Tracking the four (4) months of liability is done through a counter system. The four-month counter starts with the earlier of: (1) the date of the Medicaid admission to the nursing facility, or (2) on the 21st day of a Medicare stay, if applicable. A partial month counts as a full month. In other words, the month in which the Medicaid admission occurs or the month on which the 21st day of the Medicare stay occurs is counted as one (1) of the four (4) months. The MCO will not be responsible for the cost of care provided in a nursing facility. For Medicaid-only Members, the MCO is responsible for cost of Covered Services provided outside of the nursing facility. The MCO will not maintain nursing facilities in its Provider Network, and will not reimburse the nursing facilities for Covered Services provided in such facilities. Nursing facilities will use the traditional Fee-for-Service (FFS) system of billing HHSC rather than billing the MCO.

8.3.2.8 Prioritization Plan

Prior to the 3/1/2012 Operational Start Date of the STAR+PLUS Program in the Expansion Service Areas, HHSC and DADS will provide the MCO a plan that outlines a priority of populations and special handling procedures that the MCO must implement to help ensure timely assessments for potential enrollees and incoming Members as well as continuity of care for incoming Members. The populations that will be part of the priority list will include but are not limited to Money Follows the Person (MFP); Medically Dependent Children Program (MDCP), Comprehensive Care Program -Personal Care Services (CCP-PCS) and Comprehensive Care Program-Private Duty Nursing (CCP-PDN) aging out consumers; 217-Like Group Interest List consumers; and Supplemental Security Income (SSI) consumer. HHSC and/or DADS will also provide the MCO with information concerning Members who will be enrolled through manual processes and will need expedited access to services.

8.3.3 STAR+PLUS Assessment Instruments

The MCO must have and use functional assessment instruments to identify Members with significant health problems, Members requiring immediate attention, and Members who need or are at risk of needing Long-term Services and Supports. The MCO, a Subcontractor, or a Provider may complete assessment instruments, but the MCO remains responsible for the data recorded.

MCOs must use the DADS Form 2060, as amended or modified, to assess a Member's need for Functionally Necessary Personal Attendant Services. The MCO may adapt the form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment.

The DADS Form 2060 must be completed if a need for or a change in Personal Attendant Services is warranted at the initial contact, at the annual reassessment, and anytime a Member requests the services or requests a change in services. The DADS Form 2060 must also be completed at any time the MCO determines the Member requires the services or requires a change in the Personal Attendant Services that are authorized.

MCOs must use the Texas Medicaid Personal Care Assessment Form (PCAF Form) in lieu of the DADS Form 2060 for children under the age of 21 when assessing the Member's need for Functional Necessary Personal Attendant Services. MCOs may adapt the PCAF Form to reflect the MCO's name or distribution instructions, but the elements must be the same and instructions for completion must be followed without amendment. Reassessments using the PCAF Form must be completed every 12 months and as requested by the Member's parent or other legal guardian. The PCAF Form must also be completed at any time the MCO determines the Member may require a change in the number of authorized Personal Attendant Service hours.

For Members and applicants seeking or needing the HCBS STAR+PLUS Waiver services, the MCOs must use the Community Medical Necessity and Level of Care Assessment Instrument, as amended or modified, to assess Members and to supply current medical information for Medical Necessity determinations. The MCO must also complete the Individual Service Plan (ISP), Form 3671 for each Member receiving HCBS STAR+PLUS Waiver Services. The ISP is established for a one-year period. After the initial ISP is established, the ISP must be completed on an annual basis and the end date or expiration date does not change. Both of these forms (Community Medical Necessity and Level of Care Assessment Instrument and Form 3671) must be completed annually at reassessment.

The MCO is responsible for tracking the end dates of the ISP to ensure all Member reassessment activities have been completed and posted on the LTC online portal prior to the expiration date of the ISP. Note that the MCO cannot submit its initial Community Medical Necessity and Level of Care Assessment Instrument earlier than 120 days prior to the expiration.
date of the ISP. An Initial Community Medical Necessity and Level of Care determination will expire 120 days after it is approved by the HHSC Claims Administrator. The MCO cannot submit a renewal of the Community Medical Necessity and Level of Care Assessment Instrument earlier than 90 days prior to the expiration date of the ISP. Such renewal will expire 90 days after it is approved by the HHSC Claims Administrator.

8.3.4 HCBS STAR+PLUS Waiver Service Eligibility

Recipients of HCBS STAR+PLUS Waiver services must meet level of care criteria for participation in the waiver and must have a plan of care at initial determination of eligibility in which the plan's annualized cost is equal to or less than 202% of the annualized cost of care if the individual were to enter a nursing facility. If the MCO determines that the recipient's cost of care will exceed the 202% limit, the MCO will submit to HHSC's Health Plan Operations Unit a request to consider the use of State General Revenue Funds to cover costs over the 202% allowance, as per HHSC's policy and procedures related to use of general revenue for HCBS STAR+PLUS Waiver participants. If HHSC approves the use of State General Revenue Funds, the MCO will be allowed to provide waiver services as per the Individual Service Plan, and non-waiver services (services in excess of the 202% allowance) utilizing State General Revenue Funds. Non-waiver services are not Medicaid Allowable Expenses, and may not be reported as such on the FSRs. The MCO will submit reports documenting expenses for non-waiver services in an HHSC-approved format. HHSC will reimburse the MCO for such expenses.

8.3.4.1 For Members

Members can request to be tested for eligibility into the HCBS STAR+PLUS Waiver. The MCO can also initiate HCBS STAR+PLUS Waiver eligibility testing on a STAR+PLUS Member if the MCO determines that the Member would benefit from the HCBS STAR-PLUS Waiver services.

To be eligible for the HCBS STAR-PLUS Waiver, the Member must meet Medical Necessity/Level of Care and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that that Member has a minimum of one (1) unmet need for at least one (1) HCBS STAR-PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible for completing the assessment documentation, and preparing a HCBS STAR-PLUS ISP for identifying the needed HCBS STAR-PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost limit. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing.

HHSC will notify the Member and the MCO of the eligibility determination, which will be based on results of the assessments and the information provided by the MCO. If the STAR-PLUS Member is eligible for HCBS STAR-PLUS Waiver services, HHSC will notify the Member of the effective date of eligibility. If the Member is not eligible for HCBS STAR-PLUS Waiver services, HHSC will provide the Member information on right to Appeal the Adverse Determination. The MCO is responsible for preparing any requested documentation regarding its assessments and ISPs, and if requested by HHSC, attending the Fair Hearing. Regardless of the HCBS STAR-PLUS Waiver eligibility determination, HHSC will send a copy of the Member notice to the MCO.

8.3.4.2 For 217-Like Group Non-Member Applicants

Non-member persons who are not eligible for Medicaid in the community may apply for participation in the HCBS STAR-PLUS Waiver under the financial and functional eligibility requirements for the 217-Like Group (this group is described in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver). HHSC will inform the non-member applicant that services are provided through an MCO and allow the applicant to select the MCO. HHSC will provide the selected MCO an authorization form to initiate pre-enrollment assessment services required under the HCBS STAR-PLUS Waiver for the applicant. The MCO's initial home visit with the applicant must occur within 14 days of the receipt of the referral. To be eligible for HCBS STAR-PLUS Waiver, the applicant must meet financial eligibility and Medical Necessity/Level of Care, and the cost of the Individual Service Plan (ISP) cannot exceed 202% of cost of providing the same services in a nursing facility. The MCO must be able to demonstrate that the applicant has a minimum of one (1) unmet need for at least one (1) HCBS STAR-PLUS Waiver service.

The MCO must complete the Community Medical Necessity and Level of Care Assessment Instrument for Medical Necessity/Level of Care determination, and submit the form to HHSC's Administrative Services Contractor. The MCO is also responsible
for completing the assessment documentation, and preparing a HCBS STAR+PLUS ISP for identifying the needed HCBS STAR+PLUS Waiver services. The ISP is submitted to the State to ensure that the total cost does not exceed the 202% cost ceiling. The MCO must complete these activities within 45 days of receiving the State's authorization form for eligibility testing. HHSC will notify the applicant and the MCO of the results of its eligibility determination. If the applicant is eligible, HHSC will notify the applicant and the MCO will be notified of the effective date of eligibility, which will be the first day of the month following the determination of eligibility. The MCO must initiate the Individual Service Plan (ISP) on the date of enrollment. If the applicant is not eligible, the HHSC notice will provide information on the applicant's right to Appeal the Adverse Determination. HHSC will also send notice to the MCO if the applicant is not eligible for HCBS STAR+PLUS Waiver services. The MCO is responsible for preparing any requested documentation regarding its assessments and service plans, and if requested by HHSC, attending the Fair Hearing.

8.3.4.3 Annual Reassessment

Prior to the end date of the annual ISP, the MCO must initiate an annual reassessment to determine and validate continued eligibility for HCBS STAR+PLUS Waiver services for each Member receiving such services. The MCO will be expected to complete the same activities for each annual reassessment as required for the initial eligibility determination.

8.3.5 Consumer Directed Services Options

There are three (3) options available to STAR+PLUS Members desiring to self-direct the delivery of:

1. Primary Home Care (PHC) (which is available to all STAR+PLUS Members), and
2. Personal Attendant Services (PAS); in-home or out-of-home respite; nursing; physical therapy (PT); occupational therapy (OT); and/or speech/language therapy (SLT) (for which are available to Members in the HCBS STAR+PLUS Waivers).

These three (3) options are: 1) Consumer-Directed; 2) Service Related; and 3) Agency. The MCO must provide information concerning the three (3) options to all Members: (1) who meet the functional requirements for PHC Services and the requirements for PAS (the functional criteria for these services are described in the Form 2060), (2) who are eligible for in-home or out-of-home respite services in the SPW; and (3) who are eligible for nursing, PT, OT and/or SLT in the SPW. In addition to providing information concerning the three (3) options, the MCO must provide Member orientation in the option selected by the Member. The MCO must provide the information to any STAR+PLUS Member receiving PHC/PAS and/or in-home or out-of-home respite:
1. at initial assessment;
2. at annual reassessment or annual contact with the STAR+PLUS Member;
3. at any time when a STAR+PLUS Member receiving PHC/PAS/Respite/Nursing/PT/TO/SLT requests the information; and
4. in the Member Handbook.

The MCO must contract with providers who are able to offer PHC/PAS in-home or out-of-home respite, nursing, PT, TO, and/or SLT and must also educate/train the MCO Network Providers regarding the three (3) PAS options. Network Providers must meet licensure/certification requirements as indicated in Attachment B-1, Sections 8.3.11 and 8.3.1.2 of the Uniform Managed Care Contract.

In all three (3) options, the Service Coordinator and the Member work together in developing the Individual Service Plan. A more comprehensive description of Consumer Directed Services is found in the STAR+PLUS Handbook:
http://www.dads.state.tx.us/handbooks/sph/8000/8000.htm#sec8120

8.3.5.1 Consumer-Directed Option Model

In the Consumer-Directed Model, the Member or the Member's legal guardian is the employer of record and retains control over the hiring, management, and termination of an individual providing PHC/PAS in-home or out-of-home respite; nursing, PT, TO, and/or SLT. The Member is responsible for ensuring that the employee meets the requirements for PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT, including the criminal history check. The Member uses a Consumer Directed Services agency (CDSA) to handle the employer-related administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS; in-home or out-of-home respite; nursing, PT, TO, and/or SLT.

8.3.5.2 Service Related Option Model

In the Service Related Option Model, the Member or the Member's legal guardian is actively involved in choosing their personal attendant, respite provider, nurse, physical therapist, occupational therapist and/or speech/language therapist but is not the employer of record. The Home and Community Support Services agency (HCSSA) in the MCO Provider Network is the employer of record for the personal attendant employee and respite provider. In this model, the Member selects the personal
attendant and/or respite provider from the HCSSA's personal attendant employees. The personal attendant's/respite provider's schedule is set up based on the Member input, and the Member manages the PHC/PAS, in-home or out-of-home respite. The Member retains the right to supervise and train the personal attendant. The Member may request a different personal attendant and the HCSSA would be expected to honor the request as long as the new attendant is a Network Provider. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite. In this model, the Member selects the nurse, physical therapist, occupational therapist, and/or speech/language therapist from the MCO's Provider Network. The nurse, physical therapist, occupational therapist, and/or speech/language therapist's schedule is set up based on the Member's input, and the Member manages the nursing, PT, OT, and/or SLT services. The Member retains the right to supervise and train the nurse, physical therapist, occupational therapist, and/or speech/language therapist. The Member may request a different nurse, physical therapist, occupational therapist, and/or speech/language therapist and the MCO must honor the request as long as the new nurse, physical therapist, occupational therapist, and/or speech/language therapist is a Network Provider. The MCO establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of nursing, PT, OT, and/or SLT services.

8.3.5.3 Agency Model
In the Agency Model, the MCO contracts with a Home and Community Support Services agency (HCSSA) for the delivery of waiver services. The HCSSA is the employer of record for the personal attendant, respite provider, nurse, physical therapist, occupational therapist, and speech language therapist. The HCSSA establishes the payment rate, benefits, and provides all administrative functions such as payroll, substitute (back-up), and filing tax-related reports of PHC/PAS and/or in-home or out-of-home respite.

