

# Report To The Mississippi Legislature



## **The Department of Finance and Administration's Use of Contractors for the State and Public School Employees' Health Insurance Plans During Fiscal Years 1998 and 1999**

**November 10, 1998**

State law requires the PEER Committee to report annually to the Legislature regarding contractors used by the Department of Finance and Administration (DFA) to administer the State and Public School Employees' Health Insurance Plans. During FY 1998 and FY 1999 (to date), DFA did not enter into any new contracts except for the third-party administrator contract and network provider contracts which are excluded from PEER's review.

DFA's contracts already in effect and subject to review were approved by the State Personnel Board for FY 1998 and the Personal Service Contract Review Board for FY 1999 as required by state law. DFA's contractors delivered work products in compliance with financial and other contractual requirements. The Department of Finance and Administration expended \$4,253,610 in FY 1998 and \$860,413 in FY 1999 (to date) for its administrative, utilization review, and database information contracts.

**The PEER Committee**

## **PEER: The Mississippi Legislature's Oversight Agency**

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**The Department of Finance and Administration's Use of  
Contractors for the State and Public School Employees'  
Health Insurance Plans During Fiscal Years 1998 and 1999**

**November 10, 1998**

**The PEER Committee  
Mississippi Legislature**

The Mississippi Legislature

**Joint Committee on Performance Evaluation and Expenditure Review**

PEER Committee

**SENATORS**  
EZELL LEE  
Chairman  
HOB BRYAN  
WILLIAM CANON  
BOB M. DEARING  
JOHNNIE E. WALLS, JR.



**REPRESENTATIVES**  
TOMMY HORNE  
Vice-Chairman  
HERB FRIERSON  
Secretary  
WILLIAM E. (BILLY) BOWLES  
ALYCE G. CLARKE  
MARY ANN STEVENS

**TELEPHONE:**  
(601) 359-1226

**FAX:**  
(601) 359-1420

Post Office Box 1204  
Jackson, Mississippi 39215-1204

Max K. Arinder, Ph. D.  
Executive Director

**OFFICES:**  
Professional Building  
222 North President Street  
Jackson, Mississippi 39201

November 10, 1998

Honorable Kirk Fordice, Governor  
Honorable Ronnie Musgrove, Lieutenant Governor  
Honorable Tim Ford, Speaker of the House  
Members of the Mississippi State Legislature

On November 10, 1998, the PEER Committee authorized release of the report entitled **The Department of Finance and Administration's Use of Contractors for the State and Public School Employees' Health Insurance Plans During Fiscal Years 1998 and 1999.**

A handwritten signature in cursive script, reading "Ezell Lee", written over a horizontal line.

Senator Ezell Lee, Chairman

**This report does not recommend increased  
funding or additional staff.**

**Table of Contents**

Letter of Transmittal.....i

List of Exhibits .....v

Executive Summary.....vii

Introduction .....1

    Authority .....1

    Scope and Purpose.....1

    Method .....2

    Overview .....2

Background .....3

    Administration of the State and Public School  
    Employees' Health Plans.....3

Contractual Processes.....5

    Needs Assessment.....5

    Contractor Work Products .....8

    Contractor Expenditures .....8

Appendix A: DFA Network Provider Contractors for  
FY 1998 and FY 1999 (to Date).....13

Agency Response.....15

***List of Exhibits***

1. Examples of DFA Contractor Work Products,  
Service Deliverables, and Required Reports  
during FY 1998.....9

2. Administrative Contract Expenditures for the  
State of Mississippi Health Plans for Fiscal Year 1998  
and Two Months of Fiscal Year 1999.....11

# The Department of Finance and Administration's Use of Contractors for the State and Public School Employees' Health Insurance Plans During Fiscal Years 1998 and 1999

## *Executive Summary*

November 10, 1998

### Introduction

MISS. CODE ANN. § 25-15-11 and § 25-15-255 require the PEER Committee to prepare a report to the Legislature by January 1 of each year regarding contractors used by the Department of Finance and Administration (DFA) to administer the State and Public School Employees' Health Insurance Plans (hereinafter referred to as the "plan" or the "plans"). Sections 25-15-11 and 25-15-255 specifically require PEER's report to address:

- the processes by which the department procured its contractors;
- the contractors' work products; and,
- contract expenditures.

