

## **AUDIT REPORT**

**TO:** Gabriel Hernandez, Vice Dean for Finance, School of Medicine

**FROM:** Angela D'Anna, Chief Audit Executive, Internal Audit and Consulting Services 

**DATE:** August 24, 2016

**SUBJECT:** Delivery System Reform Incentive Payment (DSRIP) (16-07)

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## **EXECUTIVE SUMMARY**

Internal Audit and Consulting Services has reviewed the Delivery System Reform Incentive Payment (DSRIP) program at The University of Texas Health Science Center at San Antonio (Health Science Center) for the period October 1, 2014 through September 30, 2015 (known as demonstration year four). The primary objectives of this review were to determine whether the milestones and goals of the DSRIP projects were attained and whether the metrics and supporting documentation evidenced the achievement of the respective milestones and goals.

The DSRIP program has supported many new projects which have created positive investments into the communities served by the Health Science Center. Based on our review of the DSRIP program, project milestones and goals were achieved and were reasonably supported by metrics and other documentation. This audit identified no reportable issues. Attached is the detailed audit report.

## **DETAILED AUDIT REPORT**

Internal Audit and Consulting Services has reviewed the Delivery System Reform Incentive Payment (DSRIP) program at The University of Texas Health Science Center at San Antonio (Health Science Center). The Schools of Medicine, Dentistry and Nursing are DSRIP program participants.

### **PURPOSE AND SCOPE**

The primary objectives of this review were to:

- Determine whether the milestones and goals documented in the DSRIP project plans were attained.
- Ascertain whether the metrics and supporting documentation provided to the Texas Health and Human Services Commission (HHSC) reasonably evidenced the achievement of the respective milestones and goals.

The scope of the review included demonstration year (DY) 4 which is the period October 1, 2014 through September 30, 2015. There are 26 active DSRIP projects totaling \$132 million of potential incentives for DY 1 through DY 5. We selected 11 projects with a combined value of \$92 million (70%) for review.

Sixty (60) metrics were reported to HHSC in October 2015 for DY 4 to substantiate the attainment of the goals for the 11 projects selected for review. We evaluated 17 of these metrics, which were primarily qualitative, and the associated documentation to determine whether they reasonably supported the achievement of the respective project goals. The value of the 17 metrics selected was \$9.2 million (33.8%) of the total value of the 60 metrics reported to HHSC.

### **BACKGROUND**

In December 2011, the state received federal approval for the Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver. This is a waiver under section 1115 of the Social Security Act that allows the Centers for Medicare and Medicaid Services (CMS) and the states more flexibility to expand managed care within the Medicaid program.

The 1115 Waiver is a five year program (demonstration years 2011 through 2016) which created two statewide fund pools: an uncompensated care pool and a DSRIP pool to incentivize providers to transform service delivery practices to improve quality, health status, patient experience, coordination, and cost-effectiveness of healthcare. The HHSC and CMS have agreed to a 15-month extension of the Waiver to include DY 6. The agreement will take the program through December 2017 and will maintain its current funding.

Eligibility to receive DSRIP incentive payments requires participation in a regional healthcare partnership (RHP). Each RHP has geographic boundaries and is coordinated by a public hospital or local governmental entity (anchoring entity) with the authority to make intergovernmental transfers. The anchoring entity collaborates with providers to develop an RHP plan for the implementation of meaningful delivery system reforms that improve patient care for low-income populations. There are 20 RHPs in Texas and the Health Science Center has DSRIP projects in three of the RHPs.

HHSC requires semi-annual reporting on the progress of the projects via an online system. This includes reporting metrics, which can be quantitative or qualitative in nature, to show achievement of the milestones and goals in order to qualify for incentive payments.

States remain obligated to pay their share of the cost of DSRIP initiatives under Medicaid financing requirements. The Health Science Center submits funds to HHSC which are matched with federal funding and are returned to the institution as incentive payments. The total amount of DSRIP incentive payments received from August 2013 through April 2016 was \$112.3 million.

## **RESULTS**

The DSRIP program has provided funding to implement projects that support the institutional strategies of (1) expanding health promotion and primary care services to meet the needs of our patients and communities and (2) developing innovative and interprofessional models for delivery of primary health care. This has allowed the Health Science Center to assess and improve healthcare in three RHPs located in central and south Texas.

Based on the results of our review of the DSRIP program, we concluded that the milestones and goals of the projects were achieved and were reasonably supported by metrics and other documentation. This audit identified no reportable issues.

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This audit was performed by Robert McDermott, Senior Internal Auditor, with the assistance of other members of the Internal Audit and Consulting Services Department. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors.

cc: Michael E. Black, Senior Executive Vice President and Chief Operating Officer  
Eileen Breslin, Ph.D., Dean of the School of Nursing  
Cynthia Clemons, Senior Director, Finance and Administration, School of Medicine  
William Dodge, DDS., Dean of the School of Dentistry  
Dale Flowers, Chief Administrative Officer, Healthcare  
Francisco González-Scarano, M.D., Dean of the School of Medicine, VP for Medical Affairs  
William L. Henrich, M.D., President  
Gerard Long, Ph.D., Assistant Vice President, Business Affairs  
Andrea Marks, Vice President and Chief Financial Officer  
Carlos Rosende, M.D., Clinical Affairs and Executive Director, UT Medicine