

September 4, 2013

Re: Minnesota MCOs
Bob Bullen [Bbullen@[REDACTED]]
Sent: Wednesday, September 04, 2013 8:39 AM
To: Bombach, Valerie (OLA)

We followed up with all proposed staff and no one provided any services to the entities listed below within the last five years.

However, as we noted in our proposal, we did perform audits of two of the entities below within the last 5 years on behalf of the Centers for Medicare and Medicaid Services (CMS). All services on these contracts were paid for by CMS. The entities are:

1. BCBS MN – financial examination for 2008 (contract year); financial examination for 2010 [REDACTED] MA/PDP bid audit for 2008.
2. Medica – financial examinations for 2007 and 2008.

The proposed staff that worked on the above projects includes Bob Bullen, Andy Ranck, Keith Sorensen, Jenna Hall and Melanie Holloway.

Let me know if you need any further information.
Thanks

Bob Bullen, CPA, CFE
Member

MYERS AND STAUFFER LC

400 Redland Court, Suite 300
Owings Mills, MD 21117
PH [REDACTED]
PH [REDACTED] (direct)
www.mslc.com

DEDICATED TO GOVERNMENT HEALTH PROGRAMS

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From: "Bombach, Valerie (OLA)" <[REDACTED]>
To: "bbullen@[REDACTED]" <bbullen@[REDACTED]>
Date: 8/30/2013 3:01 PM
Subject: Minnesota MCOs

Bob,

The pertinent MCOs in Minnesota are listed below. Please verify whether proposed staff provided services to any of these entities in the last five years, and the years of service. I look forward to hearing from you.

Blue Plus (BCBS)
UCare
HealthPartners
Medica

South Country Health Alliance
Itasca Medical Care (IMCare)
PrimeWest
Metropolitan Health Plan (MHP).
Regards,

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

October 18, 2013

I asked Bob Bullen to please walk me through the relationship of M&S with CliftonLarsonAllen and verify whether there may be a perceived conflict of interest. His response is below:

Re: M&S and CliftonLarsonAllen
Bob Bullen [Bbuller [REDACTED]]
Sent: Monday, October 21, 2013 7:14 AM
To: Bombach, Valerie (OLA)

M&S has no relationship with CliftonLarsonAllen. However, the Contractor Independence Questionnaire, question #2, refers to "within the past five years". The following should help explain why there is no actual conflict, but there is a reportable issue for any of our staff that worked for CLA based on my interpretation of the question. Some of this is confusing, so please call me at any time to get further clarification.

On 1/1/2012, Clifton Gunderson and Larson Allen merged to become CliftonLarsonAllen. Until that date, Frank and I were with Clifton Gunderson and were part of a regulatory health care practice of approximately 180 staff that worked on behalf of CMS and State Medicaid Agencies for over 30 years. We did no work on the provider side. Larson Allen, prior to the merger did not have a regulatory health care practice. Instead, they had a large health care practice where they performed services on behalf of providers and some health plans. Since the merger created conflicts for both practices, we (the regulatory health care practice) were spun off into a sister company, PHBV Partners. PHBV stood for the 4 partners, Pannell, Hilton, Bullen and Vito. We were separately licensed, had a separate board, etc. but we were wholly owned by CLA. Therefore, it was evident soon after the creation of PHBV that we could not co-exist since we audited providers on behalf of the government and CLA performed services on behalf of providers. A decision was made in early 2012 to sell off the regulatory health care practice. After months of negotiations with multiple companies, a decision was made to sell the practice to Myers and Stauffer as of 1/1/2013. This acquisition involved approximately 180 staff (including Frank and I) and all of our contracts for CMS and State Medicaid agencies.

So, the potential conflict is that some of us worked for CLA for one year (1/1/2012 (date of merger) through 12/31/2012) and CLA provides services to UCare. None of us on the regulatory side performed any work for UCare. However, we did work for an organization "during the past 5 years" that did work for UCare. Hence, the reportable issue.

I hope this helps. Thanks

Bob Bullen, CPA, CFE

Member

MYERS AND STAUFFER LC
400 Redland Court, Suite 300
Owings Mills, MD 21117

PH [REDACTED]

PH [REDACTED] (direct)

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October 21, 2013

OLA Audit Engagement Request

Bombach, Valerie (OLA)

Sent: Monday, October 21, 2013 4:27 PM

To: bbullen [REDACTED]

Attachments: C-41.1 OLAAudit Engagement~1.pdf (76 KB)

Hello Bob -

Thanks for the quick reply on the COI question. I discussed the issue with Jim and he does not think it presents an obstacle for moving forward. As followup to our meeting last Wednesday, attached is an engagement request to audit the administrative expenses and investment income of **one** MCO. Please take note of a couple of items:

- 1) I pushed out the estimated deadlines for submitted a draft and final report to OLA; the impact is that I will be working off of draft findings as I am writing the final report.
- 2) The ER and preamble is written in a way to help us obtain federal reimbursement for the audit work.
- 3) I have already obtained most of the publicly-reported financial statements for the MCOs.
- 4) Per our discussion, I will look into finding space in our office for your staff when they are doing field work in Minnesota. In the meantime, please note in your response that your firm does not currently have an in-state office, and briefly describe your IT work-arounds to this.
- 5) Unless you have a lot of questions or would like to add more detail, I do not expect that a response to the ER would exceed 1-2 pages (with signatures).