MISS. CODE ANN. § 25-15-303, enacted April 24, 1997, creates the State and Public School Employees' Health Insurance Management Board to administer the State Employees' Life and Health Insurance Plans and the Public School Employees' Health Insurance Plans. The section states that the Department of Finance and Administration shall provide "full-time personnel and technical support" to assist the board in the administration of the plans. With the exception of the board's current third-party contract with Blue Cross Blue Shield of Mississippi and recent contract amendments, all of the health insurance contracts reviewed by PEER were executed by DFA prior to the board's enactment. Currently, DFA, through its Office of Insurance, provides day-to-day management of the plans, while the board develops rules and regulations for their administration.

MISS. CODE ANN. § 25-15-11 and § 25-15-255 exclude from PEER's report the third-party administrator contract used by DFA to process health claims. PEER also excluded from this review DFA's provider network contracts because they primarily provide financial discounts to the plan rather than specific work products.

### Overview

The Department of Finance and Administration has multiple-year personal service contracts with firms for administration and design of the state and public school employees' insurance plans. During FY 1998, DFA did not enter into any new contracts except for the third-party administrator contract and network provider contracts which are excluded from PEER's review.

DFA's contracts already in effect and subject to review were approved by the State Personnel Board for FY 1998 and the Personal Service Contract Review Board for FY 1999 as required by state law. PEER reviewed DFA's FY 1998 contractor work products and concluded that the contractors delivered work products in compliance with financial and other contractual requirements.

The Department of Finance and Administration expended \$4,253,610 in Fiscal Year 1998 and \$860,413 in the first two months of Fiscal Year 1999 on these contracts. DFA's personal service contracts specify, as needed, contractor hourly fees and terms for reimbursement for travel expenses. Contractor hourly fees and travel expenses are limited to the availability of funds appropriated by the Legislature from the insurance premium account for the administration of the state and public school employees' health insurance plans and the maximum expenditure anticipated amount reported to the State Personnel Board on the "Request for Contract Personnel Services Approval" forms.

**For More Information or Clarification, Contact:**

PEER Committee  
P. O. Box 1204  
Jackson, MS 39215-1204  
(601) 359-1226  
<http://www.peer.state.ms.us>

Senator Ezell Lee, Chairman  
Picayune, MS (601) 798-5270

Representative Tommy Horne, Vice-Chairman  
Meridian, MS (601) 483-1806

Representative Herb Frierson, Secretary  
Poplarville, MS (601) 795-6285



# **The Department of Finance and Administration's Use of Contractors for the State and Public School Employees' Health Insurance Plans During Fiscal Years 1998 and 1999**

## ***Introduction***

### **Authority**

In accordance with MISS. CODE ANN. § 5-3-57 et seq. (1972), the PEER Committee reviewed the Department of Finance and Administration's use of contractors for the State and Public School Employees' Health Insurance Plans.

### **Scope and Purpose**

MISS. CODE ANN. § 25-15-11 and § 25-15-255 require the PEER Committee to prepare a report to the Legislature by January 1 of each year regarding contractors used by the Department of Finance and Administration (DFA) to administer the State and Public School Employees' Health Insurance Plans (hereinafter referred to as the "plan" or the "plans"). Sections 25-15-11 and 25-15-255 specifically require PEER's report to address:

- the processes by which the department procured its contractors;
- the contractors' work products; and,
- contract expenditures.

MISS. CODE ANN. § 25-15-303, enacted April 24, 1997, creates the State and Public School Employees' Health Insurance Management Board to administer the State Employees' Life and Health Insurance Plans and the Public School Employees' Health Insurance Plans. The section states that the Department of Finance and Administration shall provide "full-time personnel and technical support" to assist the board in administration of the plans. With the exception of the board's current third-party contract with Blue Cross Blue Shield of Mississippi and recent contract amendments, all of the health insurance contracts reviewed by PEER were executed by DFA prior to the board's enactment. Currently, DFA, through its Office of Insurance, provides day-to-day management of the plans, while the board develops rules and regulations for their administration.