8.3.6 Community Based Long-term Services and Supports Providers

8.3.6.1 Training
The MCO must comply with Section 8.1.4.6 regarding Provider Manual and Provider training specific to the STAR+PLUS Program. The MCO must train all Community Long-term Services and Supports Providers regarding the requirements of the Contract and special needs of STAR+PLUS Members. The MCO must establish ongoing STAR+PLUS Provider training addressing the following issues at a minimum:

1. Covered Services and the Provider’s responsibilities for providing such services to STAR+PLUS Members and billing the MCO. The MCO must place special emphasis on Community Long-term Services and Supports and STAR+PLUS requirements, policies, and procedures that vary from Medicaid Fee-for-Service and commercial coverage rules, including payment policies and procedures;
2. relevant requirements of the STAR+PLUS Contract, including the role of the Service Coordinator;
3. processes for making referrals and coordinating Non-capitated Services;
4. the MCO’s quality assurance and performance improvement program and the Provider’s role in such programs; and
5. the MCO’s STAR+PLUS policies and procedures, including those relating to Network and Out-of-Network referrals.
6. For STAR+PLUS in the El Paso, Hidalgo and Lubbock Service Areas with an Operational Start Date of 3/1/2012, the process for continuing up to six (6) months of Community-based Long Term Care Services for Members receiving those services as of the Operational Start Date, including provider billing practices for these services and whom to contact at the MCO for assistance with this process.

8.3.6.2 LTSS Provider Billing
Long-term Services and Supports providers serving clients in the traditional Fee-for-Service Medicaid program have not been required to utilize the billing systems that most medical facilities use on a regular basis. For this reason, the MCO must make accommodations to the claims processing system for such providers to allow for a smooth transition from traditional Medicaid to STAR+PLUS. HHSC has developed a standardized method for Long-term Services and Supports billing. All STAR+PLUS MCOs are required to utilize the standardized method, as found in Uniform Managed Care Manual Chapters 2.1.1 and 2.1.2.
8.3.6.3 Rate Enhancement Payments for Agencies Providing Attendant Care

All MCOs participating in the STAR+PLUS Program must allow their Long-term Services and Supports Providers to participate in the STAR+PLUS Attendant Care Enhancement Program.

**Uniform Managed Care Manual** Chapter 2.1.3, “STAR+PLUS Attendant Care Enhanced Payment Methodology,” includes the methodology that the STAR+PLUS MCO will use to implement and pay the enhanced payments, including a description of the timing of the payments. Such methodology must comply with the requirements in the **Uniform Managed Care Manual** and the intent of T.A.C. Title 1, Part 15, Chapter 355, Subchapter A, §355.112.

8.3.6.4 STAR+PLUS Handbook

The STAR+PLUS Handbook contains HHSC-approved policies and procedures related to the STAR+PLUS Program, including policies and procedures relating to the Texas Healthcare Transformation and Quality Improvement Program 1115 waiver. The STAR+PLUS Handbook includes additional requirements regarding the STAR+PLUS Program and guidance for the MCOs, the STAR+PLUS Support Units at DADS, and HHSC staff for administrating and managing STAR+PLUS Program operations. The STAR+PLUS Handbook is incorporated by reference into the Contract.

8.3.6.5 Annual Contact with STAR+PLUS Members

The MCO is required to contact each STAR+PLUS Member a minimum of two (2) times per calendar year. This contact can be written, telephonic, or an onsite visit to the Member’s residence, depending upon the Member’s level of need. The MCO must document the mechanisms, number and method of contacts, and outcomes within the MCO’s Service Coordination system.

8.3.7 Additional Requirements Regarding Dual Eligibles

8.3.7.1 Coordination of Services for Dual Eligibles

The STAR+PLUS MCOs must coordinate Medicare and Medicaid services for Dual Eligible recipients. To facilitate such coordination, the MCO must be contracted with the CMS and operating as a MA Dual SNP in the most populous counties in the Service Area(s), as identified by HHSC, no later than January 1, 2013. After January 1, 2013, the MCO must maintain its status as an MA DUAL SNP contractor throughout the term of the Contract. Failure to do so may result in HHSC’s assessment of contractual remedies, including Contract termination.

8.3.7.2 MA Dual SNP Agreement

As part of the integrated care initiative for Dual Eligible STAR+PLUS Members, the MCO may maintain a separate capitation agreement with HHSC whereby the MCO’s MA Dual SNP plan reimburses Medicare providers for the cost-sharing obligations that the State would otherwise be required to pay on behalf of qualified STAR+PLUS Dual Eligible Members. The final Texas MA Dual SNP Agreement, as amended or modified, will be incorporated by reference into the STAR+PLUS Contract as **Attachment B-6**, and should be executed on or before January 1, 2013. The MCO will be required to provide all enrolled STAR+PLUS Dual Eligible Members with the coordinated care and other services described in the Texas MA Dual SNP Agreement, and any violations of the Texas MA Dual SNP Agreement with respect to STAR+PLUS Members will also be a violation of the STAR+PLUS Contract. Note that, for STAR+PLUS Members who are also enrolled in the MA Dual SNP’s Medicare plan, the Parties may develop alternative methods for verifying Member eligibility and submitting encounter data. Any modifications to these processes or other requirements identified in the Texas MA Dual SNP Agreement will be included in the Texas MA Dual SNP Agreement.

8.4 Additional CHIP Scope of Work

The following provisions only apply to MCOs participating in CHIP.
8.4.1 CHIP Provider Complaint and Appeals

CHIP Provider complaints and claims payment appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. The MCO must resolve Provider complaints and claims payment appeals within 30 days from the date of receipt.

8.4.2 CHIP Member Complaint and Appeal Process

CHIP Member Complaints and Appeals are subject to disposition consistent with the Texas Insurance Code and any applicable TDI regulations. HHSC will require the MCO to resolve Member Complaints and Appeals (that are not elevated to TDI) within 30 days from the date the Member Complaint or Appeal is received. The MCO is subject to remedies, including liquidated damages, if at least 98 percent of Member Complaints and Member Appeals are not resolved within 30 days of receipt of the Complaint or Appeal by the MCO. Please see the Attachment A, "Uniform Managed Care Contract Terms and Conditions," Article 12, and Attachment B-3, “Deliverables/Liquidated Damages Matrix.”

Any person, including those dissatisfied with a MCO’s resolution of a Member Complaint or Appeal, may report an alleged violation to TDI.

8.4.3 Third Party Liability and Recovery, and Coordination of Benefits

CHIP coverage is secondary when coordinating benefits with all other insurance coverage. Coverage provided under CHIP will pay benefits for Covered Services that remain unpaid after all other insurance coverage has been paid. For Network Providers and Out-of-Network providers with written reimbursement arrangements with the MCO, the MCO must pay the unpaid balance for Covered Services up to the agreed rates. For Out-of-Network providers with no written reimbursement arrangement, the MCO must pay the unpaid balance for Covered Services in accordance with TDI's rules regarding usual and customary payment.

MCOs are responsible for establishing a plan and process for avoiding or recovering costs for services that should have been paid through a third party. The plan and process must comply with state and federal law and regulations. Consistent with Medicaid requirements, MCOs must pay and later seek recovery from liable third parties: (1) for prenatal and preventive pediatric care, and (2) in the context of a state child support enforcement action.

If a Member visits an FQHC or RHC (or a Municipal Health Department’s public clinic for Health Care Services) at a time that is outside of regular business hours (as defined by HHSC in rules, including weekend days or holidays), the MCO is obligated to reimburse the FQHC, RHC, or public clinic for Medically Necessary Covered Services. The MCO must do so at a rate that is equal to the allowable rate for those services as determined under Section 32.028 of the Human Resources Code. The Member does not need a referral from his/her PCP.

The MCO must provide related reports to HHSC, as stated in Section 8.1.17.1, Financial Reporting Requirements. After 120 days from the date of adjudication (on any claim, encounter, or other Medicaid related payment made by the MCO, wherein the claim, encounter, or payment is subject to Third Party Recovery), HHSC may attempt recovery, independent of any MCO action. HHSC will retain, in full, all funds received as a result of any state-initiated recovery or subrogation action.

8.4.4 Perinatal Services for Traditional CHIP Members

The MCO’s perinatal Health Care Services must ensure appropriate care is provided to women and infant Members of the MCO from the preconception period through the infant’s first year of life. The MCO’s perinatal health care system must comply with the requirements of the Texas Health and Safety Code, Chapter 32 (the Maternal and Infant Health Improvement Act), and administrative rules codified at 25 T.A.C. Chapter 37, Subchapter M.

The MCO must have a perinatal health care system in place that, at a minimum, provides the following services:

1. pregnancy planning and perinatal health promotion and education for reproductive-age women;
2. perinatal risk assessment of non-pregnant women, pregnant and postpartum women, and infants up to one year of age;

3. access to appropriate levels of care based on risk assessment, including emergency care;

4. transfer and care of pregnant women, newborns, and infants to tertiary care facilities when necessary;

5. availability and accessibility of OB/GYNs, anesthesiologists, and neonatologists capable of dealing with complicated perinatal problems; and

6. availability and accessibility of appropriate outpatient and inpatient facilities capable of dealing with complicated perinatal problems.

The MCO must have a process to expedite scheduling a prenatal appointment for an obstetrical exam for a Member with a confirmed diagnosis indicating pregnancy.

The MCO must have procedures in place to contact and assist a pregnant/delivering Member in selecting a PCP for her baby either before the birth or as soon as the baby is born.

Except as provided in Attachment A, Section 5.06, the MCO must provide inpatient care and professional services relating to labor and delivery for its pregnant/delivering Members for up to 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated caesarian delivery. The MCO must provide neonatal care for its newborn Members until the time of discharge.

The MCO must notify providers involved in the care of pregnant/delivering women and newborns (including Out-of-Network providers and Hospitals) of the MCO’s prior authorization requirements. The MCO cannot require a prior authorization for services provided to a pregnant/delivering Member or newborn Member for a medical condition that requires Emergency Services, regardless of when the emergency condition arises.

Subject: Attachment B-1 - Medicaid and CHIP Managed Care Services RFP, Section 9

<table>
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<th>EFFECTIVE DATE</th>
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<tbody>
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<td>September 1, 2011</td>
<td>Initial version of Attachment B-1, RFP Section 9, “Turnover Requirements.”</td>
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<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, RFP Section 9, “Turnover Requirements.”</td>
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<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Section 9, “Turnover Requirements.”</td>
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<td>2.3</td>
<td>September 1, 2012</td>
<td>Contract amendment did not revise Attachment B-1, Section 9, “Turnover Requirements.”</td>
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¹ Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
² Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
³ Brief description of the changes to the document made in the revision.

Table of Contents
9. Turnover Requirements

9.1 Introduction

This section presents the Turnover Requirements. Turnover is defined as those activities that the MCO is required to perform prior to or upon termination of the Contract in situations where the MCO will transition data and documentation acquired under the Contract to HHSC or a subsequent contractor.

9.2 Turnover Plan

Twelve (12) months after the Effective Date of the Contract, the MCO must provide a Turnover Plan covering the turnover of the records and information maintained to either HHSC or a subsequent contractor. The Turnover Plan will be a comprehensive document detailing the proposed schedule, activities, and resource requirements associated with the turnover tasks.

The Turnover Plan must describe the MCO’s policies and procedures that will assure:

1. The least disruption in the delivery of Covered Services to Members during the transition to a subsequent contractor.

2. Cooperation with HHSC and a subsequent contractor in notifying Members of the transition, as requested and in the form required or approved by HHSC.

3. Cooperation with HHSC and a subsequent contractor in transferring information to HHSC or a subsequent contractor, as requested and in the form required or approved by HHSC.

The Turnover Plan must be approved by HHSC, and include at a minimum:

1. The MCO’s approach and schedule for the transfer of data and information, as described above.

2. The quality assurance process that the MCO will use to monitor Turnover activities.

3. The MCO’s approach to training HHSC or a subsequent contractor’s staff in the operation of its business processes.

HHSC is not limited or restricted in the ability to require additional information from the MCO or modify the Turnover Plan as necessary.

9.3 Transfer of Data

The MCO must transfer to HHSC or a subsequent contractor all data and information necessary to transition operations, including: data and reference tables; data entry software; third-party software and modifications; documentation relating to software and interfaces; functional business process flows; and operational information, including correspondence, documentation of ongoing or outstanding issues, operations support documentation, and operational information regarding Subcontractors. For purposes of this provision, "documentation" means all operations, technical and user manuals used in conjunction with the software, Services and Deliverables, in whole or in part, that HHSC determines are necessary to view and extract application data in a proper format. The MCO must provide the documentation in the formats in which such documentation exists at the expiration or termination of the Contract. See Attachment A, "Uniform Managed Care Contract.
Terms and Conditions,” Section 15.03, “Ownership and Licenses” for additional information concerning intellectual property rights.

In addition, the MCO will provide to HHSC the following:

1. Data, information and services necessary and sufficient to enable HHSC to map all Texas data from the MCO’s system(s) to the replacement system(s) of HHSC or a successor contractor, including a comprehensive data dictionary as defined by HHSC.

2. All necessary data, information and services will be provided in the format defined by HHSC, and must be HIPAA compliant.

3. All of the data, information and services mentioned in this section must be provided and performed in a manner by the MCO using its best efforts to ensure the efficient administration of the contract. The data and information must be supplied in media and format specified by HHSC and according to the schedule approved by HHSC in the Turnover Plan. The data, information and services provided pursuant to this section must be provided at no additional cost to HHSC.

