



To: Kelly Taylor, Reimbursement Manager:

We have completed our agreed-upon procedures of the Oklahoma State (State) Disproportionate Share Hospital (DSH) Program compliance with the Disproportionate Share Hospital Payments Final Rule (Rule) and have issued our report dated December 10, 2013. We conducted the agreed-upon procedures in accordance with the applicable attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In connection with our agreed-upon procedures, we are providing this additional information to assist you in further understanding the report findings and PDSS that we delivered to you as part of our engagement.

### UNQUALIFIED HOSPITALS

#### Medicaid State Plan (MSP) 2010

During MSP rate year 2010, OHCA did not verify the information provided by hospitals on their applications for DSH funding related to meeting the obstetrician requirement or physician requirement for hospitals located in a rural area prior to making DSH payments.

We found that the following providers did not meet the DSH qualification under the MSP, as prescribed in Section 1923 (d) of the Social Security Act, received DSH payments in MSP rate year 2010:

Hospital	Reason for not Qualifying	City	DSH Payment
Children's Recovery Center	Did not meet OB or rural facility requirement or the 1% MIUR requirement.	Norman	\$523,403
Jim Talliaferro Community Health Center	Did not meet the 1% MIUR requirement.	Lawton	\$644,633

These facilities represent \$1,168,036, or 2.69 percent of the total DSH payments distributed during MSP 2010.

## Recommendation

In order to ensure compliance with the DSH Rule in the future and that only qualified hospitals receive DSH payments, OHCA should implement a review process to verify the obstetrician or physician information provided by the hospitals on their applications for DSH funding. For future MSP rate years, MIUR and LIUR should be recomputed using source documentation, such as MMIS data, when such information becomes available. The Center for Medicaid and Medicare Services (CMS) also provides the following guidance in its General Comments on Auditing and Reporting Provisions for the DSH Rule, “States ... must provide for adjustments to ensure that final qualification and payments are based on actual data for the relevant time period. Consistent with that principle, the LIUR, MIUR or alternative DSH qualifying statistics must be reported in the audit using the actual hospital utilization, payment and cost data applicable to the MSP rate year under audit.”

### VERIFICATION OF DSH FUNDS RETAINMENT

In order to verify that each hospital was allowed to retain their DSH payment, we asked all 59 providers to submit a signed certification with a “yes” or “no” response to the following question:

- Was your hospital allowed to retain 100% of the DSH payment it received for this DSH year? Matching the federal share with an IGT/CPE is not a basis for answering this question "no". If your hospital was not allowed to retain 100% of its DSH payments, please explain what circumstances were present that prevented the hospital from retaining its payments.

We received a response from 55 of the 59 providers. All 55 of the providers that responded acknowledged that they were allowed to retain 100% of their DSH payment.

We did not receive a response from the following 4 providers:

Provider ID	Facility	DSH Payments
370138	Memorial Hospital of Texas County	\$137,931
370158	Purcell Municipal Hospital	\$90,772
370041	Bristow Medical Center	\$37,491
370112	Sequoyah Memorial Hospital	\$92,900

## HOSPITAL-SPECIFIC DSH PAYMENTS LIMIT

### MSP 2010

The following providers received DSH payments that exceeded their hospital-specific DSH limit in MSP rate year 2010 (calculated based on the Rule):

Hospital Name	Total Annual Uncompensated Care Costs	Disproportionate Share Hospital Payments	Comment
Adair County Health Center	\$(512,834)	\$117,922	No data submitted by the provider, limit calculated using only the MMIS data.
Purcell Municipal Hospital	\$85,700	\$90,772	No data submitted by the provider, limit calculated using only the MMIS data.
Carl Albert Community Mental Health Center	\$583,253	\$753,852	Facility provided significantly less uninsured data than provided on the DSH survey.
Jim Talliaferro Community Health Center	\$2,504,822	\$644,633	Considered to have exceeded their DSH limit since they did not have a MIUR of 1% or greater.

### Recommendation

We recommend that OHCA perform a review of uninsured charges provided by facilities on the DSH survey to ensure that it includes only uncompensated cost for furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no insurance or any other third-party coverage.

### UNINSURED ACCOUNTS

We examined the uninsured account details provided by six hospitals for MSP rate year 2010, based on a risk assessment which considers the DSH payment rank, percentage change in uncompensated care costs (UCC), and dollar change in the UCC.