MISS. CODE ANN. § 25-15-11 and § 25-15-255 exclude from PEER's report the third-party administrator contract used by DFA to process health claims. PEER also excluded from this review DFA's provider network

contracts because they primarily provide financial discounts to the plan rather than specific work products.

### **Method**

In conducting this review, PEER reviewed Mississippi statutes and background information on contracting for personal services. PEER also reviewed DFA Office of Insurance records, invoices, requests for proposals, contracts, reports, and other documents. In addition, PEER interviewed DFA Office of Insurance and other state agency personnel.

### **Overview**

The Department of Finance and Administration has multiple-year personal service contracts with firms for administration and design of the state and public school employees' insurance plans. During FY 1998 and FY 1999 (to date), DFA did not enter into any new contracts except for the third-party administrator contract and network provider contracts which are excluded from PEER's review.

DFA's contracts already in effect and subject to review were approved by the State Personnel Board for FY 1998 and the Personal Service Contract Review Board for FY 1999 as required by state law. PEER reviewed DFA's FY 1998 contractor work products and concluded that the contractors delivered work products in compliance with financial and other contractual requirements.

The Department of Finance and Administration expended \$4,253,610 in Fiscal Year 1998 and \$860,413 in the first two months of Fiscal Year 1999 on these contracts. DFA's personal service contracts specify, as needed, contractor hourly fees and terms for reimbursement for travel expenses. Contractor hourly fees and travel expenses are limited to the availability of funds appropriated by the Legislature from the insurance premium account for the administration of the state and public school employees' health insurance plans and the maximum expenditure anticipated amount reported to the State Personnel Board on the "Request for Contract Personnel Services Approval" forms.

## ***Background***

### **Administration of the State and Public School Employees' Health Plans**

MISS. CODE ANN. § 25-15-303, enacted April 24, 1997, creates the State and Public School Employees' Health Insurance Management Board to administer the State Employees' Life and Health Insurance Plans. The section states that the Department of Finance and Administration shall provide "full-time personnel and technical support" to assist the board in administration of the plans. With the exception of the board's current third-party contract with Blue Cross Blue Shield of Mississippi, all of the health insurance contracts reviewed by PEER were executed by DFA prior to the board's enactment. Currently, DFA, through its Office of Insurance, provides day-to-day management of the plans, while the board develops rules and regulations for their administration.

MISS. CODE ANN. § 25-15-5 (1972) authorizes DFA to enter into contracts with "accountants, actuaries and other persons from the private sector whose skills are necessary" to carry out the provisions of state law relative to the plans. During fiscal years 1998 and 1999 (to date), DFA contracted with the following firms to assist with the design and administration of the plans:

- PricewaterhouseCoopers LLP (formally Coopers and Lybrand), health consultant--provides assistance in analyzing network provider discounts, researching health care topics and trends, developing and evaluating requests for proposals, and other areas;
- William Lynn Townsend, F.S.A., actuary--provides reports addressing the plans' current and projected financial status through the use of mathematical techniques;
- William M. Mercer, Inc., claims auditor--audits the third-party administrator's processing of claims and determines whether the third-party administrator complied with performance measures contained in its contract with DFA (e.g., for timeliness and accuracy);
- UNICARE/Cost Care, Inc., utilization review contractor--pre-certifies inpatient hospital stays, reviews continued inpatient stays, provides for second surgical opinions, manages organ and tissue transplant program, provides pregnant patients with evaluative and educational assistance through Maternicall, manages long-term treatment cases, and operates a patient assistance line; and,

- MEDSTAT Group, Inc., computer database management firm--maintains a database of state health claim information from the third-party administrator to allow DFA direct access for analysis, oversight, and reporting purposes.

During fiscal years 1998 and 1999 (to date), DFA also contracted with the following third-party claims administrators, which are excluded from this review by state law:

- Blue Cross and Blue Shield, third-party claims administrator--(effective January 1, 1998) processes claims for the plan by paying medical providers for services and remitting claims reimbursements to employee members; and,
- CENTRA Benefit Services, third-party claims administrator--(through May 31, 1998) processed claims for the plan by paying medical providers for services and remitting claims reimbursements to employee members.