All relevant data and information must be received and verified by HHSC or a subsequent contractor. If HHSC determines that data or information are not accurate, complete, nor HIPAA compliant, HHSC reserves the right to hire an independent contractor to assist HHSC in obtaining and transferring all the required data and information and to ensure that all the data are HIPAA compliant. The reasonable cost of providing these services will be the responsibility of the MCO.

9.4 Turnover Services

Six (6) months prior to the end of the Contract Period, including any extensions, the MCO must revise its Turnover Plan. If HHSC terminates the Contract prior to the expiration of the Contract Period, then HHSC may require the MCO to submit an updated Turnover Plan sooner than six (6) months prior to the termination date. In such cases, HHSC’s notice of termination will include the date the Turnover Plan is due.

9.5 Post-Turnover Services

Thirty (30) days following Turnover of operations, the MCO must provide HHSC with a Turnover Results Report documenting the completion and results of each step of the Turnover Plan. Turnover will not be considered complete until this document is approved by HHSC. HHSC may withhold up to 20% of the last month’s Capitation Payment until the Turnover activities are complete and the Turnover Plan is approved by HHSC.

If the MCO does not provide the required data or information necessary for HHSC or a subsequent contractor to assume the operational activities successfully, the MCO agrees to reimburse HHSC for all reasonable costs and expenses, including, but not limited to: transportation, lodging, and subsistence to carry out inspection, audit, review, analysis, reproduction and transfer functions at the location(s) of such records; and attorneys’ fees and costs. This section does not limit HHSC’s ability to impose remedies or damages as set forth in the Contract.
Subject: Attachment B-2 - STAR Covered Services

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<td>September 1, 2011</td>
<td>Initial version of Attachment B-2, “STAR Covered Services.”</td>
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<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2 is modified to reinstate the waiver of the three prescription limit for adults language and to clarify the waiver of the $200,000 individual annual limit on inpatient services. STAR Covered Services is modified to add “Cancer screening, diagnostic, and treatment services” and “Prenatal care services rendered in a birthing center” as clarification items and to clarify the requirements for services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting.</td>
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<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2, &quot;STAR Covered Services.&quot;</td>
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<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>STAR Covered Services is modified to remove the reference to Dual Eligible STAR Members in the MRSA</td>
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3 Brief description of the changes to the document made in the revision.

STAR Covered Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR
STAR MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated services are not included in the STAR MCOs' Capitation Rates; however, STAR MCOs must coordinate care these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and non-capitated.

STAR MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see UMCM Chapter 4.5 Physical and Behavioral Health Value-Added Services Template).

STAR Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following three (3) exceptions. Adult STAR Members are provided with three (3) enhanced benefits compared to the traditional, fee-for-service Medicaid coverage:

1. waiver of the three (3) prescription per-month limit;
2. waiver of the 30-day spell-of-illness limitation; and
3. waiver of the $200,000 individual annual limit on inpatient services.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR MCOs should refer to the current Texas Medicaid Provider Procedures Manual and the bi-monthly Texas Medicaid Bulletin. (These documents can be accessed online at: http://www.tmhp.com.)

The services listed in this Attachment are subject to modification based on changes in Federal and State laws, regulations, and policies.

**STAR Covered Services include, but are not limited to, Medically Necessary:**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Children (birth through age 20)
  - Acute inpatient mental health services for Adults
  - Outpatient mental health services
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Outpatient substance use disorder treatment services including:
    - Assessment
    - Detoxification services
    - Counseling treatment
    - Medication assisted therapy
  - Residential substance use disorder treatment services including:
    - Detoxification services
- Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

- Birthing services provided by a physician and certified nurse midwife (CNM) in a licensed birthing center
- Birthing services provided by a licensed birthing center
- Cancer screening, diagnostic, and treatment services
- Chiropractic services
- Dialysis
- Durable medical equipment and supplies
- Early Childhood Intervention (ECI) services
- Emergency Services
- Family planning services
- Home health care services
- Hospital services, including inpatient and outpatient
  - The MCO may provide inpatient services for acute psychiatric conditions in a free-standing psychiatric hospital in lieu of an acute care inpatient hospital setting.
  - The MCO may provide substance use disorder treatment services in a chemical dependency treatment facility in lieu of an acute care inpatient hospital setting.
- Laboratory
- Mastectomy, breast reconstruction, and related follow-up procedures, including:
  - Inpatient services; outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and physician and professional services provided in an office, inpatient, or outpatient setting for:
    - All stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been performed;
    - Surgery and reconstruction on the other breast to produce symmetrical appearance;
    - Treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    - Prophylactic mastectomy to prevent the development of breast cancer.
  - External breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed.
- Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the Texas Health Steps Program
• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for children 6 months through 35 months of age.

• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals

• Drugs and biologicals provided in an inpatient setting

• Podiatry

• Prenatal care

• Prenatal care provided by a physician, certified nurse midwife (CNM), nurse practitioner (NP), clinical nurse specialist (CNS), and physician assistant (PA) in a licensed birthing center

• Primary care services

• Preventive services including an annual adult well check for patients 21 years of age and over

• Radiology, imaging, and X-rays

• Specialty physician services

• Therapies – physical, occupational and speech

• Transplantation of organs and tissues

• Vision (Includes optometry and glasses. Contact lenses are only covered if they are medically necessary for vision correction, which can not be accomplished by glasses.)
CHIP Covered Services

Covered CHIP services must meet the CHIP definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays apply until a family reaches its specific cost-sharing maximum.

Covered CHIP Perinatal services must meet the definition of Medically Necessary Covered Services. There is no lifetime maximum on benefits; however, 12-month period or lifetime limitations do apply to certain services, as specified in the following chart. Co-pays do not apply to CHIP Perinatal Members. CHIP Perinate Newborns are eligible for 12-months continuous coverage, beginning with the month of enrollment as a CHIP Perinate.
Covered Benefit
CHIP Members and CHIP Perinate Newborn Members
CHIP Perinate Members (Unborn Child)

<table>
<thead>
<tr>
<th>Covered Benefit</th>
<th>CHIP Members and CHIP Perinate Newborn Members</th>
<th>CHIP Perinate Members (Unborn Child)</th>
</tr>
</thead>
</table>
| Inpatient General Acute and Inpatient Rehabilitation Hospital Services | Services include, but are not limited to, the following:  
- Hospital-provided Physician or Provider services  
- Semi-private room and board (or private if medically necessary as certified by attending)  
- General nursing care  
- Special duty nursing when medically necessary  
- ICU and services  
- Patient meals and special diets  
- Operating, recovery and other treatment rooms  
- Anesthesia and administration (facility technical component)  
- Surgical dressings, trays, casts, splints  
- Drugs, medications and biologicals  
- Blood or blood products that are not provided free-of-charge to the patient and their administration  
- X-rays, imaging and other radiological tests (facility technical component)  
- Laboratory and pathology services (facility technical component)  
- Machine diagnostic tests (EEGs, EKGs, etc.)  
- Oxygen services and inhalation therapy  
- Radiation and chemotherapy  
- Access to DSHS-designated Level III perinatal centers or Hospitals meeting equivalent levels of care  
- In-network or out-of-network facility and Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.  
- Hospital, physician and related medical services, such as anesthesia, associated with dental care  
- Inpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero).  
- Inpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to:  
  - dilation and curettage (D&C) procedures;  
  - appropriate provider-administered medications;  
  - ultrasounds, and  
  - histological examination of tissue samples. | For CHIP Perinates in families with incomes at or below 185% of the Federal Poverty Level, the facility charges are not a covered benefit; however, professional services charges associated with labor with delivery are a covered benefit.  
For CHIP Perinates in families with incomes above 185% to 200% of the Federal Poverty Level, benefits are limited to professional service charges and facility charges associated with labor with delivery until birth, and services related to miscarriage or a non-viable pregnancy.  
Services include:  
- Operating, recovery and other treatment rooms  
- Anesthesia and administration (facility technical component) |
- dilation and curettage (D&C) procedures;
- appropriate provider-administered medications;
- ultrasounds, and
- histological examination of tissue samples.

- Surgical implants

- Other artificial aids including surgical implants

- Inpatient services for a mastectomy and breast reconstruction include:
  - all stages of reconstruction on the affected breast;
  - external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed
  - surgery and reconstruction on the other breast to produce symmetrical appearance; and
  - treatment of physical complications from the mastectomy and treatment of lymphedemas.

- Implantable devices are covered under Inpatient and Outpatient services and do not count towards the DME 12-month period limit

- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

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<table>
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<th>Skilled Nursing Facilities (Includes Rehabilitation Hospitals)</th>
<th>Services include, but are not limited to, the following:</th>
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<tbody>
<tr>
<td></td>
<td>☐ Semi-private room and board</td>
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<tr>
<td></td>
<td>☐ Regular nursing services</td>
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<tr>
<td></td>
<td>☐ Rehabilitation services</td>
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<tr>
<td></td>
<td>☐ Medical supplies and use of appliances and equipment furnished by the facility</td>
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</tbody>
</table>

Not a covered benefit.
<p>| Services include, but are not limited to, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting: | Services include, the following services provided in a hospital clinic or emergency room, a clinic or health center, hospital-based emergency department or an ambulatory health care setting: |
| X-ray, imaging, and radiological tests (technical component) | X-ray, imaging, and radiological tests (technical component) |
| Laboratory and pathology services (technical component) | Laboratory and pathology services (technical component) |
| Machine diagnostic tests | Machine diagnostic tests |
| Ambulatory surgical facility services | Drugs, medications and biologicals |
| Drugs, medications and biologicals | Physical, occupational and speech therapy |
| Casts, splints, dressings | Preventive health services |
| Preventive health services | Renal dialysis |
| Physical, occupational and speech therapy | Respiratory services |
| Renal dialysis | - Radiation and chemotherapy |
| Respiratory services | - Blood or blood products that are not provided free-of-charge to the patient and the administration of these products |
| - Outpatient services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Outpatient services associated with miscarriage or non-viable pregnancy include, but are not limited to: | - dilation and curettage (D&amp;C) procedures; |
| Facility and related medical services, such as anesthesia, associated with dental care, when provided in a licensed ambulatory surgical facility. | - appropriate provider-administered medications; |
| Surgical implants | - ultrasounds, and |
| Other artificial aids including surgical implants | - histological examination of tissue samples. |
| Outpatient services provided at an outpatient hospital and ambulatory health care center for a mastectomy and breast reconstruction as clinically appropriate, include: | (1) Laboratory and radiological services are limited to services that directly relate to ante partum care and/or the delivery of the covered CHIP Perinate until birth. |
| all stages of reconstruction on the affected breast; | (2) Ultrasound of the pregnant uterus is a covered benefit when medically indicated. Ultrasound may be indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, gestational age confirmation or miscarriage or non-viable pregnancy. |
| external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed | (3) Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasonic Guidance for Cordocentesis, FIUT are covered benefits with an appropriate diagnosis. |
| surgery and reconstruction on the other breast to produce symmetrical appearance; and | (4) Laboratory tests are limited to: nonstress testing, contraction, stress testing, hemoglobin or hematocrit repeated once a trimester and at 32-36 weeks of pregnancy; or complete blood count (CBC), urinalysis for protein and glucose every visit, blood type and RH antibody screen; repeat antibody screen for Rh negative women at 28 weeks followed by RHO immune globulin administration if indicated; rubella antibody titer, serology for syphilis, hepatitis B surface antigen, cervical cytology, pregnancy test, gonorrhea test, urine culture, sickle cell test, tuberculosis (TB) test, human immunodeficiency virus (HIV) antibody screen, Chlamydia test, other laboratory tests not specified but deemed medically necessary, and multiple marker screens for neural tube defects (if the client initiates care between 16 and 20 weeks); screen for gestational diabetes at 24-28 weeks of pregnancy; other lab tests as indicated by medical condition of client. (5) Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) are a covered benefit. |
| treatment of physical complications from the mastectomy and treatment of lymphedemas. | |</p>
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<th>Physician/Physician Extender Professional Services</th>
<th>Services include, but are not limited to, the following:</th>
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<td></td>
<td>American Academy of Pediatrics recommended well-child exams and preventive health services (including, but not limited to, vision and hearing screening and immunizations)</td>
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<td>Physician office visits, inpatient and outpatient services</td>
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<td></td>
<td>Laboratory, x-rays, imaging and pathology services, including technical component and/or professional interpretation</td>
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<tr>
<td></td>
<td>Medications, biologicals and materials administered in Physician’s office</td>
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<td>Allergy testing, serum and injections</td>
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<td>Professional component (in/outpatient) of surgical services, including:</td>
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<td>Surgeons and assistant surgeons for surgical procedures including appropriate follow-up care</td>
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<td>Administration of anesthesia by Physician (other than surgeon) or CRNA</td>
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<td>Second surgical opinions</td>
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<td>Same-day surgery performed in a Hospital without an over-night stay</td>
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<td>Invasive diagnostic procedures such as endoscopic examinations</td>
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<td>Hospital-based Physician services (including Physician-performed technical and interpretive components)</td>
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<td>Physician and professional services for a mastectomy and breast reconstruction include:</td>
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<td>all stages of reconstruction on the affected breast;</td>
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<td>external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have been performed</td>
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<td>Medically necessary physician services are limited to prenatal and postpartum care and/or the delivery of the covered unborn child until birth</td>
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<td>Professional component (in/outpatient) of surgical services, including:</td>
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<td>Surgeons and assistant surgeons for surgical procedures directly related to the labor with delivery of the covered unborn child until birth.</td>
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<td>Administration of anesthesia by Physician (other than surgeon) or CRNA</td>
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<td>Invasive diagnostic procedures directly related to the labor with delivery of the unborn child.</td>
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<td>Surgical services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero.)</td>
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<td>Hospital-based Physician services (including Physician performed technical and interpretive components)</td>
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- surgery and reconstruction on the other breast to produce symmetrical appearance; and

- treatment of physical complications from the mastectomy and treatment of lymphedemas.

