



# Cook Children's Health Plan's Financial Statistical Reports

## Results in Brief

### Why OIG Conducted This Audit

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit and Inspections Division (OIG Audit) conducted an audit of Cook Children's Health Plan's (CCHP's) process for preparing and submitting expenses on its financial statistical reports (FSRs). The Texas Health and Human Services Commission (HHSC) paid managed care organizations (MCOs) \$38.8 billion for the provision of Texas Medicaid and CHIP services in state fiscal year 2022, a 20 percent increase from state fiscal year 2021.

During the period from September 1, 2021, through August 31, 2022, CCHP reported on its FSRs \$937.0 million in gross revenue, which included \$921.9 million in capitation payments from HHSC, and served an average of 170,621 members per month for all programs and service areas.

### Summary of Review

The audit objective was to determine whether CCHP (a) reported expenses on its FSRs in accordance with contract requirements and (b) designed and implemented effective internal controls over the preparation of its FSRs.

The audit scope covered selected expenses on CCHP's FSRs for state fiscal year 2022, which covered the period from September 1, 2021, through August 31, 2022.

### Management Response

CCHP partially agreed with the audit recommendations and indicated corrective actions would be implemented by August 2024.

For more information, contact:

[OIGAuditReports@hhs.texas.gov](mailto:OIGAuditReports@hhs.texas.gov)

### Conclusion

Cook Children's Health Plan (CCHP) had a process for preparing financial statistical reports (FSRs), which included controls related to removing unallowable expenses and identifying the appropriate FSR sections for reporting allowable expenses. However, CCHP did not always sufficiently establish fair market value and incorrectly reported some expenses.

### Key Results

CCHP did not sufficiently establish fair market value for four affiliates when negotiating rates or reporting \$243,764,253 of these expenses on its FSRs. While CCHP developed evidence during the audit that its contracted rates for one affiliate were at fair market value, it did not sufficiently establish a fair market value rate for expenses from the other three affiliates, totaling \$233,612,199.

Additionally, on its FSRs, CCHP understated (a) overall salaries, wages, and benefits expenses by \$212,870 and (b) outsourced behavioral health services expenses by \$59,742. CCHP incorrectly categorized some salaries, wages, and benefits expenses on its FSRs and excluded some affiliate expenses from an informational subsection.

### Recommendations

CCHP should:

- Implement a process to establish fair market value for affiliate expenses reported on its FSRs.
- Follow instructions from Texas Health and Human Services Commission (HHSC) Financial Reporting and Audit Coordination (FRAC) to determine the impact of not sufficiently establishing fair market value for the identified affiliates.
- Implement a process to accurately report salaries, wages, and benefits expenses; outsourced services expenses; and affiliate medical expenses.
- Follow instructions from FRAC to determine the impact of incorrectly reporting salaries, wages, and benefits expenses; outsourced services expenses; and affiliate expenses.