PEER also excluded from this review DFA's provider network contractors because they primarily provide financial discounts to the plan rather than specific work products:

- PCS Health Systems, Inc., pharmacy benefit network--provides a pharmacy network for discount billing purposes, drug claims processing, and utilization review to encourage use of lower-cost drugs; and,
- network providers--groups of health providers that provide discounts on medical bills to the plans and to employee members. (See Appendix A, page 13, for a list of current providers.)

## ***Contractual Processes***

DFA did not competitively bid, in FY 1998, for personal services other than network contracts which are excluded from PEER's review. This review includes DFA's assessment of need for contracting personal services, contractor work products, and contract expenditures.

### **Needs Assessment**

- *DFA provided the required documentation to the State Personnel Board for FY 1998 and to the Personal Service Contract Review Board for FY 1999 of a needs determination for personal services before contracting services.*

Agencies contracting for personal services should present a needs assessment or statement of needs determination for services prior to contracting. The needs assessment should document the major services to be performed, analyze the risks associated with the failure to have those services provided, and identify the most efficient means with which to obtain the services (e.g., whether to provide the service in-house or contract the service from an outside provider). Documentation of the needs assessment assists the contracting agency in formulating and defending management decisions relative to choices made in obtaining professional services.

### ***Personal Service Approval Process***

MISS. CODE ANN. § 25-9-120, enacted June 1997, created the Personal Service Contract Review Board to establish regulations for personal service contracting for state agencies, primarily for contracts exceeding \$100,000. As of April 1, 1998, contracting agencies must comply with the board's rules and regulations (e.g., regulations specifying the competitive bidding process) before services are approved. The board requires agencies to complete "Request for Contract Personnel Services Approval" forms to document the type of services needed and projected costs.

Under prior practice, agencies processing contracts obtained approval of the "Request for Contract Personnel Services Approval" forms by the State Personnel Director before entering into contracts for personal services.

The "Request for Contract Personnel Services Approval" forms require the requester to explain the need for the proposed service. A summary of the needs assessment presented for each of DFA's health service contracts included in PEER's review follows.

Health Consultant--PricewaterhouseCoopers LLP

According to DFA staff, DFA does not have the staff resources to evaluate and compare current and upcoming health and life insurance program changes. Expertise in the technical areas of provider contracting, pricing arrangements, geographic mapping of services available and user enrollment, claims administration, and clinical reviews is necessary in procuring certain plan services. These consulting services are not required on a daily basis, but fluctuate depending on the tasks involved. Without these services, the state could potentially incur inadequate assessment of pricing arrangements with health plan providers, inadequate evaluation of the quality of providers, and potential benefit design problems. DFA selected PricewaterhouseCoopers LLP through a competitive bidding process in 1996 to provide services under a three and a quarter-year contract. PricewaterhouseCoopers LLP has significant experience in the health and life insurance industry, as well as experience in working with state government insurance plans.

Claims Auditor--William M. Mercer, Inc.

According to DFA staff, DFA does not have the staff resources to conduct a comprehensive claims audit on the state employees' and public school employees' health insurance plans. A review of a newly contracted third-party claims administrator is required by state law six months after contracting, but only annual reviews are needed for routine plan management purposes. These services are necessary to ensure that health insurance claims are paid timely and accurately and that the third party administrator is performing in accordance with the terms and standards of the contract. Without these services, the state could potentially overpay claims due to the inability to identify system errors. In 1996, DFA conducted a comprehensive request for proposals selection process resulting in proposals from three nationally known health care consultant/auditor firms. DFA evaluated each proposal and determined William M. Mercer, Inc. to be the lowest and best bid. DFA awarded William M. Mercer, Inc. a three and a quarter-year contract.

Utilization Review --UNICARE/Cost Care, Inc.

