To the Oklahoma Health Care Authority (OHCA):

We have completed our examination of the Oklahoma State Disproportionate Share Hospital Program operation as related to the Disproportionate Share Hospital (DSH) Payments Final Rule (DSH Rule) and have issued our report dated December 13, 2017. In connection with our examination engagement, we noted the following matters which we would like to bring to your attention.

**DSH PAYMENT RETENTION**

The following hospitals received DSH payments and did not certify that they were allowed to retain the DSH payments:

<table>
<thead>
<tr>
<th>Hospital</th>
<th>DSH Payments Received</th>
<th>Reason for Not Qualifying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeay Medical Services</td>
<td>$42,438</td>
<td>Hospital did not submit documentation</td>
</tr>
<tr>
<td>Craig General Hospital</td>
<td>$97,288</td>
<td>Hospital did not submit documentation</td>
</tr>
<tr>
<td>Seiling Community Hospital</td>
<td>$23,237</td>
<td>Hospital did not submit documentation</td>
</tr>
<tr>
<td>George Nigh Rehab Inst VA</td>
<td>$53,008</td>
<td>Hospital did not submit documentation</td>
</tr>
</tbody>
</table>

The hospitals above did not submit a completed DSH Survey Pt. I file certifying that they were allowed to retain their DSH payment. Therefore, we were unable to determine that the hospitals were able to retain their DSH payments.

**Recommendation**

In order to ensure compliance with the DSH Rule in the future and that all hospitals are allowed to retain DSH payments, OHCA should require that all hospitals receiving DSH payments submit all requested documentation for the DSH Examination.

**HOSPITAL-SPECIFIC DSH PAYMENT LIMIT**

The following seven providers received DSH payments that exceeded their hospital-specific DSH limit calculated under the DSH Rule in MSP rate year 2014:
<table>
<thead>
<tr>
<th>Hospital</th>
<th>DSH Payments Received</th>
<th>Calculated Hospital Specific Limit</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craig General Hospital</td>
<td>$97,288</td>
<td>($108,716)</td>
<td>State calculation of DSH payment limit is not in accordance with the DSH Final Rule</td>
</tr>
<tr>
<td>Duncan Regional Hospital</td>
<td>$649,065</td>
<td>($500,022)</td>
<td>State calculation of DSH payment limit is not in accordance with the DSH Final Rule</td>
</tr>
<tr>
<td>Integris Baptist Medical Center</td>
<td>$4,390,733</td>
<td>$359,352</td>
<td>State calculation of DSH payment limit is not in accordance with the DSH Final Rule</td>
</tr>
<tr>
<td>Integris Bass Memorial Baptist</td>
<td>$851,984</td>
<td>($829,520)</td>
<td>State calculation of DSH payment limit is not in accordance with the DSH Final Rule</td>
</tr>
<tr>
<td>Valley View Regional Hospital</td>
<td>$410,504</td>
<td>$360,659</td>
<td>State calculation of DSH payment limit is not in accordance with the DSH Final Rule</td>
</tr>
<tr>
<td>McAlester Regional</td>
<td>$881,944</td>
<td>($1,226,309)</td>
<td>State calculation of DSH payment limit is not in accordance with the DSH Final Rule</td>
</tr>
<tr>
<td>Medical Center of Southeastern Oklahoma</td>
<td>$1,035,764</td>
<td>($1,167,588)</td>
<td>State calculation of DSH payment limit is not in accordance with the DSH Final Rule</td>
</tr>
</tbody>
</table>

**Recommendation**

As stated in our Independent Accountant’s Report dated December 13, 2017, we recommend that the OHCA revise the hospital DSH payment limit calculation in accordance with the DSH Final Rule.

**HOSPITAL-REPORTED UNINSURED AND MEDICAID CHARGES**

The following four hospitals had adjustments made to uninsured costs due to the inclusion of accounts with insurance or that were otherwise not eligible for inclusion in the uninsured portion of the DSH limit calculation:

- Hillcrest Medical Center
- Integris Baptist Medical Center
- Alliancehealth Ponca City
- St John Medical Center
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 implemented a record retention policy, however, this policy lacks specific details of what types of DSH program documents should be retained.

Several hospitals provided some, but not all, of the requested documents. The following four hospitals did not provide any documentation or only provided minimal documentation that was not sufficient to complete analysis:

- Craig General Hospital – Hospital filed Bankruptcy and was sold to Saint Francis Health System
- Jeay Medical Services – Hospital closed
- Seiling Community Hospital – Hospital was owned by Rural Community Hospitals of America but was subsequently sold and they were no longer able to access their computer system
- George Nigh Rehab Inst VA – After multiple conference calls and extensions, the hospital never submitted documentation

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, that should be retained for DSH programs and the length of such retention.

MEDICAID STATE PLAN

The 2014 MSP does not provide a description of the methodology for calculating hospital-specific DSH limits. Additionally, the definition of uninsured charges in the 2014 MSP is not in compliance with the December 3, 2014, clarification of uninsured charges in accordance with 42 CFR §447.295.

Recommendation

To ensure compliance with the DSH Rule, we recommend OHCA update the MSP to include the methodology for calculating the hospital specific DSH upper payment limit and update the MSP definition of uninsured charges in accordance with December 3, 2014, clarification of 42 CFR
§447.295. We also noted the following area for improvement to ensure compliance with the Rule:

- 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 hospital services they received]” can be further clarified to mirror that of the Rule.

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

Sincerely,

[Signature]

Frank N. Vito, CPA, CICA, CGMA
Member