



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

### *Capitated Rate Setting, Contracting, and Beneficiary Enrollment Processes of the Comprehensive Health Care Program (CHCP)*

### *Michigan Department of Health and Human Services (MDHHS)*

**Report Number:**  
391-0701-16

**Released:**  
April 2017

CHCP was initiated as a mechanism for controlling costs and improving beneficiary care in Michigan's Medicaid program. MDHHS contracts with Medicaid Health Plans (MHPs) to provide health care and management services to the Medicaid and Healthy Michigan Plan (HMP) beneficiaries who chose or are required to be enrolled in an MHP. During fiscal year 2015, MDHHS's capitated rate payments totaled \$6.6 billion for 1.6 million Medicaid and HMP beneficiaries.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of MDHHS's MHP capitated rate setting process.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS could not ensure that it provided accurate cost adjustment data to the actuary for calculating the capitated rates. We estimated that a \$1 million error in the cost data would result in a 5 cent error in the capitated rates, leading to more than \$700,000 of incorrect capitated rate payments annually ( <a href="#">Finding #1</a> ).		X	Partially agrees

Audit Objective			Conclusion
Objective #2: To assess the sufficiency of MDHHS's contracting process for MHPs.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.			Not applicable.

Audit Objective		Conclusion	
Objective #3: To assess the effectiveness of MDHHS's enrollment process for MHP beneficiaries.		Effective	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

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Phone: (517) 334-8050

Office of the Auditor General  
201 N. Washington Square, Sixth Floor  
Lansing, Michigan 48913

**Doug A. Ringler, CPA, CIA**  
Auditor General

**Laura J. Hirst, CPA**  
Deputy Auditor General