According to DFA staff, DFA does not have the expertise in personnel resources, computer hardware, specialized software, and related technology to provide a utilization review for the state and public school employees' health plans. DFA also needs services for management of long-term treatment cases as well as to ensure the availability of an organ transplant program. Utilization review services evaluate recommended procedures for hospital admissions and the efficiency of hospital care. Without these services, the state could potentially incur rising costs of

health care plans necessitating either premium increases and/or benefit reductions. In 1997, DFA selected UNICARE/Cost Care Inc. as the lowest and best bidder and awarded UNICARE/Cost Care Inc. a three and a half-year contract to provide the needed services. DFA made the selection through a comprehensive request for proposals process with the assistance of the state's health plan consulting actuary. Cost Care's experience, expertise, pricing, and ability to provide the requested services were among the criteria used in the selection process.

*Database Management--MEDSTAT Group, Inc.*

According to DFA staff, DFA does not have the level of expertise and hardware/software needed to develop and maintain management information systems for the health insurance plans. Services include statistical information and reports such as cost and utilization trends and clinical, third-party, and provider evaluations. These services are needed to provide analysis of health care plan costs and utilization services to determine whether the current plan is cost effective. Without these services, DFA would not be able to respond to Health Plan inquiries and would lack information regarding the plans which may potentially increase costs due to inappropriate management actions. In 1997, MEDSTAT Group, Inc. was selected by the Department of Information Technology Services (ITS) through a competitive bidding process and awarded a four-year contract with the Department of Finance and Administration.

*Actuary--William Lynn Townsend, F.S.A.*

DFA does not have an actuary on staff. DFA needs actuarial services to provide fiscal and calendar year end reports on the School and Employee plans. Also, DFA needs these services to provide consultation on cost containment programs and evaluation of other contracted personnel. Without these services, DFA would not be able to fulfill statutory requirements for calendar and fiscal year end reports. Since December 1997, DFA has advertised for a Deputy State Insurance Administrator staff position but currently has not filled this position. DFA reported that applicants for the position have not met required qualifications. In 1996, DFA selected William Lynn Townsend, F.S.A., through a competitive bidding process and awarded William Lynn Townsend, F.S.A., a three and a quarter-year contract.

## **Contractor Work Products**

- *DFA contractor work products complied with contractual requirements.*

DFA has formal contracts with its actuarial, administrative, utilization review, and database information contractors that detail the contractors' responsibilities and services to be provided to the department. DFA monitors the contractors' performance of required services by reviewing contractor deliverables and evaluating response time and accessibility of the contractors. PEER reviewed a sample of DFA's contractor work products produced during Fiscal Year 1998 and concluded that the products complied with contractual requirements. Exhibit 1, page 9, lists examples of DFA's FY 1998 contractor work products, service deliverables, and required reports.

DFA evaluates the performance of the utilization review organization contract through actuarial reviews or audits. The utilization review contract specifies performance guarantees (i.e., contractual agreements that list financial penalties for failure to meet performance standards). The database manager has a performance bond to guarantee the accessibility of the database within pre-specified or contractual time frames. DFA may deny payment to these contractors if services requested are not satisfactorily received and verified by DFA's departmental managers. Also, although the health care consultant, actuary, and claims auditor contracts are not formally evaluated, their contracts are renewed by DFA on the basis of satisfaction of previous performance and current needs assessments.

Furthermore, as a by-product of performing their contractual duties, DFA's contractors utilize and review each other's work throughout a given year. This provides the department with a counterbalance and additional evaluation of each contractor's performance.

## **Contract Expenditures**

- *DFA contract expenditures complied with contractual requirements.*

As shown in Exhibit 2, page 11, DFA expended \$4,253,610 in FY 1998 and \$860,413 in the first two months of Fiscal Year 1999 for its administrative, utilization review, and database information contractors. DFA monitors contractors' expenditures by reconciling invoices submitted by contractors to financial terms of the contracts.