All of the six hospitals provided their uninsured data for our review. Per our review, two of the hospitals provided only allowable charges. The four hospitals for MSP rate year 2010 included individuals with unallowable charges in its uninsured account details, which we identified through our AUP procedures:

Hospital	Total Amount Removed Cost Report Period 1	Total Amount Removed Cost Report Period 2	Total Amount Removed
Midwest Regional Hospital – 6/30/2010, 6/30/2011	\$241,950	\$132,653	\$374,603
Saint Francis Hospital – 6/30/2010, 6/30/2011	\$66,709	\$577,698	\$644,407
St. Anthony Hospital – 12/31/2009, 12/31/2010	\$19,401	\$123,695	\$143,096
St. John Medical Center – 9/30/2010	\$406,591	N/A	\$406,591

The following table provides the types of unallowable charges we identified:

Hospital	Charges Removed Cost Report Period 1	Dollars	Charges Removed Cost Report Period 2	Dollars
Midwest Regional Hospital	• High dollar payments	\$236,483	• High dollar payments	\$126,794
	• Specific Payor Plan	\$5,467	• Specific Payor Plan	\$5,859
Saint Francis Hospital	• High dollar payments	\$66,709	• High dollar payments	\$528,923
			• Specific Payor Plan	\$48,775
St. Anthony Hospital	• Exhibit A & B	\$1,992	• High dollar payments	\$122,397
	• Specific Payor Plan	\$17,409	• Specific Payor Plan	\$1,298
St. John Medical Center Hospital	• Exhibit A & B	\$65,263	N/A	N/A
	• High dollar payments	\$341,328		

## **Recommendation**

OHCA should provide guidance to the DSH hospitals that clarifies the definition of uninsured persons, as well as costs and payments eligible to be included in the calculation of hospital-specific DSH payment limits as defined in Social Security Act 1923(g)(1)(A) and 42 CFR Part 455.304(d).

## **RECORD RETENTION**

OHCA's record retention policy lacks specific details on the types of DSH program documents that should be retained by it and by the DSH hospitals. Additionally, although OHCA required the providers to maintain necessary documents for the purpose of audit, many providers claimed that certain documents requested in conjunction with our procedures were not available or their accounting systems were not able to retrieve the data requested. The following 9 hospitals provided minimal or none of the documentation requested or did not provide uninsured data for MSP 2010:

- Adair County Health Center
- Bristow Medical Center
- Coal County General Hospital
- Claremore Regional Hospital
- George Nigh Rehabilitation Institute
- J.D. McCarty Center
- Memorial Hospital of Texas County
- Purcell Municipal Hospital
- Stillwater Medical Center

## **Recommendation**

To ensure compliance with the DSH Rule in the future, OHCA should require DSH hospitals to retain adequate, accurate, and detailed information to support, for audit and regulatory purposes, data reported on their DSH applications. This information and record of data should include, at minimum, information listed on the attached *Schedule of Information and Records of Data Needed for DSH Audit*. OHCA should also make hospitals aware that CMS suggests that providers would need to modify their accounting system to ensure documents, such as those needed to segregate uncompensated costs, are available for future audits.

In addition, OHCA should consider revising its record retention policy to specify the types of records, such as DSH application packages, which should be retained for DSH programs, and the length of such retention.

## MEDICAID STATE PLAN

We also noted the following areas for improvement to ensure compliance with the Rule:

- The MSP can be enhanced with a detailed description of the methodology for calculating the hospital-specific DSH payment limit, as well as the costs and payments to be included in this calculation to ensure that hospital-specific DSH payment limits include only uncompensated costs for furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no insurance or any other third-party coverage, instead of utilizing charity care charges;
- The definitions of “incurred inpatient and outpatient hospital costs [for furnishing inpatient hospital and outpatient hospital services to Medicaid-eligible individuals and individuals with no source of third-party coverage for the inpatient hospital and outpatient services they received]” can be further clarified to mirror that of the Rule.
- The Medicaid State Plan can be enhanced with a detailed description of the eligible payments as specified in Social Security Act 1923(g)(1)(A) and 42 Code of Federal Regulations (CFR) Part 455.304(d) that should be applied against the calculated uncompensated cost,

This letter is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in blue ink, appearing to read "Frank N. Vito".

Frank N. Vito, CPA, CICA  
Member