- In-network and out-of-network Physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section.

- Physician services associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Physician services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.

- Physician services medically necessary to support a dentist providing dental services to a CHIP member such as general anesthesia or intravenous (IV) sedation.

- Pre-surgical or post-surgical orthodontic services for medically necessary treatment of craniofacial anomalies requiring surgical intervention and delivered as part of a proposed and clearly outlined treatment plan to treat:
  - cleft lip and/or palate; or
  - severe traumatic skeletal and/or congenital craniofacial deviations; or
  - severe facial asymmetry secondary to skeletal defects, congenital syndromal conditions and/or tumor growth or its treatment.

- Professional component of the ultrasound of the pregnant uterus when medically indicated for suspected genetic defects, high-risk pregnancy, fetal growth retardation, or gestational age confirmation.

- Professional component of Amniocentesis, Cordocentesis, Fetal Intrauterine Transfusion (FIUT) and Ultrasonic Guidance for Amniocentesis, Cordocentesis, and FIUT.

- Professional component associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero). Professional services associated with miscarriage or non-viable pregnancy include, but are not limited to:
  - dilation and curettage (D&C) procedures;
  - appropriate provider-administered medications;
  - ultrasounds, and
  - histological examination of tissue samples.
| **Prenatal Care and Pre-Pregnancy Family Services and Supplies** | Covered, unlimited prenatal care and medically necessary care related to diseases, illness, or abnormalities related to the reproductive system, and limitations and exclusions to these services are described under inpatient, outpatient and physician services. Primary and preventive health benefits do not include pre-pregnancy family reproductive services and supplies, or prescription medications prescribed only for the purpose of primary and preventive reproductive health care. Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include:

(1) One (1) visit every four (4) weeks for the first 28 weeks or pregnancy;

(2) one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and

(3) one (1) visit per week from 36 weeks to delivery. More frequent visits are allowed as Medically Necessary. Benefits are limited to:

Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained in the physician’s files and is subject to retrospective review. Visits after the initial visit must include:

- interim history (problems, marital status, fetal status);

- physical examination (weight, blood pressure, fundalheight, fetal position and size, fetal heart rate, extremities) and laboratory tests (urinanalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client). |
| **Birthing Center Services** | Covers birthing services provided by a licensed birthing center. Limited to facility services (e.g., labor and delivery) Limitation: Applies only to CHIP members. Covers birthing services provided by a licensed birthing center. Limited to facility services related to labor with delivery. Applies only to CHIP Perinate Members (unborn child) with incomes at 186% FPL to 200 % FPL. |
| Services Rendered by a Certified Nurse Midwife or physician in a licensed birthing center | CHIP Members: Covers prenatal services and birthing services rendered in a licensed birthing center.  
CHIP Perinate Newborn Members: Covers services rendered to a newborn immediately following delivery. | Covers prenatal services and birthing services rendered in a licensed birthing center. Prenatal services subject to the following limitations: Services are limited to an initial visit and subsequent prenatal (ante partum) care visits that include:  
(1) one (1) visit every four (4) weeks for the first 28 weeks or pregnancy;  
(2) one (1) visit every two (2) to three (3) weeks from 28 to 36 weeks of pregnancy; and  
(3) one (1) visit per week from 36 weeks to delivery.  
More frequent visits are allowed as Medically Necessary. Benefits are limited to:  
Limit of 20 prenatal visits and two (2) postpartum visits (maximum within 60 days) without documentation of a complication of pregnancy. More frequent visits may be necessary for high-risk pregnancies. High-risk prenatal visits are not limited to 20 visits per pregnancy. Documentation supporting medical necessity must be maintained and is subject to retrospective review.  
Visits after the initial visit must include:  
- interim history (problems, marital status, fetal status);  
- physical examination (weight, blood pressure, fundal height, fetal position and size, fetal heart rate, extremities) and  
- laboratory tests (urinanalysis for protein and glucose every visit; hematocrit or hemoglobin repeated once a trimester and at 32-36 weeks of pregnancy; multiple marker screen for fetal abnormalities offered at 16-20 weeks of pregnancy; repeat antibody screen for Rh negative women at 28 weeks followed by Rho immune globulin administration if indicated; screen for gestational diabetes at 24-28 weeks of pregnancy; and other lab tests as indicated by medical condition of client). |
**Durable Medical Equipment (DME), Prosthetic Devices and Disposable Medical Supplies**

$20,000 12-month period limit for DME, prosthetics, devices and disposable medical supplies (diabetic supplies and equipment are not counted against this cap). Services include DME (equipment which can withstand repeated use and is primarily and customarily used to serve a medical purpose, generally is not useful to a person in the absence of Illness, Injury, or Disability, and is appropriate for use in the home), including devices and supplies that are medically necessary and necessary for one or more activities of daily living and appropriate to assist in the treatment of a medical condition, including:

- Orthotic braces and orthotics
- Dental devices
- Prosthetic devices such as artificial eyes, limbs, braces, and external breast prostheses
- Prosthetic eyeglasses and contact lenses for the management of severe ophthalmologic disease
- Hearing aids

Diagnosis-specific disposable medical supplies, including diagnosis-specific prescribed specialty formula and dietary supplements. (See Attachment A)

<table>
<thead>
<tr>
<th>Durable Medical Equipment (DME), Prosthetic Devices and Disposable Medical Supplies</th>
<th>Services are not intended to replace 24-hour inpatient or skilled nursing facility services</th>
<th>Not a covered benefit.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home and Community Health Services</td>
<td>Services that are provided in the home and community, including, but not limited to:</td>
<td>Not a covered benefit.</td>
</tr>
<tr>
<td></td>
<td>- Home infusion</td>
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<td></td>
<td>- Respiratory therapy</td>
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<td></td>
<td>- Visits for private duty nursing (R.N., L.V.N.)</td>
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<td></td>
<td>- Skilled nursing visits as defined for home health purposes (may include R.N. or L.V.N.).</td>
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<td></td>
<td>- Home health aide when included as part of a plan of care during a period that skilled visits have been approved.</td>
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<tr>
<td></td>
<td>- Speech, physical and occupational therapies.</td>
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<tr>
<td></td>
<td>- Services are not intended to replace the CHILD'S caretaker or to provide relief for the caretaker</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Skilled nursing visits are provided on intermittent level and not intended to provide 24-hour skilled nursing services</td>
<td></td>
</tr>
</tbody>
</table>

Services are not intended to replace 24-hour inpatient or skilled nursing facility services.

<table>
<thead>
<tr>
<th>Durable Medical Equipment (DME), Prosthetic Devices and Disposable Medical Supplies</th>
<th>Services are not intended to replace 24-hour inpatient or skilled nursing facility services</th>
<th>Not a covered benefit.</th>
</tr>
</thead>
</table>

Not a covered benefit.
| Inpatient Mental Health Services | Mental health services, including for serious mental illness, furnished in a free-standing psychiatric hospital, psychiatric units of general acute care hospitals and state-operated facilities, including, but not limited to:  
- Neuropsychological and psychological testing.  
- When inpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
- Does not require PCP referral | Not a covered benefit. |
| Outpatient Mental Health Services | Mental health services, including for serious mental illness, provided on an outpatient basis, including, but not limited to:  
- The visits can be furnished in a variety of community-based settings (including school and home-based) or in a state-operated facility  
  - Neuropsychological and psychological testing  
  - Medication management  
  - Rehabilitative day treatments  
  - Residential treatment services  
  - Sub-acute outpatient services (partial hospitalization or rehabilitative day treatment)  
  - Skills training (psycho-educational skill development)  
  - When outpatient psychiatric services are ordered by a court of competent jurisdiction under the provisions of Chapters 573 and 574 of the Texas Health and Safety Code, relating to court ordered commitments to psychiatric facilities, the court order serves as binding determination of medical necessity. Any modification or termination of services must be presented to the court with jurisdiction over the matter for determination  
  - A Qualified Mental Health Provider – Community Services (QMHP-CS), is defined by the Texas Department of State Health Services (DSHS) in Title 25 T.A.C., Part I, Chapter 412, Subchapter G, Division 1, §412.303(48). QMHP-CSs shall be providers working through a DSHS-contracted Local Mental Health Authority or a separate DSHS-contracted entity. QMHP-CSs shall be supervised by a licensed mental health professional or physician and provide services in accordance with DSHS standards. Those services include individual and group skills training (which can be components of interventions such as day treatment and in-home services), patient and family education, and crisis services | Not a covered benefit. |
## Inpatient Substance Abuse Treatment Services

Services include, but are not limited to:

- Inpatient and residential substance abuse treatment services including detoxification and crisis stabilization, and 24-hour residential rehabilitation programs
- Does not require PCP referral

Not a covered benefit.

## Outpatient Substance Abuse Treatment Services

Services include, but are not limited to, the following:

- Prevention and intervention services that are provided by physician and non-physician providers, such as screening, assessment and referral for chemical dependency disorders.
  - Intensive outpatient services
  - Partial hospitalization
  - Intensive outpatient services is defined as an organized non-residential service providing structured group and individual therapy, educational services, and life skills training which consists of at least 10 hours per week for four to 12 weeks, but less than 24 hours per day
  - Outpatient treatment service is defined as consisting of at least one to two hours per week providing structured group and individual therapy, educational services, and life skills training
- Does not require PCP referral

Not a covered benefit.

## Rehabilitation Services

Services include, but are not limited to, the following:

- Habilitation (the process of supplying a child with the means to reach age-appropriate developmental milestones through therapy or treatment) and rehabilitation services include, but are not limited to the following:
  - Physical, occupational and speech therapy
  - Developmental assessment

Not a covered benefit.

## Hospice Care Services

Services include, but are not limited to:

- Palliative care, including medical and support services, for those children who have six (6) months or less to live, to keep patients comfortable during the last weeks and months before death
  - Treatment services, including treatment related to the terminal illness
  - Up to a maximum of 120 days with a 6 month life expectancy
  - Patients electing hospice services may cancel this election at anytime
  - Services apply to the hospice diagnosis

Not a covered benefit.
| Emergency Services, including Emergency Hospitals, Physicians, and Ambulance Services | MCO cannot require authorization as a condition for payment for emergency conditions or labor and delivery. Covered services include, but are not limited to, the following:  
- Emergency services based on prudent layperson definition of emergency health condition  
- Hospital emergency department room and ancillary services and physician services 24 hours a day, seven (7) days a week, both by in-network and out-of-network providers  
- Medical screening examination  
- Stabilization services  
- Access to DSHS designated Level I and Level II trauma centers or hospitals meeting equivalent levels of care for emergency services  
- Emergency ground, air and water transportation  
- Emergency dental services, limited to fractured or dislocated jaw, traumatic damage to teeth, removal of cysts, and treatment relating to oral abscess of tooth or gum origin. |
| --- | --- |
| MCO cannot require authorization as a condition for payment for emergency conditions related to labor with delivery. Covered services are limited to those emergency services that are directly related to the delivery of the unborn child until birth.  
- Emergency services based on prudent lay person definition of emergency health condition  
- Medical screening examination to determine emergency when directly related to the delivery of the covered unborn child.  
- Stabilization services related to the labor with delivery of the covered unborn child.  
- Emergency ground, air and water transportation for labor and threatened labor is a covered benefit  
- Emergency ground, air and water transportation for an emergency associated with (a) miscarriage or (b) a non-viable pregnancy (molar pregnancy, ectopic pregnancy, or a fetus that expired in utero) is a covered benefit.  
Benefit limits: Post-delivery services or complications resulting in the need for emergency services for the mother of the CHIP Perinate are not a covered benefit. |
| Transplants | Services include, but are not limited to, the following:  
- Using up-to-date FDA guidelines, all non-experimental human organ and tissue transplants and all forms of non-experimental corneal, bone marrow and peripheral stem cell transplants, including donor medical expenses. |
<table>
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<tbody>
<tr>
<td>Not a covered benefit.</td>
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</table>
| Vision Benefit | The health plan may reasonably limit the cost of the frames/lenses. Services include:  
- One (1) examination of the eyes to determine the need for and prescription for corrective lenses per 12-month period, without authorization  
- One (1) pair of non-prosthetic eyewear per 12-month period |
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<tbody>
<tr>
<td>Not a covered benefit.</td>
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<tr>
<td>Chiropractic Services</td>
<td>Services do not require physician prescription and are limited to spinal subluxation</td>
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<tr>
<td>Not a covered benefit.</td>
<td></td>
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</tbody>
</table>
| Tobacco Cessation Program | Covered up to $100 for a 12-month period limit for a plan-approved program  
- Health Plan defines plan-approved program.  
- May be subject to formulary requirements. |
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Not a covered benefit.</td>
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</tr>
</tbody>
</table>
Case Management and Care Coordination Services

These services include outreach informing, case management, care coordination and community referral.

Covered benefit.

Drug Benefits

Services include, but are not limited to, the following:

- Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and biologicals; and
- Drugs and biologicals provided in an inpatient setting.