Finally, please let me know if you have any questions. Responses submitted prior to the October 28 deadline are always welcome...

Regards,

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

October 22, 2013

FYI...

Bombach, Valerie (OLA)
Sent: Tuesday, October 22, 2013 6:35 PM
To: bbulletin [REDACTED] m

Bob -

Two FYI items:

Myers and Stauffer will be the only vendor for the OLA audit services master contract.

Also, according to a recent legislative legal opinion, potential contractors must first be registered with the Minnesota Department of Revenue in order to respond to a work order bid solicitation. I assume this means the vendor must have a Minnesota tax ID...

I will wait to hear from you on the second item.

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

September 4, 2013, 3:00 p.m.

To: File

From: Valerie Bombach

Subj: RFP Interview – Myers & Stauffer LC

Location: Office of the Legislative Auditor teleconference with Myers & Stauffer representatives

Attendees:

Myers & Stauffer LC

Bob Bullen, Member, Owings Mills, MA

Frank Vito, Member, Austin, TX

Beverly Kelly, Kansas City, KS

Office of the Legislative Auditor

Jim Nobles, Legislative Auditor

Valerie Bombach, Program Manager

Eric Jacobson, Business Manager

We met with Myers and Stauffer (M&S) representatives to discuss their response to our RFP (see C-20.b and C-20.c). The following commentary represents a general summary of the discussion and M&S staff responses to key questions:

What is your understanding and knowledge of the current issues concerning managed care and public health care programs in Minnesota?

Bullen said he became aware of Minnesota's issues approximately two years ago through a blurb in the American Health Association's publications. Bullen said he had heard testimony from someone previously associated with the hospital association and was aware of the OIG investigation.

Explain why Myers & Stauffer would be a good fit for the OLA work. What insight would your firm bring to these issues? Why have a government entity examine the financial reports of managed care organizations?

Bullen said that historically there has been much more oversight and audits of providers, and not the same level of scrutiny of MCOs. He said Texas is a good example of a state that has gone beyond the high level reporting by MCOs on their annual insurance statements and had examined actual costs. Texas also excluded certain costs for reimbursement or for capitation rate setting. Vito said they have audited both for-profit and non-profit entities and he sees the same issues and no differences among both

types of organizations. Bullen said that managed care organizations do need oversight similar to the oversight of providers.

M&S staff described their current efforts in Texas (these were similar to Minnesota's Triennial Assessments or External Quality Review). They also said that—similar to what they do in Texas—M&S will go beyond the MCOs' financial statements and look at the MCOs' actual cost reports using encounter data, medical cost data, and administrative cost data and reporting procedures. They said that in Texas their work has resulted in findings of non-compliance and substantial recoupments of overpayments.

OLA staff said that OLA is looking for a contractor who is flexible and meets independence requirements. OLA will have work orders, but the work also will be an iterative process, which could mean looking more closely at certain expenses or followup. **Do you have any concerns about this approach to conducting the work?** Bullen and Vito said that they do not have any concerns and that they have often operated under this more flexible approach with other states—for example, the Washington State Auditor's Office or CMS—where the work involves a performance audit. They said they are familiar with GAO and Yellow Book Standards, and that they have had been given direct or reciprocal virtual access into agency workpapers. Further, they understand that sometimes the flow, scope, and objectives can change into something completely different than originally planned.

Do you have any concerns or thoughts about reviewing and commenting on work by other audit offices? Any practices or approaches for reconciling differences in findings? Bullen said that they did not have any problems with doing this work. He emphasized that most CPA external audits of MCOs focus on balance sheets, but that M&S will scrutinize and focus on reporting on income statements. He commented that for their work, there is very little value in redoing the work of the independent CPA. The independent CPA reports will be a starting point for reconciling other findings by M&S.

Do you have any concerns or thoughts regarding ownership and use of work product? Bullen said he does not have any concerns about use of work product, but that M&S may need to retain ownership of their work product and papers as a condition of licensure through the Minnesota Board of Accountancy. He said he would verify this.

Does your firm have any work requirements pertaining to staffing or reporting that we must be aware of? Do you have any restrictions in the availability of time or staff between now and next May? When would your staff be available to begin work?

Bullen and Vito said that they have a large number of staff with the expertise necessary to execute the work; "right now we do have resources" and this is a "best fit for what OLA needs." Further, they do not have any internal requirements for staffing a project.

Do you have any objections to OLA contacting individuals from your previous projects? Bullen said he does not have any objections.

FYI...**Bombach, Valerie (OLA)****Sent:** Tuesday, October 22, 2013 6:35 PM**To:** bbullet [REDACTED]

Bob -

Two FYI items:

Myers and Stauffer will be the only vendor for the OLA audit services master contract.

