

## EXECUTIVE DIGEST

# REQUEST FOR PROPOSAL FOR THE OUTSTATE MICHIGAN COMPREHENSIVE HEALTH CARE PLAN

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### INTRODUCTION

This report, issued in May 1999, contains the results of our performance audit\* of the Request for Proposal (RFP) for the Outstate Michigan\* Comprehensive Health Care Plan developed by the Department of Community Health (DCH) and the Department of Management and Budget (DMB).

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### AUDIT PURPOSE

This performance audit was conducted in response to a legislative request and as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are typically conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*.

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### BACKGROUND

The RFP was developed by DCH and the DMB Office of Purchasing. The purpose of this RFP was to solicit proposals from qualified health plans to provide managed care\* programs delivering comprehensive health care services to Medicaid\* recipients in outstate Michigan.

Proposals submitted pursuant to the RFP were evaluated by a 7-member joint evaluation committee\* (Committee), which used an eight-step process to evaluate proposals received from 23 health plans. Upon completion of its evaluation process, the Committee recommended that the Office of Purchasing award contracts to all 23 health plans, subject to readiness reviews\* to verify that the health plans were adequately prepared to provide health services. Eighteen health plans were initially awarded contracts covering 59 of the 78 outstate counties. Two additional health plans were later determined to be adequately prepared to provide health services and were awarded contracts. As of August 31, 1998, there were 20 health plans covering 65 of the outstate counties.

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**AUDIT OBJECTIVES  
AND CONCLUSIONS**

**Audit Objective:** To assess DCH's and DMB's effectiveness in the RFP development, health plan selection, and contract awards recommendation processes.

**Conclusion:** We concluded that DCH and DMB were generally effective in the RFP development, health plan selection, and contract awards recommendation processes. However, we noted a reportable condition\* related to the proposal scores and committee score sheets (Finding 1).

**Audit Objective:** To assess DCH's and DMB's compliance with State and federal laws and regulations in the RFP development, health plan selection, and contract awards recommendation processes.

**Conclusion:** We concluded that DCH and DMB were generally in compliance with State and federal laws and

regulations in the RFP development, health plan selection, and contract awards recommendation processes.

**Audit Objective:** To assess the adequacy of the financial requirement provisions of the RFP.

**Conclusion:** We concluded that the financial requirement provisions of the RFP were generally adequate.

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to assess the development of the request for proposal and the related health plan selection and contract awards recommendation processes for the Outstate Michigan Comprehensive Health Care Plan. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our objectives were designed primarily to answer the following eight legislative questions:

1. What qualification standards were used to evaluate the health plans?
2. What outcome measurements were included in the RFP?
3. How do the terms of the RFP compare with similar provisions of RFPs issued by other states which have preceded Michigan in managed care initiatives?
4. Did the terms of the RFP comply with requirements of the Health Care Financing Administration, U.S. Department of Health and Human Services?

5. What level of services was required?
6. What involvement was there from the DMB Office of Purchasing?
7. Were the health plans required to submit audited financial statements and, if so, who evaluated them?
8. Do the terms of the RFP allow State and federal agencies to audit contractors' financial and performance practices?

Specific answers to these questions are included in this report as supplemental information.

Our audit methodology included examination of the Outstate Michigan Comprehensive Health Care Plan records and activities for the period December 1, 1997 through August 31, 1998. To accomplish our objectives, we reviewed methods and standards used to evaluate health plans and to measure outcomes and interviewed DCH and DMB staff. We evaluated various features of the RFP for compliance with State and federal laws and regulations, State procurement rules, and contracting laws and regulations. We also evaluated the RFP provisions related to health plans' financial practices and the criteria used in assessing health plans' financial data.

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**AGENCY RESPONSES**

Our audit report includes 1 finding and 2 corresponding recommendations. DCH and DMB agreed with both recommendations.