Not a covered benefit unless identified elsewhere in this table.

[Value-added services] See RFP Attachment B-2.1

CHIP Exclusions from Covered Services

Inpatient and outpatient infertility treatments or reproductive services other than prenatal care, labor and delivery, and care related to disease, illnesses, or abnormalities related to the reproductive system

Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment of sickness or injury

Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community

Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court

Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.

Mechanical organ replacement devices including, but not limited to artificial heart

Hospital services and supplies when confinement is solely for diagnostic testing purposes, unless otherwise pre-authorized by Health Plan

Prostate and mammography screening

Elective surgery to correct vision

Gastric procedures for weight loss

Cosmetic surgery/services solely for cosmetic purposes

Dental devices solely for cosmetic purposes

Out-of-network services not authorized by the Health Plan except for emergency care and physician services for a mother and her newborn(s) for a minimum of 48 hours following an uncomplicated vaginal delivery and 96 hours following an uncomplicated delivery by caesarian section

Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity, except for the services associated with the treatment for morbid obesity as part of a treatment plan approved by the Health Plan

Acupuncture services, naturopathy and hypnotherapy
Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Replacement or repair of prosthetic devices and durable medical equipment due to misuse, abuse or loss when confirmed by the Member or the vendor

Corrective orthopedic shoes

Convenience items

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists a child with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a parent. This care does not require the continuing attention of trained medical or paramedical personnel.) This exclusion does not apply to hospice services.

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training and vision therapy

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered except when ordered by a Physician/PCP

Donor non-medical expenses

Charges incurred as a donor of an organ when the recipient is not covered under this health plan

**EXCLUSIONS FROM COVERED SERVICES FOR CHIP PERINATES**

• For CHIP Perinates in families with incomes at or below 185% of the Federal Poverty Level, inpatient facility charges are not a covered benefit if associated with the initial Perinatal Newborn admission. "Initial Perinatal Newborn admission" means the hospitalization associated with the birth.

Inpatient and outpatient treatments other than prenatal care, labor with delivery, services related to (a) miscarriage and (b) a non-viable pregnancy, and postpartum care related to the covered unborn child until birth.

Inpatient mental health services.

Outpatient mental health services.

Durable medical equipment or other medically related remedial devices.

Disposable medical supplies.
Home and community-based health care services.
Nursing care services.
Dental services.
Inpatient substance abuse treatment services and residential substance abuse treatment services.
Outpatient substance abuse treatment services.
Physical therapy, occupational therapy, and services for individuals with speech, hearing, and language disorders.
Hospice care.
Skilled nursing facility and rehabilitation hospital services.
Emergency services other than those directly related to the labor with delivery of the covered unborn child.
Transplant services.
Tobacco Cessation Programs.
Chiropractic Services.
Medical transportation not directly related to labor or threatened labor, miscarriage or non-viable pregnancy, and/or delivery of the covered unborn child.
Personal comfort items including but not limited to personal care kits provided on inpatient admission, telephone, television, newborn infant photographs, meals for guests of patient, and other articles which are not required for the specific treatment related to labor with delivery or post partum care.
Experimental and/or investigational medical, surgical or other health care procedures or services which are not generally employed or recognized within the medical community
Treatment or evaluations required by third parties including, but not limited to, those for schools, employment, flight clearance, camps, insurance or court
Private duty nursing services when performed on an inpatient basis or in a skilled nursing facility.
Coverage while traveling outside of the United States and U.S. Territories (including Puerto Rico, U.S. Virgin Islands, Commonwealth of Northern Mariana Islands, Guam, and American Samoa).
Mechanical organ replacement devices including, but not limited to artificial heart
Hospital services and supplies when confinement is solely for diagnostic testing purposes and not a part of labor with delivery
Prostate and mammography screening
Elective surgery to correct vision
Gastric procedures for weight loss
Cosmetic surgery/services solely for cosmetic purposes
Out-of-network services not authorized by the Health Plan except for emergency care related to the labor with delivery of the covered unborn child.
Services, supplies, meal replacements or supplements provided for weight control or the treatment of obesity

Acupuncture services, naturopathy and hypnotherapy

Immunizations solely for foreign travel

Routine foot care such as hygienic care

Diagnosis and treatment of weak, strained, or flat feet and the cutting or removal of corns, calluses and toenails (this does not apply to the removal of nail roots or surgical treatment of conditions underlying corns, calluses or ingrown toenails)

Corrective orthopedic shoes

Convenience items

Orthotics primarily used for athletic or recreational purposes

Custodial care (care that assists with the activities of daily living, such as assistance in walking, getting in and out of bed, bathing, dressing, feeding, toileting, special diet preparation, and medication supervision that is usually self-administered or provided by a caregiver. This care does not require the continuing attention of trained medical or paramedical personnel.)

Housekeeping

Public facility services and care for conditions that federal, state, or local law requires be provided in a public facility or care provided while in the custody of legal authorities

Services or supplies received from a nurse, which do not require the skill and training of a nurse

Vision training, vision therapy, or vision services

Reimbursement for school-based physical therapy, occupational therapy, or speech therapy services are not covered

Donor non-medical expenses

Charges incurred as a donor of an organ

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**CHIP DME/SUPPLIES**

Note: DME/SUPPLIES are not a covered benefit for CHIP Perinate Members (Unborn Child).

<table>
<thead>
<tr>
<th>SUPPLIES</th>
<th>COVERED</th>
<th>EXCLUDED</th>
<th>COMMENTS / MEMBER CONTRACT PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ace Bandages</td>
<td></td>
<td>X</td>
<td>Exception: If provided by and billed through the clinic or home care agency it is covered as an incidental supply.</td>
</tr>
<tr>
<td>Alcohol, rubbing</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Alcohol, swabs (diabetic)</td>
<td></td>
<td>X</td>
<td>Over-the-counter supply not covered, unless RX provided at time of dispensing.</td>
</tr>
<tr>
<td>Alcohol, swabs</td>
<td></td>
<td>X</td>
<td>Covered only when received with IV therapy or central line kits/supplies.</td>
</tr>
<tr>
<td>Ana Kit Epinephrine</td>
<td></td>
<td>X</td>
<td>A self-injection kit used by patients highly allergic to bee stings.</td>
</tr>
<tr>
<td>Arm Sling</td>
<td></td>
<td>X</td>
<td>Dispensed as part of office visit.</td>
</tr>
<tr>
<td>Item</td>
<td>Coverage</td>
<td></td>
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<td>----------------------------------</td>
<td>--------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Attends (Diapers)</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bandages</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basal Thermometer</td>
<td>Over-the-counter supply.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Batteries – initial</td>
<td>For covered DME items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Batteries – replacement</td>
<td>For covered DME when replacement is necessary due to normal use.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Betadine</td>
<td>See IV therapy supplies.</td>
<td></td>
<td></td>
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<tr>
<td>Books</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clinitest</td>
<td>For monitoring of diabetes.</td>
<td></td>
<td></td>
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<tr>
<td>Colostomy Bags</td>
<td>See Ostomy Supplies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Devices</td>
<td>X</td>
<td></td>
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<tr>
<td>Contraceptive Jelly</td>
<td>Over-the-counter supply. Contraceptives are not covered under the plan.</td>
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<td></td>
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<tr>
<td>Cranial Head Mold</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Dental Devices</td>
<td>Coverage limited to dental devices used for treatment of craniofacial anomalies requiring surgical intervention.</td>
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<tr>
<td>Diabetic Supplies</td>
<td>Monitor calibrating solution, insulin syringes, needles, lancets, lancet device, and glucose strips.</td>
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</tr>
<tr>
<td>Diapers/Incontinent Briefs/Chux</td>
<td>Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan</td>
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<tr>
<td>Diaphragm</td>
<td>X</td>
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<tr>
<td>Diastix</td>
<td>Contraceptives are not covered under the plan.</td>
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<tr>
<td>Diet, Special</td>
<td>For monitoring diabetes.</td>
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<tr>
<td>Distilled Water</td>
<td>Syringes, needles, Tegaderm, alcohol swabs, Betadine swabs or ointment, tape. Many times these items are dispensed in a kit when includes all necessary items for one dressing site change.</td>
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<tr>
<td>Dressing Supplies/Central Line</td>
<td>Eligible for coverage only if receiving covered home care for wound care.</td>
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<tr>
<td>Dressing Supplies/Decubitus</td>
<td>Eligible for coverage only if receiving home IV therapy.</td>
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<tr>
<td>Dressing Supplies/Peripheral IV Therapy</td>
<td>Eligible for coverage when used with a covered DME.</td>
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<tr>
<td>Dressing Supplies/Other</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Dust Mask</td>
<td>Custom made, post inner or middle ear surgery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ear Molds</td>
<td>X</td>
<td></td>
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<tr>
<td>Electrodes</td>
<td>Over-the-counter supply.</td>
<td></td>
<td></td>
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<tr>
<td>Enema Supplies</td>
<td>X</td>
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</tbody>
</table>
### Enteral Nutrition Supplies

Necessary supplies (e.g., bags, tubing, connectors, catheters, etc.) are eligible for coverage. Enteral nutrition products are not covered except for those prescribed for hereditary metabolic disorders, a non-function or disease of the structures that normally permit food to reach the small bowel, or malabsorption due to disease.

### Eye Patches

Covered for patients with amblyopia.

### Formula

**Exception:** Eligible for coverage only for chronic hereditary metabolic disorders, a non-function or disease of the structures that normally permit food to reach the small bowel; or malabsorption due to disease (expected to last longer than 60 days when prescribed by the physician and authorized by plan.) Physician documentation to justify prescription of formula must include:

- Identification of a metabolic disorder, dysphagia that results in a medical need for a liquid diet, presence of a gastrostomy, or disease resulting in malabsorption that requires a medically necessary nutritional product.

Does not include formula:

- For members who could be sustained on an age-appropriate diet.
- Traditionally used for infant feeding.
- In pudding form (except for clients with documented oropharyngeal motor dysfunction who receive greater than 50 percent of their daily caloric intake from this product).
- For the primary diagnosis of failure to thrive, failure to gain weight, or lack of growth or for infants less than twelve months of age unless medical necessity is documented and other criteria, listed above, are met.

Food thickeners, baby food, or other regular grocery products that can be blenderized and used with an enteral system that are not medically necessary, are not covered, regardless of whether these regular food products are taken orally or parenterally.

### Gloves

**Exception:** Central line dressings or wound care provided by home care agency.

### Hydrogen Peroxide

Over-the-counter supply.

### Hygiene Items

### Incontinent Pads

Coverage limited to children age 4 or over only when prescribed by a physician and used to provide care for a covered diagnosis as outlined in a treatment care plan.
<table>
<thead>
<tr>
<th>Category</th>
<th>Eligible</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insulin Pump (External) Supplies</td>
<td>X</td>
<td>Supplies (e.g., infusion sets, syringe reservoir and dressing, etc.) are eligible for coverage if the pump is a covered item.</td>
</tr>
<tr>
<td>Irrigation Sets, Wound Care</td>
<td>X</td>
<td>Eligible for coverage when used during covered home care for wound care.</td>
</tr>
<tr>
<td>Irrigation Sets, Urinary</td>
<td>X</td>
<td>Eligible for coverage for individual with an indwelling urinary catheter.</td>
</tr>
<tr>
<td>IV Therapy Supplies</td>
<td>X</td>
<td>Tubing, filter, cassettes, IV pole, alcohol swabs, needles, syringes and any other related supplies necessary for home IV therapy.</td>
</tr>
<tr>
<td>K-Y Jelly</td>
<td></td>
<td>Over-the-counter supply.</td>
</tr>
<tr>
<td>Lancet Device</td>
<td>X</td>
<td>Limited to one device only.</td>
</tr>
<tr>
<td>Lancets</td>
<td>X</td>
<td>Eligible for individuals with diabetes.</td>
</tr>
<tr>
<td>Med Ejector</td>
<td>X</td>
<td>See Diabetic Supplies</td>
</tr>
<tr>
<td>Needles and Syringes/Diabetic</td>
<td></td>
<td>See IV Therapy and Dressing Supplies/Central Line.</td>
</tr>
<tr>
<td>Needles and Syringes/IV and Central Line</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needles and Syringes/Other</td>
<td>X</td>
<td>Eligible for coverage if a covered IM or SubQ medication is being administered at home.</td>
</tr>
<tr>
<td>Normal Saline</td>
<td></td>
<td>See Saline, Normal</td>
</tr>
<tr>
<td>Novopen</td>
<td>X</td>
<td>Items eligible for coverage include: belt, pouch, bags, wafer, face plate, insert, barrier, filter, gasket, plug, irrigation kit/sleeve, tape, skin prep, adhesives, drain sets, adhesive remover, and pouch deodorant.</td>
</tr>
<tr>
<td>Ostomy Supplies</td>
<td>X</td>
<td>Items not eligible for coverage include: scissors, room deodorants, cleaners, rubber gloves, gauze, pouch covers, soaps, and lotions.</td>
</tr>
<tr>
<td>Parenteral Nutrition/Supplies</td>
<td>X</td>
<td>Necessary supplies (e.g., tubing, filters, connectors, etc.) are eligible for coverage when the Health Plan has authorized the parenteral nutrition.</td>
</tr>
<tr>
<td>Saline, Normal</td>
<td>X</td>
<td>Eligible for coverage: a) when used to dilute medications for nebulizer treatments; b) as part of covered home care for wound care; c) for indwelling urinary catheter irrigation.</td>
</tr>
<tr>
<td>Stump Sleeve</td>
<td>X</td>
<td>See Needles/Syringes.</td>
</tr>
<tr>
<td>Stump Socks</td>
<td>X</td>
<td>See Dressing Supplies, Ostomy Supplies, IV Therapy Supplies.</td>
</tr>
<tr>
<td>Suction Catheters</td>
<td>X</td>
<td>Tracheostomy Supplies</td>
</tr>
<tr>
<td>Syringes</td>
<td></td>
<td>Cannulas, Tubes, Ties, Holders, Cleaning Kits, etc. are eligible for coverage.</td>
</tr>
<tr>
<td>Tape</td>
<td></td>
<td>Under Pads</td>
</tr>
<tr>
<td>Tracheostomy Supplies</td>
<td>X</td>
<td>See Diapers/Incontinent Briefs/Chux.</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Description</th>
<th>Eligible</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unna Boot</td>
<td>X</td>
<td>Eligible for coverage when part of wound care in the home setting. Incidental charge when applied during office visit.</td>
</tr>
<tr>
<td>Urinary, External Catheter &amp; Supplies</td>
<td>X</td>
<td>Exception: Covered when used by incontinent male where injury to the urethra prohibits use of an indwelling catheter ordered by the PCP and approved by the plan.</td>
</tr>
<tr>
<td>Urinary, Indwelling Catheter &amp; Supplies</td>
<td>X</td>
<td>Cover catheter, drainage bag with tubing, insertion tray, irrigation set and normal saline if needed.</td>
</tr>
<tr>
<td>Urinary, Intermittent</td>
<td>X</td>
<td>Cover supplies needed for intermittent or straight catheterization.</td>
</tr>
<tr>
<td>Urine Test Kit</td>
<td>X</td>
<td>When determined to be medically necessary. See Ostomy Supplies.</td>
</tr>
<tr>
<td>Urostomy supplies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Subject: Attachment B-2.2 - STAR+PLUS Covered Services