Contractor expenditures include hourly fees for contractual services and reimbursement for out-of-pocket expenses such as travel expenses for fulfillment of contractual obligations. DFA contracts specify the contractors' cost per hour of service and travel regulations. DFA's Director of Finance for the Office of Insurance and staff accountants check



### Exhibit 1

#### Examples of DFA Contractor Work Products, Service Deliverables, and Required Reports during FY 1998

<i>Description of Selected Work Products and Service Deliverables</i>	<i>Required Reports</i>
<p><b>Pricewaterhouse-Coopers LLP</b> <i>(health consultant)</i></p> <ul style="list-style-type: none"> <li>• Preparation of requests for proposals and evaluation of proposals received from prospective contractors</li> <li>• Evaluation of proposed benefit changes</li> <li>• Consultation and assistance with the installation of the third party claims administrator services</li> </ul>	<ul style="list-style-type: none"> <li>• Research-related and evaluation-based letters or reports</li> </ul>
<p><b>Wm. Lynn Townsend, F.S.A.</b> <i>(actuary)</i></p> <ul style="list-style-type: none"> <li>• Review and evaluation of administrator reports and performance</li> <li>• Consultation on areas such as cost containment programs, requests for proposals, and evaluation of performance of plan consultants</li> <li>• Cost analysis of proposed benefit changes</li> </ul>	<ul style="list-style-type: none"> <li>• Fiscal and calendar year end reports</li> </ul>
<p><b>William M. Mercer, Inc.</b> <i>(claims auditor)</i></p> <ul style="list-style-type: none"> <li>• Claims audits of the third-party administrators</li> <li>• Audit of pharmacy network provider</li> </ul>	<ul style="list-style-type: none"> <li>• Audit reports</li> </ul>
<p><b>UNICARE/ Cost Care, Inc.</b> <i>(utilization review services)</i></p> <ul style="list-style-type: none"> <li>• Services to reduce unnecessary or excessive use of the health plan (e.g., number of days in the hospital), including pre-hospital review, continued hospital stay review, and management of long-term treatment cases</li> <li>• Patient assistance hotline which provides information on medical conditions, treatment alternatives, medications and potential side effects</li> <li>• Management of an organ and tissue transplant program</li> <li>• Maternicall program, which provides pregnant patients with risk factor health evaluations, and information regarding newborn care, family planning, and community resources</li> </ul>	<ul style="list-style-type: none"> <li>• Hospital stay, case management, risk factor analysis, and other reports</li> </ul>
<p><b>MEDSTAT Group, Inc.</b> <i>(database management)</i></p> <ul style="list-style-type: none"> <li>• Daily access to a computer database of state health plan data (arranged by types of claims, plan participants and services) for reporting and analytical purposes</li> <li>• Health plan Employer Data Information Set (HEDIS) reports providing a core set of performance measures for comparisons among managed health care plans</li> <li>• Quality assurance reporting to identify and correct claims data problems of the third-party administrator</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Health Plan Key Indicators</li> <li>• Quarterly Healthcare Management Reports</li> </ul>

SOURCE: PEER interview with DFA personnel and review of contract specifications.

expenditures with original invoices and contractual agreements before authorizing payment for services received.

The primary limit for contractor expenditures is the availability of funds appropriated by the Legislature from the insurance premium account for the administration of the state and public school employees' health insurance plans. Another limit is the maximum expenditure anticipated amount reported to the Personal Service Contract Review Board on the "Request for Contract Personnel Services Approval." DFA will not process payment vouchers exceeding the total contract amount approved by the Personal Service Contract Review Board.

In addition, MISS. CODE ANN. § 25-15-11 and 25-15-255 require DFA to provide the Joint Legislative Budget Committee with budgetary information regarding the state and public school health plans. DFA is required to submit information which includes a detailed breakdown of all expenditures of the plans, administrative and otherwise, for the most recently completed fiscal year and projected expenditures for the current fiscal year. This information provides the Joint Legislative Budget Committee and the Legislature with information with which to make policy decisions regarding DFA's expenditure of funds on contractors.