Also, according to a recent legislative legal opinion, potential contractors must first be registered with the Minnesota Department of Revenue in order to respond to a work order bid solicitation. I assume this means the vendor must have a Minnesota tax ID...

I will wait to hear from you on the second item.

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

VB note: On September 16, 2013, I independently confirmed with the Minnesota Board of Accountancy that the Minnesota License for Myers and Stauffer was approved.

September 17, 2013

RE: Minnesota MCOs
Bombach, Valerie (OLA)
Sent: Tuesday, September 17, 2013 6:29 PM
To: Bob Bullen [Bullen@redacted]

Very good, Bob. I assume the Board may take a few days to process and forward your license docs. I am pleased to extend an offer to Myers and Stauffer for the Office of the Legislative Auditor's master contract for audit services. OLA accepts your proposal, and I look forward to finalizing an agreement with you. Unless I hear otherwise from you, tomorrow I will work with Eric Jacobson, OLA Business Manager, to pull together the contract and exhibits and forward them to you for your approval and signature. I'm sure you are aware that, for data practices purposes, information pertaining to the OLA contracting process and awards is still considered Not-Public; I will let you know as soon as the information is considered public. In the meantime, let me know if you have any other questions.

Regards,

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[redacted]

From: Bob Bullen [Bullen@redacted]
Sent: Tuesday, September 17, 2013 2:26 PM
To: Bombach, Valerie (OLA)
Subject: RE: Minnesota MCOs

Valerie - we confirmed with the MN BOA today that our firm license was approved at their Board meeting yesterday. We are now licensed to practice in MN. Thanks

Bob Bullen, CPA, CFE
Member

MYERS AND STAUFFER LC

400 Redland Court, Suite 300
Owings Mills, MD 21117

PH [redacted]
PH [redacted] (direct)

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November 15, 2013

I mailed M&S conflict of interest forms for completion and signature by all M&S staff. M&S staff completed, signed, and returned the independence documents to OLA, and are saved as Not-Public in workpapers.

COI forms and notification letters.

Bombach, Valerie (OLA)

Sent: Friday, November 15, 2013 12:38 PM

To: [REDACTED]

Hi Bev -

I have uploaded the COI forms to the M&S Web site, along with copies of the notice to MCOs. I believe I have uploaded them to the correct folder. Please distribute the COI forms to the appropriate M&S staff, along with a copy of file C-15.a (Notice), and return original signed COI forms to me.

Re: the M&S Web site, I am unable to upload more than one file via ShiftKey+, so I am guessing you received a lot of notification emails. Will try to figure out what the issue is...

Valerie Bombach
Principal Program Evaluator
Office of the Legislative Auditor
[REDACTED]

Minnesota Office of the Legislative Auditor

RFP Evaluation Form – Audit Services

Contractor: Myers&Stauffer _____ **Interview Date: 9/4, 3:00**

Proposals will be evaluated on "best value" based on the evaluation criteria as stated below. When assessing points, use a 0-5 scale, which will then be multiplied by the weight assigned. Shading indicates receipt of information is pending.

Points	Guidance
5	Excellent, insightful response
4	More than adequate response
3	Adequate response, no special insights
2	Inadequate response
1	Totally inadequate response
0	No response given

Factor	Weight
1. Licensed – M.S. chapter 326A	Pass/Fail
2. Conflict of Interest/Independence	Pass/Fail
3. Background/Experience	30%
4. Project Approach/Deliverables/Statement of Understanding	35%
5. Cost	35%

Evaluation (RFP and Interview)

Criteria	Source	Possible Points	Points Awarded	Multiplier	Total Points
1. Licensed in accordance with M.S. chapter 326A <i>Pass/Fail Application approval pending</i>	C-20.b	NA	Pass		
2. Conflict of Interest/Independence A. Vendor eligible to audit the majority of MCOs Y B. Vendor eligible to audit DHS/Rate-setting: Y C. Vendor eligible to provide expertise to OLA: Y	C-20.b	NA	Pass		
3. Relevant Background/Experience A. Responder background/experience overall, including pertinent roles and responsibilities with respect to past work	C-20.b,c,f	0-5	5	1.5	7.5
B. Sufficient staff and resources available for OLA timeframes; Flexibility of proposer	C-20.b,c,f	0-5	5	1.0	5
C. Complaints/actions against proposer	C-20.b	0-5	5	.5	2.5
4. Project Approach/Deliverables/Statement of Understanding					
A. Statement of Understanding, including awareness of current issues, legislative concerns, and work required	C-20.b,c,f	0-5	5	.5	2.5
B. Project Approach, including clearly defined methods and deliverables and appropriate statistical techniques	C-20.b,c,f	0-5	4.8	1.5	7.2
C. Realistic/Logical workplan for completing the work, including timely and feasible deadlines	C-20.b,c,f	0-5	4.5	1.5	6.75
TOTAL TECHNICAL POINTS (Project manager will calculate)					
5. COST (Project manager will calculate)	C-20.c	35	25		25
TOTAL SCORE (Project manager will calculate)		65			56.45