DOCUMENT HISTORY LOG

<table>
<thead>
<tr>
<th>STATUS</th>
<th>DOCUMENT REVISION</th>
<th>EFFECTIVE DATE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>n/a</td>
<td>September 1, 2011</td>
<td>Initial version of Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.1</td>
<td>March 1, 2012</td>
<td>Attachment B-2.2 is modified to reinstate the waiver of the three prescription limit for adults and to add the waiver of the $200,000 individual annual limit on inpatient services. STAR+PLUS Covered Services is modified to clarify the requirements regarding services provided in free-standing psychiatric hospitals and chemical dependency treatment facilities in lieu of the acute care hospital setting. Services included under the HMO capitation payment is modified to clarify the requirements for &quot;Prenatal care services rendered in a birthing center.&quot;</td>
</tr>
<tr>
<td>Revision</td>
<td>2.2</td>
<td>June 1, 2012</td>
<td>Contract amendment did not revise Attachment B-2.2, “STAR+PLUS Covered Services.”</td>
</tr>
<tr>
<td>Revision</td>
<td>2.3</td>
<td>September 1, 2012</td>
<td>Community Based Long Term Care Services is modified to replace references to &quot;1915(c) STAR+PLUS Waiver&quot; and “1915(c) Nursing Facility Waiver” with “HCBS STAR+PLUS Waiver.”</td>
</tr>
</tbody>
</table>

1 Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions
2 Revisions should be numbered in accordance according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.
3 Brief description of the changes to the document made in the revision.

STAR+PLUS Covered Services

Acute Care Services

The following is a non-exhaustive, high-level listing of Acute Care Covered Services included under the Medicaid STAR+PLUS Program.

STAR+PLUS MCOs are responsible for providing a benefit package to Members that includes all Medically Necessary services covered under the traditional, fee-for-service Medicaid programs except for Non-capitated Services. Non-capitated Services are listed in Attachment B-1, RFP Section 8.2.2.8. Non-capitated Services are not included in the STAR+PLUS MCOs’ Capitation Rates; however, STAR+PLUS MCOs must coordinate care for Members for these Non-capitated Services so that Members have access to a full range of Medically Necessary Medicaid services, both capitated and non-capitated.

STAR+PLUS MCOs may also elect to include Value-added Services in their benefit packages, if approved by HHSC (see Attachment B-2.2).

STAR+PLUS Program benefits are subject to the same benefit limits and exclusions that apply to the traditional, fee-for-service Medicaid programs, with the following exception. Adult STAR+PLUS Members are not subject to the 30-day spell-of-illness limitation that applies to traditional, fee-for-service Medicaid coverage.

Adult STAR+PLUS Members are generally limited to three (3) prescriptions per month. However, STAR+PLUS MCOs must provide unlimited prescriptions to Members who are qualified for and enrolled in the 1915(c) STAR+PLUS Waiver Program.

For a complete listing of the limitations and exclusions that apply to each Medicaid benefit category, STAR+PLUS MCOs should refer to the current Texas Medicaid Provider Procedures Manual and the bi-monthly Texas Medicaid Bulletin. (These documents can be accessed online at: http://www.tmhp.com.)

The services listed in this Attachment are subject to modification based changes in Federal and State laws, regulations, and
policies.

**Services included under the MCO capitation payment**

- Ambulance services
- Audiology services, including hearing aids, for adults and children
- Behavioral Health Services*, including:
  - Inpatient mental health services for Adults and Children
  - Outpatient mental health services for Adults and Children
  - Psychiatry services
  - Counseling services for adults (21 years of age and over)
  - Substance use disorder treatment services, including
    - Outpatient services, including:
      - Assessment
      - Detoxification services
      - Counseling treatment
      - Medication assisted therapy
  - Residential services, including
    - Detoxification services
    - Substance use disorder treatment (including room and board)

*These services are not subject to the quantitative treatment limitations that apply under traditional, fee-for-service Medicaid coverage. The services may be subject to the MCO’s non-quantitative treatment limitations, provided such limitations comply with the requirements of the Mental Health Parity and Addiction Equity Act of 2008.

- Birthing services provided by a physician or Advanced Practice Nurse in a licensed birthing center
- Birthing services provided by a licensed birthing center
- Cancer screening, diagnostic, and treatment services
- Chiropractic services
- Dialysis
- Durable medical equipment and supplies
- Early Childhood Intervention (ECI) services
- Emergency Services
- Family planning services
• Home health care services
• Hospital services, inpatient and outpatient

• Laboratory

• Mastectomy, breast reconstruction, and related follow-up procedures, including:
  o outpatient services provided at an outpatient hospital and ambulatory health care center as clinically appropriate; and
  physician and professional services provided in an office, inpatient, or outpatient setting for:
    o all stages of reconstruction on the breast(s) on which medically necessary mastectomy procedure(s) have been
      performed;
    o surgery and reconstruction on the other breast to produce symmetrical appearance;
    o treatment of physical complications from the mastectomy and treatment of lymphedemas; and
    o prophylactic mastectomy to prevent the development of breast cancer.
  o external breast prosthesis for the breast(s) on which medically necessary mastectomy procedure(s) have
    been performed.

• Medical checkups and Comprehensive Care Program (CCP) Services for children (birth through age 20) through the
  Texas Health Steps Program
• Oral evaluation and fluoride varnish in the Medical Home in conjunction with Texas Health Steps medical checkup for
  children six (6) months through 35 months of age.

• Optometry, glasses, and contact lenses, if medically necessary

• Outpatient drugs and biologicals; including pharmacy-dispensed and provider-administered outpatient drugs and
  biologicals
• Drugs and biologicals provided in an inpatient setting

• Podiatry

• Prenatal care

• Primary care services

• Preventive services including an annual adult well check for patients 21 years of age and over

• Radiology, imaging, and X-rays

• Specialty physician services

• Therapies – physical, occupational and speech

• Transplantation of organs and tissues

• Vision
Community Based Long Term Care Services

The following is a non-exhaustive, high-level listing of Community Based Long Term Care Covered Services included under the STAR+PLUS Medicaid managed care program.

- Community Based Long Term Care Services for all Members
  - Personal Attendant Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Personal Attendant Services (PAS).
  - Day Activity and Health Services - All Members of a STAR+PLUS MCO may receive medically and functionally necessary Day Activity and Health Care Services (DAHS).
- HCBS STAR+PLUS Waiver Services for those Members who qualify for such services
  - The state provides an enriched array of services to clients who would otherwise qualify for nursing facility care through a Home and Community Based Medicaid Waiver. In traditional Medicaid, this is known as the Community Based Alternatives (CBA) waiver. The STAR+PLUS MCO must also provide medically necessary services that are available to clients through the CBA waiver in traditional Medicaid to those clients that meet the functional and financial eligibility for the HCBS STAR+PLUS Waiver.
  - Personal Attendant Services (including the three (3) service delivery options: Self-Directed; Agency Model, Self-Directed; and Agency Model)
  - In-Home or Out-of-Home Respite Services
  - Nursing Services (in home)
  - Emergency Response Services (Emergency call button)
  - Home Delivered Meals
  - Minor Home Modifications
  - Adaptive Aids and Medical Equipment
  - Medical Supplies not available under the Texas Medicaid State Plan/ Texas Healthcare Transformation and Quality Improvement Program (THTQIP) 1115 Waiver
  - Physical Therapy, Occupational Therapy, Speech Therapy

Day Activity Health Services (DAHS) (for members in 217-Like STAR+PLUS eligibility group, as identified in the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver, whose income exceeds 150% FPL)
  - Adult Foster Care
  - Assisted Living

- Transition Assistance Services (These services are limited to a maximum of $2,500.00. If the MCO determines that no other resources are available to pay for the basic services/items needed to assist a Member, who is leaving a nursing facility, with setting up a household, the MCO may authorize up to $2,500.00 for Transition Assistance Services (TAS). The $2,500.00 TAS benefit is part of the expense ceiling when determining the Total Annual Individual Service Plan (ISP) Cost.)
Subject: Attachment B-3 - Deliverables/Liquidated Damages Matrix