**Exhibit 2**  
**Administrative Contract Expenditures for the State of Mississippi Health Plans**  
**for Fiscal Year 1998 and Two Months of Fiscal Year 1999**

	<b>State Employee Plan</b>	<b>Public School Employee Plan</b>	<b>TOTAL</b>
<b><i>FY 1998</i></b>			
Wm. Lynn Townsend, F.S.A.(Actuary)	\$43,470	\$42,528	\$85,998
William M. Mercer, Inc. (Claims Auditor)	50,802	50,802	101,604
PricewaterhouseCoopers LLP (Health Consultant)	145,902	145,902	291,804
MEDSTAT Group, Inc. (Database information)	158,525	177,613	336,138
UNICARE/Cost Care, Inc. (Utilization review)	1,525,119	1,912,947	3,438,066
<b>Total</b>	<b>\$1,923,818</b>	<b>\$2,329,792</b>	<b>\$4,253,610</b>
<b><i>FY 1999 (Two Months*)</i></b>			
Wm. Lynn Townsend, F.S.A.(Actuary)	\$13,390	\$12,415	\$25,805
William M. Mercer, Inc. (Claims Auditor)	13,716	13,716	27,432
PricewaterhouseCoopers LLP (Health Consultant)	29,418	29,418	58,836
MEDSTAT Group, Inc. (Database information)	46,735	49,765	96,500
UNICARE/Cost Care, Inc. (Utilization review)	289,097	362,743	651,840
<b>Total</b>	<b>\$392,356</b>	<b>\$468,057</b>	<b>\$860,413</b>

NOTE: \*Represents disbursements through September 1998 for July and August invoices.

Amounts in the exhibit have been adjusted for rounding errors.

SOURCE: Department of Finance and Administration cash receipts and disbursements reports.

## **Appendix A**

### **DFA Network Provider Contractors for FY 1998 and FY 1999 (to date)**

Blue Cross-Key Network
Health Choice
Baptist Health Services Group
Mississippi Health Connection
Managed Health Care, Inc.
Mississippi Physicians Care Network
University Medical Center
Mississippi Eye Care
Conservacarecorp

SOURCE: DFA personnel.

*Agency Response*



**STATE OF MISSISSIPPI  
DEPARTMENT OF FINANCE AND ADMINISTRATION**

EDWARD L. RANCK  
EXECUTIVE DIRECTOR

November 2, 1998

James A. Barber  
Evaluation Division Manager  
Joint Committee on Performance Evaluation and Expenditure Review  
222 North President Street  
Jackson, MS 39201

Dear Mr. Barber:

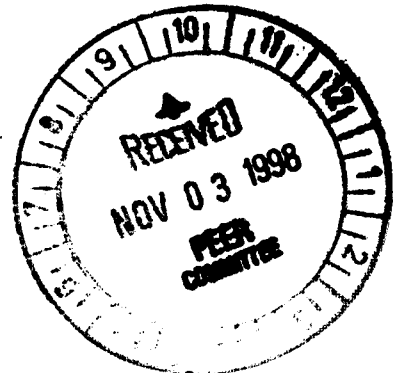
Thank you for the opportunity to review the draft report prepared by the PEER Committee on the Department of Finance and Administration's use of contractors during Fiscal Years 1998 and 1999 under the State and Public School Employees' Health Insurance Plans.

I am pleased that the PEER Committee's staff determined that the Department adhered to the requirements of state law in the administration of the contracts under review and that contractors' work products complied with financial and other contractual requirements. I can assure you that the Department intends to continue to comply with all applicable state laws, rules, and regulations in future contract procurements.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward L. Ranck".

Edward L. Ranck



---

## PEER Staff

---

Max Arinder, Executive Director  
James Barber, Deputy Director  
Ted Booth, General Counsel

### Evaluation

Sam Dawkins, Division Manager  
Linda Triplett, Division Manager  
Pamela O. Carter  
Katherine Stark Frith  
Barbara Hamilton  
Kelly Lockhart  
Joyce McCants  
Michelle M. Owen  
David Pray  
John Ringer  
La Shonda Stewart  
Lynn Watkins  
Larry Whiting

### Editing and Records

Ava Welborn, Editor and Records Coordinator  
Sandra Haller  
Pam Sutton

### Administration

Mary McNeill, Accounting and Office Manager  
Shirley Anderson  
Thelisa Chapman  
Pat Lockett

### Data Processing

Larry Landrum, Systems Analyst

### Corrections Audit

Louwill Davis, Corrections Auditor

---