### Deliverables/Liquidated Damages Matrix

<table>
<thead>
<tr>
<th>#</th>
<th>Service/Component</th>
<th>Performance Standard</th>
<th>Measurement Period</th>
<th>Measurement Assessment</th>
<th>Liquidated Damages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>General Requirement: Failure to Perform an Administrative Service Contract Attachment A, “Uniform Managed Care Contract Terms and Conditions”, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely perform an MCO Administrative Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure either: (1) results in actual harm to a Member or places a Member at risk of imminent harm, or (2) materially affects HHSC’s ability to administer the Program(s).</td>
<td>Ongoing</td>
<td>Each incident of non-compliance per MCO Program and SA.</td>
<td>HHSC may assess up to $5,000.00 per calendar day for each incident of non-compliance per MCO Program and SA.</td>
</tr>
<tr>
<td></td>
<td>General Requirement: Failure to Provide a Covered Service Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Contract Attachment B-1, RFP §§ 6, 7, 8 and 9</td>
<td>The MCO fails to timely provide a MCO Covered Service that is not otherwise associated with a performance standard in this matrix and, in the determination of HHSC, such failure results in actual harm to a Member or places a Member at risk of imminent harm.</td>
<td>Ongoing</td>
<td>Each calendar day of non-compliance</td>
<td>HHSC may assess up to $ 7,500.00 per day for each incident of non-compliance.</td>
</tr>
<tr>
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</tr>
<tr>
<td>2.</td>
<td>Contract Attachment A, &quot;Uniform Managed Care Contract Terms and Conditions&quot;, Section 4.08 Subcontractors</td>
<td>(i) three (3) Business Days after receiving notice from a Material Subcontractor of its intent to terminate a Subcontract; (ii) 180 calendar days prior to the termination date of a Material Subcontract for MIS systems operation or reporting; (iii) 90 calendar days prior to the termination date of a Material Subcontract for non-MIS MCO Administrative Services; and (iv) 30 calendar days prior to the termination date of any other Material Subcontract.</td>
<td>Transition Period, Measured Quarterly during the Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $5,000 per calendar day of non-compliance.</td>
</tr>
<tr>
<td>3.</td>
<td>Contract Attachment B-1, RFP §§ 6, 7, 8 and 9 Uniform Managed Care Manual</td>
<td>All reports and deliverables as specified in Sections 6, 7, 8 and 9 of Attachment B-1, must be submitted according to the timeframes and requirements stated in the Contract (including all attachments) and the Uniform Managed Care Manual. (Specific Reports or deliverables listed separately in this matrix are subject to the specified liquidated damages.)</td>
<td>Transition Period, Quarterly during Operations Period</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $250 per calendar day if the report/deliverable is late, inaccurate, or incomplete.</td>
</tr>
</tbody>
</table>
| 5. | **Contract Attachment B-1, RFP §7.2 Transition Phase Schedule**  
**Contract Attachment B-1, RFP §7.2.1 Contract Start-Up and Planning**  
**Contract Attachment B-1, RFP §8.1 General Scope** | The MCO must be operational no later than the agreed upon Operations Start Date. HHSC, or its agent, will determine when the MCO is considered to be operational based on the requirements in Section 7 and 8 of Attachment B-1. | Operations Start Date | Each calendar day of non-compliance, per MCO Program, per Service Area (SA). | HHSC may assess up to $10,000 per calendar day for each day beyond the Operations Start date that the MCO is not operational until the day that the MCO is operational, including all systems. |
| 6. | **Contract Attachment B-1, RFP §7.2.5 System Readiness Review** | The MCO must submit to HHSC or to the designated Readiness Review Contractor the following plans for review, no later than 120 days prior to Operational Start Date: • Joint Interface Plan; • Disaster Recovery Plan; • Business Continuity Plan; • Risk Management Plan; and • Systems Quality Assurance Plan. | Transition Period | Each calendar day of non-compliance, per report, per MCO Program, and per SA. | HHSC may assess up to $1,000 per calendar day for each day a deliverable is late, inaccurate or incomplete. |
| 7. | **Contract Attachment B-1, RFP §7.2.7 Operations Readiness** | Final versions of the Provider Directory must be submitted to the Administrative Services Contractor no later than 95 days prior to the Operational Start Date. | Transition Period | Each calendar day of non-compliance, per directory, per MCO Program and per SA. | HHSC may assess up to $1,000 per calendar day for each day the directory is late, inaccurate or incomplete. |
| 8. | **Attachment B-1, RFP Sections 7.2.8.1 and 8.1.19** | The MCO must submit or comply with the requirements of the HHSC-approved Fraud and Abuse Compliance Plan. | Transition, Operations, and Turnover | Each incident of noncompliance, per MCO Program | HHSC may assess up to $250 per calendar day for each incident of noncompliance, per MCO Program. |
| 9. | **Contract Attachment B-1, RFP §8.1.4 Provider Network UMCM Chapter 5.38 Out of Network Utilization Report** | (1) No more than 15 percent of an MCO's total hospital admissions, by service delivery area, may occur in out-of-network facilities.  
(2) No more than 20 percent of an MCO's total emergency room visits, by service delivery area, may occur in out-of-network facilities  
(3) No more than 20 percent of total dollars billed to an MCO for "other outpatient services" may be billed by out-of-network providers. | Measured Quarterly beginning March 1, 2010. | Per incident of noncompliance, per Medicaid MCO, per Service Area. | HHSC may assess up to $25,000 per quarter, per standard, per Medicaid MCO, per Service Area. |
| 10. | Contract Attachment B-1, RFP §8.1.4.7 Provider Hotline | A. The MCO must operate a toll-free Provider telephone hotline for Provider inquiries from 8 AM – 5 PM, local time for the Service Area, Monday through Friday, excluding State-approved holidays.  
B. Performance Standards:  
1. Call pickup rate – At least 99% of calls are answered on or before the fourth ring or an automated call pick up system is used.  
2. Call abandonment rate—Call abandonment rate is seven percent (7%) or less.  
C. Average hold time is two (2) minutes or less. | A. Each incident of non-compliance per MCO Program and SA.  
B. Each percentage point below the standard for 1 and each percentage point above the standard for 2 per MCO Program and SA.  
C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time. | HHSC may assess:  
A. Per MCO Program and SA, up to $100.00 for each hour or portion thereof that appropriately staffed toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.  
B. Per MCO Program and SA, up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.  
C. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time. |
| 11. | Contract Attachment B-1, RFP §8.1.5.6 Member Services Hotline | A. The MCO must operate a toll-free hotline that Members can call 24 hours a day, seven (7) days a week.  
B. Performance Standards.  
1. Call pickup rate—At least 99% of calls are answered on or before the forth ring or an automated call pick up system is used.  
2. Call hold rate—At least 80% of calls must be answered by toll-free line staff within 30 seconds  
3. Call abandonment rate—Call abandonment rate is seven percent (7%) or less.  
C. Average hold time is two (2) minutes or less. | A. Each incident of non-compliance per MCO Program and SA.  
B. Each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3 per MCO Program and SA.  
C. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time. | HHSC may assess:  
A. Per MCO Program and SA, up to $100.00 for each hour or portion thereof that toll-free lines are not operational. If the MCO’s failure to meet the performance standard is caused by a Force Majeure Event, HHSC will not assess liquidated damages unless the MCO fails to implement its Disaster Recovery Plan.  
B. Per MCO Program and SA, up to $100.00 for each percentage point for each standard that the MCO fails to meet the requirements for a monthly reporting period for any MCO operated toll-free lines.  
C. Up to $100.00 may be assessed for each 30 second time increment, or portion thereof, by which the MCO’s average hold time exceeds the maximum acceptable hold time. |
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Penalty Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.</td>
<td>The MCO must resolve at least 98% of Member and Provider Complaints within 30 calendar days from the date the Complaint is received by the MCO.</td>
<td>Per reporting period, per MCO Program, per SA. HHSC may assess up to $250 per reporting period if the MCO fails to meet the performance standard.</td>
</tr>
<tr>
<td>13.</td>
<td>The MCO must resolve at least 98% of Member Appeals within 30 calendar days from the date the Appeal is filed with the MCO.</td>
<td>Per reporting period, per MCO Program, per SA. HHSC may assess up to $500 per reporting period if the MCO fails to meet the performance standard.</td>
</tr>
<tr>
<td>14.</td>
<td>The MCO may not engage in prohibited marketing practices.</td>
<td>Per incident of non-compliance. HHSC may assess up to $1,000 per incident of non-compliance.</td>
</tr>
<tr>
<td></td>
<td>Contract Attachment B-1, RFP §8.1.15.3 Behavioral Health Services Hotline</td>
<td>Operations and Turnover</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>15.</td>
<td>A. The MCO must have an emergency and crisis Behavioral Health services Hotline available 24 hours a day, seven (7) days a week, toll-free throughout the Service Area(s). B. Crisis hotline staff must include or have access to qualified Behavioral Health Services professionals to assess behavioral health emergencies. C. The MCO must ensure that the toll-free Behavioral Health Services Hotline meets the following minimum performance requirements for the MCO Program: 1. Call pickup rate: 99% of calls are answered by the fourth ring or an automated call pick-up system: 2. Call hold rate: At least 80% of calls must be answered by toll-free line staff within 30 seconds. 3. Call abandonment rate: The call abandonment rate is seven percent (7%) or less. D. Average hold time is two (2) minutes or less.</td>
<td>A. Each incident of non-compliance per MCO Program and SA. B. Each incident of non-compliance per MCO Program and SA. C. Per MCO Program, and SA, per month, each percentage point below the standard for 1 and 2 and each percentage point above the standard for 3. D. Per month, for each 30 second time increment, or portion thereof, by which the average hold time exceeds the maximum acceptable hold time.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements Uniform Managed Care Manual Chapter 5.0</th>
<th>Financial Statistical Reports (FSR):</th>
<th>Per calendar day of non-compliance, per MCO Program, per SA.</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.</td>
<td>For each MCO Program and SA, the MCO must file quarterly and annual FSRs. Quarterly reports are due no later than 30 days after the conclusion of each State Fiscal Quarter (SFQ). The first annual report is due no later than 120 days after the end of each Contract Year and the second annual report is due no later than 365 days after the end of each Contract Year.</td>
<td>Quarterly during the Operations Period</td>
<td>HHSC may assess up to $1,000 per calendar day a quarterly or annual report is late, inaccurate or incomplete.</td>
</tr>
<tr>
<td></td>
<td>17. Contract Attachment B-1, RFP §8.1.17.1 Financial Reporting Requirements: Uniform Managed Care Manual Chapter 5.0</td>
<td>Medicaid Disproportionate Share Hospital (DSH) Reports: The Medicaid MCO must submit, on an annual basis, preliminary and final DSH Reports. The Preliminary report is due no later than June 1st after each reporting year, and the final report is due no later than July 1st after each reporting year. This standard does not apply to CHIP or CHIP Perinatal Programs. Any claims added after July 1st shall include supporting claim documentation for HHSC validation.</td>
<td>Measured during 4th Quarter of the Operations Period (6/1–8/31)</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>18.</td>
<td>Contract Attachment B-1, RFP §8.1.18 Management Information System (MIS) Requirements</td>
<td>The MCO’s MIS must be able to resume operations within 72 hours of employing its Disaster Recovery Plan.</td>
<td>Measured Quarterly during the Operations Period</td>
</tr>
<tr>
<td>19.</td>
<td>Contract Attachment B-1, RFP §8.1.18.1 Encounter Data</td>
<td>The MCO must submit Encounter Data transmissions and include all Encounter Data and Encounter Data adjustments processed by the MCO on a monthly basis, not later than the 30th calendar day after the last day of the month in which the claim(s) are adjudicated. Additionally, the MCO will be subject to liquidated damages if the Quarterly Encounter Reconciliation Report (which reconciles the year-to-date paid claims reported in the Financial Statistical Report (FSR) to the appropriate paid dollars reported in the Texas Encounter Data (TED) Warehouse) includes more than a two percent (2%) variance (i.e., less than a 98% match).</td>
<td>Measured Quarterly during Operations Period</td>
</tr>
<tr>
<td>20.</td>
<td>Contract Attachment B-1, RFP §8.1.18.3 System-Wide Functions</td>
<td>The MCO’s MIS system must meet all requirements in Section 8.1.18.3 of Attachment B-1.</td>
<td>Measured Quarterly during the Operations Period</td>
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<tr>
<td></td>
<td>Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements Uniform Managed Care Manual Chapter 2.0</td>
<td>The MCO must adjudicate all provider Clean Claims within 30 days of receipt by the MCO. The MCO must pay providers interest at an 18% per annum, calculated daily for the full period in which the Clean Claim remains unadjudicated beyond the 30-day claims processing deadline. Interest owed the provider must be paid on the same date that the claim is adjudicated.</td>
<td>Measured Quarterly during the Operations Period</td>
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<td></td>
<td>Contract Attachment B-1, RFP §8.1.18.5 Claims Processing Requirements Uniform Managed Care Manual Chapter 2.0</td>
<td>The MCO must comply with the claims processing requirements and standards as described in Section 8.1.18.5 of Attachment B-1 and in Chapter 2 of the Uniform Managed Care Manual.</td>
<td>Measured Quarterly during the Operations Period</td>
</tr>
<tr>
<td>23.</td>
<td>Attachment B-1, RFP Section 8.1.19</td>
<td>The MCO must respond to Office of Inspector General request for information in the manner and format requested.</td>
<td>Transition, Operations, and Turnover</td>
</tr>
<tr>
<td>24.</td>
<td>Attachment B-1, RFP Section 8.1.20.2, UMCM Chapter 5.5</td>
<td>The MCO must submit a Fraudulent Practices Report to the HHSC-OIG within 30 Business Days of receiving a report of possible Waste, Abuse, or Fraud from the MCO’s Special Investigative Unit (SIU). The MCO must submit quarterly SIU Reports.</td>
<td>Transition, Operations, and Turnover</td>
</tr>
<tr>
<td>25.</td>
<td>Attachment B-1, RFP §8.1.20.2 Reports Attachment B-1, RFP §8.2.5.1 Provider Complaints Attachment B-1, RFP §8.2.7.1 Member Complaint Process</td>
<td>The MCO fails to submit a timely response to an HHSC Member or Provider Complaint received by HHSC and referred to the MCO by the specified due date. The MCO response must be submitted according to the timeframes and requirements stated within the MCO Notification Correspondence (letter, email, etc.).</td>
<td>Measured on a Quarterly Basis</td>
</tr>
<tr>
<td>26.</td>
<td>Contract Attachment B-1, RFP §8.1.20.2 Reports Uniform Managed Care Manual Chapters 2.0 and 5.0</td>
<td>Claims Summary Report: The MCO must submit quarterly, Claims Summary Reports to HHSC by MCO Program, by Service Area, and by claim type, by the 30th day following the reporting period unless otherwise specified.</td>
<td>Measured Quarterly during the Operations Period</td>
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</tbody>
</table>
| 27. | Contract Attachment B-1, RFP §8.1.20.2 Reports; Uniform Managed Care Manual Chapter 12 Frew | (a) Medicaid Managed Care Texas Health Steps Medical Checkups Reports - The MCO must submit an annual report of the number of New Members and Existing Members that receive timely Texas Health Steps (THSteps) medical checkups or refuse to obtain medical checkups.
(b) Children of Migrant Farm Workers Annual Plan and Children of Migrant Farm Workers Annual Report - The MCO must submit an annual plan that describes how the MCO will identify and provide accelerated services to Children of Migrant Farm Workers and an annual report that summarizes the MCO's migrant efforts as stated in its annual plan.
(c) Frew Quarterly Monitoring Report - The MCO must submit each quarter responses to questions on this report's template addressing the status of Frew Consent Decree paragraphs. | (a) Annually and Quarterly
(b) Annually
(c) Quarterly
(d) Annually
(e) Quarterly
(f) Quarterly | HHSC may assess up to $1,000 per calendar day for the first measurement period the reports are late, inaccurate, or incomplete.
HHSC may assess up to $5,000 per calendar day for each consecutive measurement period that a subsequent report is submitted late, inaccurate, or incomplete.
In addition, HHSC may assess up to $2,500 per calendar day for any report resubmissions that are late, inaccurate, or incomplete within each measurement period. |
(d) Frew Annual Provider Training Report - The MCO must submit an annual report of health care and pharmacy provider training conducted throughout the year on Texas Health Steps, Frew, and/or pharmacy benefit education topics that includes the number of Medicaid providers that received training and feedback received on the subject matter and methodology of the training.

(e) Frew Provider Recognition Report - The MCO must submit a quarterly report of Medicaid enrolled healthcare and pharmacy providers who attended the MCO's training on Frew, Texas Health Steps, and/or pharmacy benefit education topics and consented to being recognized as having attended training on the HHSC website.

(f) Medicaid Managed Care Texas Health Steps Medical Checkups Quarterly Utilization Reports - Each State Fiscal Quarter, the MCO must submit a report of the number and percent of Members birth through age 20 receiving at least one Texas Health Steps medical checkup in total and broken down by various age groups.
<table>
<thead>
<tr>
<th></th>
<th>Contract Attachment B-1, RFP §8.3.3 STAR+PLUS Assessment Instruments</th>
<th>The Community Medical Necessity and Level of Care (MN LOC) Assessment Instrument must be completed and electronically submitted via the TMHP portal in the specified format within 45 days: 1) from the date of referral for HCBS STAR+PLUS Waivers services for 217-Like Group applicants; 2) from the date of the Member's request for HCBS STAR+PLUS Waiver services for current Members requesting an upgrade; or 3) prior to the annual ISP expiration date for all Members receiving HCBS STAR+PLUS Waiver services as specified in Section 8.3.3.</th>
<th>Operations, Turnover</th>
<th>Per calendar day of non-compliance, per Service Area.</th>
<th>HHSC may assess up to $500 per calendar day per Service Area, for each day a report is late, inaccurate or incomplete.</th>
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<tbody>
<tr>
<td>29.</td>
<td>Contract Attachment B-1, RFP §9.3 Transfer of Data</td>
<td>The MCO must transfer all data regarding the provision of Covered Services to Members to HHSC or a new MCO, at the sole discretion of HHSC. All transferred data must comply with the Contract requirements, including HIPAA.</td>
<td>Measured at Time of Transfer of Data and ongoing after the Transfer of Data until satisfactorily completed</td>
<td>Per incident of non-compliance (failure to provide data and/or failure to provide data in required format), per MCO Program, per SA.</td>
<td>HHSC may assess up to $10,000 per calendar day the data is late, inaccurate or incomplete.</td>
</tr>
<tr>
<td>30.</td>
<td>Contract Attachment B-1, RFP §9.4 Turnover Services</td>
<td>Six (6) months prior to the end of the contract period or any extension thereof, the MCO must propose a Turnover Plan covering the possible turnover of the records and information maintained to either the State (HHSC) or a successor MCO.</td>
<td>Measured at Six (6) Months prior to the end of the contract period or any extension thereof and ongoing until satisfactorily completed</td>
<td>Each calendar day of non-compliance, per MCO Program, per SA.</td>
<td>HHSC may assess up to $1,000 per calendar day the Plan is late, inaccurate, or incomplete.</td>
</tr>
<tr>
<td>Contract Attachment B-1, RFP §9.5 Post-Turnover Services</td>
<td>The MCO must provide the State (HHSC) with a Turnover Results report documenting the completion and results of each step of the Turnover Plan 30 days after the Turnover of Operations.</td>
<td>Measured 30 days after the Turnover of Operations</td>
<td>Each calendar day of non-compliance, per MCO program, per SA.</td>
<td>HHSC may assess up to $250 per calendar day the report is late, inaccurate or incomplete.</td>
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**Medicaid Rural Service Area (MRSA) Regions**

**MRSA – West Texas**


**Medicaid RSA – Central Texas**


**Medicaid RSA – Northeast Texas**


**Attachment B-4.3**

MRSA – Northeast Texas
CORPORATE GUARANTEE

In consideration of the execution by the Texas Health & Human Services Commission ("Beneficiary") of the HHSC Contract No. 529-12-0002-000 [as amended, hereinafter the "Contract"] with [Subsidiary], [Parent] unconditionally and irrevocably guarantees to Beneficiary, on the terms and conditions herein, the full and faithful performance by Subsidiary of all of the obligations undertaken by Subsidiary pursuant to the Contract and as it may hereafter be amended, modified, or extended from time to time, by work authorizations or otherwise.

If Subsidiary fails or refuses to complete any of its obligations, Parent shall complete, or cause to be completed, the obligation that Subsidiary failed or refused to complete, or be considered to be in breach of the Contract to the same extent as Subsidiary, pursuant to the terms and conditions of the Contract. The obligations of Parent under this Guarantee (i) are joint and several obligations made for the benefit of Beneficiary, and (ii) are direct and unconditional obligations to Beneficiary, independent of obligations of Subsidiary or any other guarantor, and may be the basis of a separate action by Beneficiary against any or all guarantors that may be asserted without first bringing an action against Subsidiary.

Parent authorizes Beneficiary, without notice or demand and without affecting its liability hereunder, from time to time to: (a) waive or delay the exercise of any rights or remedies of Beneficiary against Subsidiary and/or any guarantor; (b) release or substitute any guarantor; (c) renew, amend, extend, compromise or waive any obligation of any guarantor; and (d) renew, compromise, extend, waive, or amend any term of the Contract pursuant to its terms.

Parent agrees that, until its obligations hereunder have been performed and/or paid in full, Parent shall not be released by or because of the taking, or failure to take, any action by Subsidiary or Beneficiary that might in any manner or to any extent vary the risks of Parent under this Guarantee or that, but for this paragraph, might discharge or otherwise reduce, limit, or modify Parent's obligations under this Guarantee. Parent waives and surrenders any defense to any liability under this Guarantee based upon any such action, including but not limited to any action of Beneficiary described in the immediately preceding paragraph of this Guarantee, provided, however, Parent does not waive any defenses, remedies, or offsets to which Subsidiary is entitled under or with respect to the Contract. It is the express intent of Parent that Parent’s obligations under this Guarantee are and shall be absolute, irrevocable and unconditional guarantees of performance and payment of Subsidiary and are not merely guarantees of collection.

Parent waives:

(a) the right to require Beneficiary to proceed against Subsidiary;
(b) all requirements of presentment, protest or default and notices of presentment, protest or default;
(c) any right to require Beneficiary to proceed against Subsidiary or to pursue any other remedy in Beneficiary's power whatsoever;
(d) notice of acceptance of this Guarantee;
(e) notice of any amendments, work authorizations, extensions of time for performance, changes in the work, or other acts by Beneficiary affecting Subsidiary's rights or obligations under the Contract;
(f) notice of any breach or claim of breach by Subsidiary, provided Beneficiary has complied with any required notice provisions to Subsidiary under the Contract;
(g) any defense arising out of the exercise by Beneficiary of any right or remedy it may have with respect to the Contract, including the right to amend or modify the Contract and the right to waive or delay the exercise of any rights it may otherwise have against Subsidiary;
(h) notice of the settlement or compromise of any claim of Beneficiary against Subsidiary relating to any of Subsidiary’s obligations under the Contract; and
(i) the benefit of suretyship defenses generally.
No provision or waiver in this Guarantee shall be construed as limiting the generality of any other waiver contained in this Guarantee.

Parent hereby irrevocably waives all claims it has or may acquire against Subsidiary in respect of Parent’s obligations under this Guarantee, including rights of exoneration, reimbursement and subrogation but excluding any rights it may have under any surety bonds. Parent agrees to indemnify Beneficiary, and hold it harmless from and against all loss and expense, including legal fees, suffered or incurred by Beneficiary as the prevailing party in the enforcement of the Contract and/or this Guarantee.

Parent represents and warrants that the execution and delivery of, and performance of the obligations contained in this Guarantee have been authorized by all appropriate action and will not constitute a breach of or contravene any agreement or instrument to which Parent is a party, and that this Guarantee is a valid and binding obligation of Parent enforceable against Parent in accordance with its terms.

Parent consents to all of the terms and conditions of the Contract, as they may be amended or modified from time-to-time by the Beneficiary and Subsidiary. Such Contract terms and conditions are incorporated herein by reference, except that all references to the parties shall mean Beneficiary and Parent, all references to Subsidiary shall mean Parent, all references to the Contract shall be to this Guarantee, and notices to Parent shall be sent to the address set forth below instead of to the address set forth in the Contract.

Parent may not directly or indirectly assign or otherwise transfer (except as a result of a merger or acquisition of or involving Parent) or delegate any rights or obligations hereunder, including any claim arising by subrogation, and any attempt by Parent to assign or delegate any of its rights or obligations hereunder shall be void. This Guarantee shall be binding on the successors and assigns of Parent, and shall inure to the benefit of the successors and assigns of Beneficiary.

If any provision of this Guarantee should be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the fullest extent permitted by law:

(a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of Beneficiary in order to carry out the intentions of the parties hereto as nearly as may be possible; and

(b) such invalidity, illegality or unenforceability shall not affect the validity or enforceability of such provision in any other jurisdiction.

This Guarantee shall be governed by and interpreted in accordance with the laws of the State of Texas. Parent hereby irrevocably submits to the jurisdiction of any State district court sitting in Travis County, State of Texas, in any action or proceeding brought to enforce or otherwise arising out of or relating to this Guarantee and irrevocably waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. Service of process by Beneficiary in connection with such action or proceeding shall be binding on Parent if sent to Parent by registered or certified mail at its address specified below. Parent agrees to pay all expenses of Beneficiary in connection with the lawful enforcement of this Guarantee, including, without limitation, costs of collection incurred as the prevailing party in any such action.

PARENT

Name of Parent: _____________________________
By: _________________________________
Printed Name: __________________________
Title: _________________________________
Address: ______________________________
Date: _________________________________
AMENDMENT OF EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment of Executive Employment Agreement is entered into as of July 24, 2012 by and between Centene Corporation, a Delaware corporation, together with its successors and assigns permitted under this Agreement (“Employer”), and Michael F. Neidorff (the “Executive”).

WHEREAS, the parties entered into that certain Executive Employment Agreement dated as of November 8, 2004 (“Agreement”); and

WHEREAS, the parties desire to amend the Agreement in order to reflect that non-competition and non-solicitation provisions in the Agreement and in any equity awards held by the Executive, will not apply if a Change in Control of the Employer occurs.

NOW THEREFORE, the parties hereto agree as follows:

1. The last sentence of Section 11(c) is amended to read as follows:

   Notwithstanding anything in the foregoing to the contrary, this Section 11(c), and the non-competition and non-solicitation provisions of any of the Executive's equity awards, shall not apply if a “Change in Control of the Employer” (as defined in Section 6(a) above) occurs.

2. The Agreement is affirmed, ratified and continued, as amended hereby.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first written above.

MICHAEL F. NEIDORFF

/s/ Michael F. Neidorff

CENTENE CORPORATION

By: /s/ Robert K. Ditmore
   Chairman, Compensation Committee & Lead
   Director
AMENDMENT OF EXECUTIVE SEVERANCE AND CHANGE IN CONTROL AGREEMENT

This Amendment of Executive Severance and Change in Control Agreement is entered into as of July 24, 2012 by and between Centene Corporation, a Delaware corporation, together with its successors and assigns permitted under this Agreement ("Company"), and __________________ (the "Executive").

WHEREAS, the parties have previously entered into an Executive Severance and Change in Control Agreement ("Agreement"); and

WHEREAS, the parties desire to amend the Agreement in order to reflect that non-competition and non-solicitation provisions in the Agreement and in any equity awards held by the Executive, will not apply if a Change in Control of the Company occurs.

NOW THEREFORE, the parties hereto agree as follows:

1. Section 8(c)(iv) is amended to read as follows:

   (iv) Notwithstanding anything in the foregoing to the contrary, this Section 8(c), and the non-competition and non-solicitation provisions of any of the Executive's equity awards, shall not apply if a “Change in Control” (as defined in Section 1(c) above) of the Company occurs.

2. The Agreement is affirmed, ratified and continued, as amended hereby.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first written above.

Executive

CENTENE CORPORATION

By: ____________________________

Its: ____________________________
**Centene Corporation**  
**Computation of ratio of earnings to fixed charges**  
($ in thousands)

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<td>Pre-tax earnings (loss) from continuing operations</td>
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<td>$ 154,282</td>
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<td>8,732</td>
<td>2,855</td>
<td>(3,435)</td>
<td>(2,574)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest capitalized</td>
<td>—</td>
<td>—</td>
<td>(1,089)</td>
<td>(116)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total earnings</td>
<td>$ 7,902</td>
<td>$ 205,562</td>
<td>$ 175,899</td>
<td>$ 157,922</td>
<td>$ 159,744</td>
<td>$ 84,683</td>
</tr>
</tbody>
</table>

| Fixed Charges: |           |      |      |      |      |      |
| Interest expensed and capitalized | $ 14,393 | $ 20,320 | $ 19,081 | $ 16,434 | $ 16,673 | $ 15,626 |
| Interest component of rental payments (1) | $ 6,779 | $ 7,502 | $ 7,060 | $ 6,670 | $ 6,455 | $ 4,986 |
| Total fixed charges | $ 21,172 | $ 27,822 | $ 26,141 | $ 23,104 | $ 23,128 | $ 20,612 |

Ratio of earnings to fixed charges

0.37  7.39  6.73  6.84  6.91  4.11

(1) Estimated at 33% of rental expense as a reasonable approximation of the interest factor.
CERTIFICATION

I, Michael F. Neidorff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: October 23, 2012

/s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)
CERTIFICATION

I, William N. Scheffel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: October 23, 2012

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Centene Corporation (the Company) for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Michael F. Neidorff, Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 23, 2012

/s/ MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer
(principal executive officer)
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Centene Corporation (the Company) for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, William N. Scheffel, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 23, 2012

/s/ WILLIAM N. SCHEFFEL
Executive Vice President and Chief Financial Officer
(principal financial officer)